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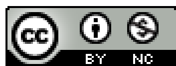

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Institutional Variance and Implications for Corporate Governance Reforms in a Developing Country

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Thesis submitted in fulfilment of the requirements for the Degree of Doctor of Philosophy in Accounting
Durham University Business School
United Kingdom

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Supervisors: Professors Emmanuel Adegbite and Laurence Ferry

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Dedication and Acknowledgements

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Abstract

Corporate governance has attracted significant interest in the post-Enron era, following incidences of corporate fraud and collapses. Some of this attention has been witnessed in the proliferation of corporate governance codes of best practices and reforms. Following the agency theorisation, corporate governance codes and reforms are generically inclined. However, institutional configurations differ across contexts. (Neo-)Institutional theory posits that institutions influence corporate governance. Corporate governance practices, in turn, affect their institutional structures. Equally, organisational and social actors moderate and are compelled by these institutional boundaries. Drawing on these perspectives, this study investigates the inference of the distinct institutional context of developing countries, for corporate governance reforms. It expounds the implications of these evolving structures for the dynamism and procedures involved in such transformational schemes, in a bid to contribute to the theorisation of institutional reproduction.

In this respect, a constructivist position is adopted by exploring the views of key stakeholders in the Nigerian corporate context. Against this backdrop, the study employs a qualitative method approach, involving in-depth interviews supported by documentary evidence, to fulfil its aim. In line with the description of salient stakeholders in corporate governance reforms, such key stakeholders include: regulators and policy makers, listed companies and other notable players, within the corporate governance context of Nigeria – a central economy in Africa.

The findings are several. First, the study highlights that corporate governance reforms are motivated by the interface and alignment of established institutional logics, informed largely by the prevalent influence of a compendium of large family founders, regardless of supposed external pressures. Second, the expectations of the universally driven corporate governance reforms are found to contradict the dominant corporate governance performance in Nigeria, reflecting a complexity in application. Third, the mode and approach to corporate governance reforms in Nigeria are principally determined by internal legitimation, including: endogenous factors, social ratifications and path dependence, from established corporate governance structures. Lastly, corporate governance reforms are disclosed to be moderated primarily by informal mechanisms, as opposed to the more structured techniques of developed countries. Correspondingly, employment of such a framework of performance is advocated in the realisation of an institutionally informed corporate governance reform scheme in Nigeria, whereby the predominance of family block-holders could positively provide an avenue for tailored change through proper integration of their influence. In the main, the study forges a debate on the practice and policy that “a fit for all” corporate governance reform’s procedure is yet to be achieved. In this vein, theoretically, the study provides a model for understanding the institutionalisation of corporate governance reforms within maturing fields, as in Nigeria.

Chapter 1- Introduction and background to the study

1.1 Emergence of corporate governance reforms

Corporate governance has received renewed attention in recent years. Incidences of corporate improprieties since the last decade and the attendant repercussions, such as the governance and financial crises, are considered to be some of the motivations of this heightened interest (Deakin and Konzelmann, 2003; Coffee, 2005; Zona et al., 2013). Particularly, evidence includes high-profile cases such as; Enron, WorldCom, Arthur Andersen, Parmalat, Freddie Mac, Lehman Brothers, Northern Rock, Merrill Lynch. These occurrences have been attributable, *inter alia*, to weaknesses in corporate governance standards and specifically internal structures in these organisations (Dedman, 2002; Dewing and Russell, 2004; MacNeil and Xiao, 2006; Solomon, 2013). For instance, the collapse of Enron was cited as a result of failings in internal controls and safeguards in corporate governance at these corporations (Deakin and Konzelmann, 2004). Inevitably, the need to reinforce corporate governance mechanisms has become imperative.

In the aftermath of these occasions of corporate scandals, a variety of measures have been proposed, to curtail any recurrence. One major response to these events is the worldwide proliferation of heightened corporate governance regulations from the last decade (Dewing and Russell, 2004; Keasey et al., 2005). These additional controls are meant to direct managerial behaviour in accordance with expectations and impose new responsibility on corporate executives and the board (Aguilera, 2005). This is seen as necessary to resolve conflict, maximize shareholder value and increase accountability (Aguilera, 2005). Some of these corporate controls have emerged in the form of the initiation of codes of conduct or principles of best practice for companies (Aguilera and Cuervo-Cazurra, 2004, 2009). Although the first code of corporate governance dated back to 1978, in the USA, followed by a second country, Hong Kong, in 1989, however, the need for codes of good governance had never prompted such level of attention noticed from the start of the 20th century[1] (Aguilera and Cuervo-Cazurra, 2004, 2009). For instance, the Cadbury code (1992), published from the recommendations of the Cadbury committee on '*financial aspects of corporate governance',* represents such an attempt. As a response to demands to raise standards in corporate reporting, the recommendations of the Cadbury code also provided a frame of reference for corporate governance in the UK (Stiles and Taylor, 1993; Canyon and Mallin, 1997), to make explicit the United Kingdom (UK) corporate governance principles (Dedman, 2002; Solomon, 2013).

Following the Cadbury code, corporate governance codes have risen significantly in countries across the globe (Hermes et al., 2007). The Cadbury code cited as a model (Sheridan et al., 2006) also

[1] 'The U.S. was one of the first nations in the world to concern itself with the governance of its publicly-listed corporations. But it stopped well short of developing authoritative general standards of corporate governance.' (Haskovec,2012:6).

acted as a trigger[2] for such emergence (Van den Berghe, 2002). Some of these are: the Italian Preda code (1999, 2000); German corporate governance code; Baums report (2001) and Cromme code (2002-3); US Sarbanes-Oxley Act (2002); the Russian code of good governance (2002); Swedish code of corporate governance (2004); among others (Cromme, 2005; Schmidt and Brauer, 2006; Clarke, 2007; Aguilera and Cuervo-Cazurra, 2009). These developments were targeted at broadly regulating corporate governance practices (Dedman, 2002; Khanna et al., 2006). In this respect, the Organization for Economic Cooperation and Development (OECD)'s *'Principles of Corporate Governance'*, was initiated in 1999 (updated in 2004).[3] These principles, simply referred to as '*best practices*', are basically intended to provide an international *benchmark* for corporate governance across the globe (OECD, 1999). Universally, they serve as the basis for the promulgation of consequent corporate governance improvements (Krambia-Kapardis and Psaros, 2006). Subsequently, transnational organisations such as the World Bank, International Monetary Fund (IMF), International Accounting Standards Board (IASB) and the European Commission (EC), have aided the development and worldwide diffusion of these *best practices* (Khanna et al., 2006; Aguilera and Cuervo-Cazurra, 2009).

Developing countries have equally had to adopt good governance principles. In this respect, inevitably aligning their corporate governance practices with the '*global best practices'* (Coombes and Watson, 2001; Krambia-Kapardis and Psaros, 2006). Accordingly, in line with global diffusions of codes of good governance and corporate governance reforms in the developed countries of Europe, North America and emerging Asia Pacific, developing African countries also issued codes of good governance in recent decades. Some of these include the acclaimed King report on corporate governance in South Africa (Ntim and Soobaroyen, 2013) and other good governance principles and requirements widely proposed in African corporations (Osemeke and Adegbite, 2016; Waweru and Prot, 2018). These reforms were also found to be driven by, among other rationales, the need to forestall corporate failures, protect shareholders' interest, and the symbolism of good governance practices (Okike and Adegbite, 2012; Akinkoye and Olasanmi, 2014; Waweru, 2014). However, despite these perceived benefits, these codes were considered to have been principally informed by initiatives in the developed countries. The OECD principles have notably spurred the developing countries to launch corporate governance codes of best practices (Krambia-Kapardis and Psaros, 2006). For instance, in Egypt, the code of corporate governance for listed companies in 2005 and the code of corporate governance for state-owned enterprises in 2006, are mainly based on the OECD guidelines (African

[2]The present global interest in corporate governance advancements was cited to have been precipitated by the launch of the Cadbury code in 1992. As stated by Van Den Berghe (2002) though, corporate governance reform spurred some attention in the mid-1980s – following the initiation of the principles and recommendations of the American Law institute in 1984 and the Treadway Commission in the US in 1987 – however, it did not become a global phenomenon until the launch of the first UK corporate governance code (Cadbury code) in 1992.

Corporate Governance Network (ACGN), 2016). Likewise, most of the recommendations of these codes were viewed to primarily mirror the underlying tenets of corporate governance principles, such as the Cadbury code (1992), in the UK[4] (Dedman, 2002; Marx, 2009; Krenn, 2014). The OECD and similar transnational bodies, such as the IMF and World Bank, referred to as 'agents of convergence' (Adegbite et al., 2013), have thus been adjudged to simultaneously aid the promotion of the Anglo-American (shareholder) system of corporate governance (*see* Soederberg, 2003). As Coombes and Watson (2001) contend, such a corporate governance model, usually prescribed in corporate governance reforms, is the one that prevails in the United States (US) and UK. While this prioritises shareholders' interests, a prevalent feature of these two preceding corporate environments, it does not consistently capture the situation in all organisational settings (Coombes and Watson, 2001; Young et al., 2008; Filatotchev et al., 2013). Therefore, the introduction of such codes of best practice into other contexts can be considered to largely follow the '*taken-for-granted*' assumption about their compatibility. Their applicability to the exigencies of the developing contexts, as is the case of the advanced countries, where these codes were initiated, has thus likewise been presupposed.

1.2 Neo-Institutional perspective on corporate governance reforms

In spite of the rise of these regulatory controls, corporate misdemeanours have continued to occur. This is evident from renewed cases of business frauds in the post-Enron era and following the global financial crisis in 2008, involving corporations, including those in the developing countries, with their attendant impact on firms globally. The basic supposition about and the adequacy of the prevailing understanding of organisational workings is, accordingly, considered to be undermined (McCahery and Armour, 2006). Corporate governance reforms are intended to engender good/best practices (Aguilera and Cuervo-Cazurra, 2004; Zattoni and Cuomo, 2008). However, as contended by institutional theorisation, corporate governance is not context free (Meyer and Rowan, 1977; Filatotchev et al., 2013), whereby, corporate governance practices are entrenched in their institutional structures (Aguilera and Jackson, 2003; Judge et al., 2010). For instance, as Coffee (2005) discovered, different systems of corporate governance are characterised by dissimilar types of scandals. In this vein, Zona et al. (2013), in explaining the emergence of corporate scandals, acknowledge this as being more of the consequence of external factors associated with complex institutional dynamics.

As projected by the neo-institutional theory (Maguire et al., 2004; Suddaby and Greenwood, 2005; Harmon et al., 2015; Ocasio and Radoynovska, 2016), organisational reproduction largely embodies the interplay of social agents within institutional structures. Corporate governance reforms,

[4] Some of the recommendations of the SEC code also include: responsibilities of the Board, independent directors, directors' remuneration, tenure and re-election of directors, insider trading, etc.

as a form of modification, constitute procedures by which organisational mechanisms can be reproduced (Aguilera and Cuervo-Cazurra, 2004; Szabó, 2017). These procedures are identified to significantly involve the activities of actors such as executives, stockholders, regulators, government, policy makers and other economic and social participants (OECD, 1999). In this regard, institutional factors such as values, beliefs and norms, impact on corporate governance performance (Aoki, 2001; Scott, 2001; Aguilera and Jackson, 2003). Thus, endogenous factors are also basically central to any of such advancements. For instance, legitimation not only involves how people act, but also what propels such action (Aldrich and Fiol, 1994). Likewise, efficiency is considered as the ability to satisfy organisational functions, albeit within institutional constraints (Oliver, 1991; Roberts and Greenwood, 1997). Hence, the expected efficiency and/or legitimation from corporate governance reforms is considered as not only dependent on subjective endogenous variables, but also relational variables. The neo-institutional theory has been successfully employed in studies involving diffusion or adoption of corporate governance practices (Ntim and Soobaroyen, 2013). The neo-institutionalism perspective equally offers a framework for understanding the implications of institutional dynamics for attempts at corporate governance reforms, in the developing contexts.

1.3 Institutional contexts of developing countries

Unlike developed nations, the developing Africa nations encompass relatively disparate institutional structures (Coombes and Watson, 2001; Young et al., 2008). For instance, the United Nations Global Compact (UNGC, 2013), describes the Sub-Saharan Africa (SSA) nations as a fragile and weak governance zone, where the public sectors' actors are unable or unwilling to provide effective management and provision of basic public services for their citizens. These are regions whose state structures lack the capacity to provide the functions needed for poverty reduction and development (UNGC, 2013). The prevalence of failing and dysfunctional institutions, such as underdeveloped capital markets, is noted in the developing contexts (Tsamenyi et al., 2007; Waweru, 2014). Furthermore, the Sub-Saharan Africa countries are characterized by inefficient legal infrastructures, leading to weak enforcement of rules (Ahunwan, 2002; Bokpin and Isshaq, 2009; McGee, 2009; Tsamenyi et al., 2007; Adegbite, 2012b). 'In addition to having a weak judicial system, developing countries are found to be unlikely to have administrative agencies that can handle issues, such as accounting standards, financial disclosures and stock market listing rules, that benefit from detailed rule making and non-legal administrative enforcement' (Prowse 1998:16). These weak institutional conditions have impacted on corporate governance advancement in this region, to a large extent (Adegbite and Nakajima, 2012; Okike 2007; Mensah et al., 2003; Mangena et al., 2012). Effective corporate governance regulation

requires robust institutional complements, as obtained in the developed contexts (Baums, 1993). However,

> *"In a less evolved regulatory, legal and institutional environment, information asymmetries are more severe, contracting costs are higher because standard practices have not been developed, enforcement of contracts is more problematic because of weak courts, market participants and regulators are less experienced, and the economy itself is likely to be undergoing more rapid change than in developed countries"* (Clarke, 2015: 12).

Nonetheless, the diffusion of practices, codes of corporate governance and reforms, inferences from the developing contexts, especially the Sub-Saharan Africa countries are comparatively lacking. Previous studies on the adoption of codes and good governance reforms have mostly focused on the developed countries of the European nations and the Asian Pacific (Dedman, 2002; Kaen, 2003; Cromme, 2005; Murphy and Topyan, 2005; Krambia-Kapardis and Psaros, 2006; Nakamura, 2006; Yoshikawa et al., 2007). In spite of the globalisation of corporate scandals and the consequential reforms, there have been differing positions on addressing corporate governance issues. For instance, from one such perspective, the failure of corporate governance is contested as more the failure of institutional arrangements underpinned by popular paradigms, such as market fundamentalism (Sun et al., 2012). In this respect, to address the crisis and forestall future occurrences of corporate scandals, it is advocated that corporate governance seeks a balance between economic-social goals and individual-communal goals (Sun et al., 2012). In this vein, the impact of the developing contexts, on the establishment of tailored corporate governance reforms, becomes salient. Although, in recent times, there has been relatively budding corporate governance literature and studies within the developing Sub-Saharan Africa context in this respect (Rossouw, 2005; Tsamenyi et al., 2007; Amao and Amaeshi, 2008; Adegbite, 2012a; Ojeka et al., 2017), an understanding of the institutional variants portrayed by the developing contexts, for such attempts at corporate governance reforms, is as yet unclear.

Corporate governance regulations in developing countries depict distinct specificities. For instance, although a prevalently family concentrated (block-holding) ownership structure is also reported in other countries, such as Japan, Germany and some European nations (Nakamura, 2006), the social and/or institutional setting in which such ownership structure is exercised within the developing contexts, differs (Ahunwan, 2002). Also, this form of ownership structure in corporations in these contexts does exert higher managerial control on corporate management (Ntim and Soobaroyen, 2013). In a study of listed companies in Bangladesh, while mandatory reporting of corporate governance codes is found to have a significant positive association with firm size, firm

profitability and firm multinational parents, it however has a significant negative association with the ownerships (Das et al., 2015). According to Clarke (2015), in developing business environments, investors often have less interest in the strategic goals of the enterprise but focus on short-term returns. Thus, the interests of outside investors are not usually formally represented in the governance of corporations (Clarke, 2015). Equally, as Balgobin (2008) asserts, when the peculiarities of small states are considered, it is particularly difficult to derive an encompassing definition of corporate governance. Against this lacuna, this research seeks to understand how corporate governance reforms align with these countries' specific realities and contexts.

Using Nigeria as a case, this research is thus hinged upon the question: *How are corporate governance reforms institutionalised within the peculiarities of the developing institutional contexts?*

1.4 Research context and agenda: Why Nigeria?

Nigeria presents as a useful case study. Stake (1995) and Bryman and Bell (2011) posit that researchers should base a case study where learning is expected to be greatest. Nigeria remains a central economy in Africa (IMF, 2014, 2017) and also the most populous nation on the continent (Commonwealth, 2015). In this vein, the corporate governance environment of Nigeria represents a model of prevailing situations in other developing countries, particularly in the Sub-Saharan Africa nations – a region also comparatively noticeably budding in the neo-institutional theorisation literature (Adegbite and Nakajima, 2012; Abor and Fiador, 2013; Daodu et al., 2017; Kusi et al., 2018). Especially, within this region, the institutional structures are densely intertwined with socio-cultural elements (Tsamenyi et al., 2007; Bokpin and Isshaq, 2009; Kyereboah-Coleman, 2007; Mangena et al., 2012; Adegbite, 2015; Waweru, 2014), thus representing an environment with profound implications for governance reforms. Further, the Nigerian corporate governance system has largely been subjected to varying external pressures, including global bodies, such as the IMF, rating agencies, and the AfDB (Adegbite et al., 2013).

In 2003, in line with the global trends, the first corporate governance code in Nigeria, known as the '*Code of Best Practices on Corporate governance in Nigeria'* (SEC code, 2003), was initiated through the recommendations of the *Committee on Corporate Governance*, instated in 2001. This code (revised in 2011), spelt out the best practices to be complied with by publicly listed companies and other multiple stakeholder companies registered in Nigeria (SEC code, 2011). The UK Cadbury code (1992) and the OECD principles have mainly informed the perception of good governance practices in Nigeria (Okike and Adegbite, 2012). In Nigeria, for instance, *'the committee on corporate*

governance of public companies' affirms one of the terms of reference in drafting the *Code of Best Practices on Corporate Governance in Nigeria* (SEC Code, 2003), thus:

> "*To examine practices in other jurisdictions with a view to the adoption of international best practices in corporate governance in Nigeria*" (p 2).

This is also consistent with the rationale for the launch of the SEC code. As stated by the *Committee for the Constitution of the SEC code (2003)*:

> *"Companies perceived as adopting international best corporate governance practices are more likely to attract international investors than those whose practices are perceived to be below international standards"* (SEC Code 2003: 2).

Nonetheless, as Okike (2007), argues 'whilst adherence to good corporate governance standards is imperative, in Nigeria, however, such code of best practices must reflect the peculiar socio-economic and political environment.'

Following the introduction of the SEC code in Nigeria in 2003, other codes of good governance and reforms were also launched in the Nigerian corporate environment. Some of these are the Central Bank of Nigeria (CBN) code (2006), National Pension Commission (PENCOM) code, and the National Insurance Commission (NAICOM) code. Also, recently, along this line, is the initiation of the Financial Reporting Council of Nigeria (FRCN), by the 2011 FRC Act, to draft and administer the *National Code of Corporate Governance*[5]. However, findings by Osemeke and Adegbite (2016) reveal overlaps in the recommendations of these codes. According to their study, the resultant multiplicity of the codes of good governance in Nigeria, created complexity (Osemeke and Adegbite, 2016). Consequently, this difficulty is demonstrated, by companies, through either outright non-compliance with some of the provisions of these codes or selective compliances. On reflection, Nigeria has, equally, had its fair share of corporate scandals and fraudulent practices, despite the reforms of the last decades. For instance, the Nigerian subsidiary of the Cadbury confectioner (Cadbury Nigeria Plc) was involved in a substantial financial falsification between 2002 and 2005.[6] This was attributed largely to weak shareholder activism and inconsistent compliance and enforcement procedures characterising the Nigerian corporate mechanism (Amao and Amaeshi, 2008). Also, a three-year report (2014-2016) by the Banking and Systems Payment Department of the CBN on the incidences of banking frauds in Nigeria shows a significant increase in Internet and electronic frauds by individuals, which is linked to

[5] The FRCN – National Code of Corporate Governance, 2016, <http://www.financialreportingcouncil.gov.ng/corporate-governance/> Accessed 15-08-17.
[6] Nigeria fines Cadbury unit for false accounting. *Reuters*. April 11, 2008 <https://www.reuters.com/article/cadbury-nigeria-sec-idUSL1181158820080411>Accessed 15-08-17.

the economic hardship in recent times (*Punch,* July 3, 2017).[7] However, notwithstanding the localised causes of these challenges and misdemeanours, the corporate governance reform agenda has generically evolved across the globe.

Along this line, the perceived benefits of the Nigerian code of corporate governance, notwithstanding, the compatibility of such best practices, inspired primarily by developments from the developed contexts, within the Nigerian corporate and institutional structures, has been questioned (Okike, 2007). Notably, attempts at corporate governance in Nigeria, in the past decades, have failed to achieve the intended goals (Ahunwan, 2002; SEC code, 2011; Bello, 2016). Within this context, some studies have thus attempted an explication of corporate governance reforms in Nigeria. For instance, Okike and Adegbite (2012) and Akinkoye and Olasanmi (2014) investigated the rationale for code creation or adoption, and level of compliance with codes of corporate governance among Nigeria companies, respectively, while Osemeke and Adegbite (2016) reviewed the different codes in Nigeria. However, "*corporate governance is ultimately the outcome of interactions among multiple stakeholders*" (Aguilera and Jackson, 2003: 449). Economic agents and social actors notably are central to organisational reforms (George et al., 2006; Misangyi et al., 2008). Along this line, evaluating the views, opinions and experiences of key social actors within organisational fields, in instituting corporate governance reforms, is imperative. Yet the dynamics involved in the institutionalisation of corporate governance reforms, within the developing institutional context, are relatively basically disregarded. The nascent literature, thus, reveals a lacuna with respect to assessing these transformational undertakings. However, the explanation of the implication of such noted profound social interplays, alongside the dense interlace of contextual variables for the procedural of institutional reforms, remains uncharted.

As the biggest consumer market in Africa (Commonwealth, 2015), Nigeria represents a concentration of economic power in Africa. A contextualisation of the corporate governance innovations in this setting will present a reference for the African continent and possibly the developing countries at large. This is important in promoting corporate viability and sustainability in consequently advancing economic development in these nations. This study therefore advances the neo-institutional theorising of corporate governance reforms in weak institutional settings such as Nigeria, while offering implications for similar contexts. Essentially, this should promote effective corporate governance improvements, accounting for the peculiarities within this developing institutional context.

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[7]Banks suffer fraud cases worth N16.5bn in three years. *Punch.* July 3, 2017 <http://punchng.com/banks-suffer-fraud-cases-worth-n16-5bn-in-three-years/>

1.5 Research Aim

Against this backdrop, this study ***critically investigates the corporate governance reforms' procedures in the Nigerian institutional environment, with a view to understanding the implication of the dynamics within the developing context, for the institutionalisation of such organisational reforms.***

In line with this, the study is directed by the following research questions.

1.6 Research Questions

- What are the motivations for corporate governance reforms in Nigeria and how can institutionally driven corporate governance reforms be achieved?
- What are the challenges (implications) of the Nigerian corporate governance system for the attempts at corporate governance reforms?
- How are corporate governance reforms ratified and regulated within the Nigerian institutional context?

1.7 Research Relevance: Contributions and significance

First, the study is motivated by the need to advance the theorisation of institutional reproductions within the neo-institutionalisation space, to align with past studies (DiMaggio and Powell, 1983; Oliver, 1991; Greenwood et al., 2002; Greenwood and Suddaby, 2006; Misangyi et al., 2008; Esharov and Smith, 2014; Tost, 2011; Hoefer and Green, 2016; Aguilera and Jackson, 2010; Young et al., 2008; Judge et al., 2008; Adegbite and Nakajima, 2012; Chizema and Shinozawa, 2012; Filatotchev et al., 2013; Ntim and Soobaroyen, 2013; Clarke, 2016; Haxhi and Aguilera, 2017; Imerman, 2018). Whereas these studies have looked at institutional reproductions/change from a broad contextual viewpoint, this study enables a precise explanation of the procedures of organisational innovations, within a targeted institutional context. Thus, this study contributes theoretically, in essence, to the neo-institutional perspective on the ***institutionalisation of corporate governance reforms, providing insights from a maturing organisational field.*** Against this background, the study offers a model which promotes the understanding of organisational transformations, within a developing institutional context, such as Nigeria.

Second, the study contributes to the literature, in conceptualising organisational reforms/change (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Oliver, 1991; Thornton and Ocasio, 1999; Maguire et al., 2004; Greenwood and Suddaby, 2006; Zattoni and Cuomo, 2008; Lawrence et al., 2009; Judge et al., 2010). Specifically, the study provides a bridge between the diffusion of practices and the actual establishment of organisational transformation, in attempts at

corporate governance reforms. Previous studies (Adekoya, 2011; Adewuyi and Olowookere, 2013; Akinkoye and Olasanmi, 2014; Osemeke and Adegbite, 2016; Ojeka et al., 2017) have mainly focused on investigating the diffusion of corporate governance principles, implementation and impact, or challenges to these undertakings. Thus, this study expands knowledge by enabling a systematic explication of the transitional phases, at institutional reforms, within the developing Sub-Saharan Africa organisational field. In this respect, insights regarding the motivation, challenges, legitimation or rationalisation, and prospects for the institutionalisation of the corporate governance reforms within this developing context, are enabled.

Third, in comparison with developed countries, corporate governance research in developing countries and most especially in Sub-Saharan Africa, is budding within the neo-institutional framework (Okike, 2007; Amao and Amaeshi, 2008; Adegbite and Nakajima 2012). Thus, this study mitigates this paucity by broadening the perspective on corporate governance reforms, within this sphere. To this end, this study expands discussions on the alignments of national institutional contexts with attempts at promoting best practices in corporate governance reforms (Aguilera and Cuervo-Cazurra, 2004, 2009; Yoshikawa and Rasheed, 2009; Zattoni and Cuomo, 2008; Filatotchev et al., 2013), specifically in the developing country (Okike and Adegbite, 2012). This offers explicit scenarios that would enhance insights beyond the context of the investigation into organisational innovations, while providing a useful link between theory and practice.

Further, the study advances practice and policy in the diffusion and harmonisation of corporate governance principles, thus extending comparative perspectives in the international discourse on regulatory measures (Yoshikawa et al., 2007; Adegbite et al., 2013). A key contribution is in investigating the implications of the peculiarities of the emerging and developing institutional contexts for the widespread intentions of a universal corporate governance reform's approach (Reed, 2002; Krambia-Kapardis and Psaros, 2006; Liew, 2007; Yoshikawa et al., 2007; Adekoya, 2011; Adegbite and Nakajima, 2012; Ntim and Soobaroyen, 2013; Filatotchev et al., 2013; Biswas, 2015; Osemeke and Adegbite, 2016). This research is also significant to corporate governance policy, by aiding the contextual analysis of good governance propositions or recommendations from the perspective of a developing organisational context. Hence, international bodies, policy makers and agencies such as the OECD, ICGN, World Bank, IMF, AfDB, the European Union (EU) and other transnational organisations at the forefront of corporate governance developments, are offered comparative perspectives on the agenda of the diffusion, convergence and/or uniformity of corporate governance best practices. The research is likewise relevant to corporate governance regulators, policy makers and practitioners in the developing countries – especially in Africa – in promoting

efficient and institutionally informed corporate governance reforms. Particularly, this knowledge is important for instituting a corporate governance system tailored to the exigencies of the Nigerian (and assuredly the Sub-Saharan Africa region) context, whilst also establishing an internationally accepted reputation.

1.8 The Structure of the Thesis

In addressing the research aim and objectives, the rest of this thesis is structured into seven chapters as follows:

- **Chapter Two: Literature Review and Theories: -**

The second chapter involves the review of the extant literature on corporate governance and corporate governance reforms, both theoretical and empirical. In order to achieve the in-depth evaluation of pertinent issues, as necessary, the chapter also promotes understanding regarding corporate governance mechanisms, diffusion of governance principles and corporate governance reforms. Proceeding within the neo-institutional theoretical framework, the chapter provides a review of the conceptualisation and perspectives on organisational studies and corporate governance reforms, in order to situate this investigation. Finally, the chapter culminates with a scrutiny of related studies from the developing Sub-Saharan Africa and Nigeria. This extant review reveals the gap in knowledge, which the study attempts to bridge, in relation to past studies.

- **Chapter Three: Methodology: -**

The chapter discusses the methodological paradigm or approach. This includes the ontological and epistemological perspectives. It highlights the research technique and methods, the research design, in-depth interviews and archival research, and the justification for this choice. The data collection and data analysis procedures are also outlined. The chapter concludes with a discussion of the limitations and ethical considerations, while it also provides an overview of the findings chapters.

- **Chapters Four, Five, Six and Seven: Analysis, Findings and Discussions: -**

Chapters 4-7 of the thesis outline the findings in relation to the research aim and questions. This includes the relationships amongst the themes and categories emanating from the data analysis. In this respect, the section provides interpretations of the insights from the data analysis, which involves critical analysis of the relationships and trends between themes, sub-categories and categories. The explanations of these relationships constitute the findings, analysis and discussions. The findings are outlined and discussed drawing on insights from the conceptual, theoretical background to the study,

past studies and relevant literature. The section ends with a further discussion of the major themes from the findings chapters.

- **Chapter Eight: Conclusion Chapter: Summary of thesis and Contributions: -**

The chapter provides an account of the study in line with the findings and discussions. This involves the 'meaning making' of emerging issues and interrelationships between themes and categories revealed in the findings. A critical perspective on the interpretations of the trends emerging from the findings is situated within the relevant studies and literature to reveal the contributions. These are outlined as contributions to the neo-institutional theory, the corporate governance literature, and the practice and policy. Also, within the chapter, the limitations of the study are outlined. In conclusion, the chapter attempts to provide a direction for further research, in light of the present findings from the study.

Chapter 2- Literature review

2.0 Introduction

This chapter provides a review of the extant and related literature to this study. The chapter is divided into four parts and structured as follows. In an effort to provide a platform for the study, the first section (Part A) offers a review of the extant literature regarding the evolution of corporations, corporate governance structures, controls and reforms. The second section (Part B) provides a scrutiny of the corporate governance literature on the evolution and diffusion of governance principles, corporate governance reforms across different economic contexts, and the convergence debate. Proceeding within the neo-institutional theoretical framework, the third section (Part C) provides a critical evaluation of perspectives on organisational studies, in order to situate this investigation. This segment seeks to justify the adopted theoretical stance for the research. Finally, in Part D, the chapter culminates with a scrutiny of related studies from the developing Sub-Saharan Africa and Nigeria, in light of the current propositions, outlining the research agenda.

2.1 PART A: Corporate governance and corporate governance reform: A conceptualisation

2.1.1 The theory of the firm and the rise of corporations

The theory of the firm states that the firm operates to coordinate inputs in order to yield outputs, for the purpose of maximizing profit or more accurately, create value (Jensen and Meckling, 1976). “A firm consists of the system of relationships which comes into existence when the direction of resources is dependent on an entrepreneur” (Coase, 1937: 393). In those cases where a very short-term contract would be unsatisfactory, a firm is likely therefore to emerge (Coase, 1937). A firm therefore serves as a ‘nexus for a set of contracts’, which delineates the rights and obligations of the respective participants in the activities of the organisation (Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen, 1983b). Nonetheless this position of the theory of the firm to articulate the nature and purpose of the firm, the morality of the idea of the firm as a hierarchical form, has been queried as giving the employer a unilateral right to exert his will, over his employees (Lee, 2018).

Under this set of contracts, in modern corporations (firms), the entrepreneur or manager raises funds from investors, which in turn needs the specialised skill of the manager to generate funds on his investment (Shleifer and Vishny, 1997). Within the firm, the complicated market structures are replaced by entrepreneur coordination, which directs production (Coase, 1937; Alchian and Demsetz, 1972). Thus, instead of a host of market transactions, the defining characteristic of a firm is in the “team use of inputs and a centralised position of some parties in the contractual arrangements of other inputs” (Farrar, 2008: 32). As Jensen and Meckling (1976) further maintain, the rights and

behaviours of individuals in the organisation, including those of managers, will be affected through the contracts – implicit or explicit – and the allocation of costs and rewards among these participants will, in turn, be specified by these rights.

2.1.2 The separation of ownership and control

The structure of modern corporations epitomises the situation of entrepreneurial relationships, stipulated by the theory of the firm, correspondingly (Berle and Means, 1932). The risk bearers (capital providers), as residual claimants, will suffer the most if the firm fails, and as a result, they tend to diversify their holdings across many firms (Fama, 1980; Walsh and Seward, 1990). This invariably leads to dispersed ownership. Such situation, as Berle and Means (1932) cited, results in the '*separation of ownership and control'*. From this viewpoint and within the set of contracts of a firm, management and risk bearing – which are the functions normally attributed to the entrepreneur – are treated as separate factors (Fama, 1980). (As Fama (1980) declares, such diffused ownership of securities can be beneficial in terms of an optimal allocation of risk bearing). Hence, the capital providers sign a contract that specifies how such a fund will be used. However, due to the inability to predict future contingencies, a complete contract cannot be designed, thus resulting in the emergence of residual rights (Shleifer and Vishny, 1997). These rights, which give managers the power to make decisions on behalf of the owners (entrepreneur) about matters not stated in the contract, are thus inadvertently allocated to managers, as the decision makers in the corporation (Grossman and Hart, 1986; Hart and Moore, 1990; Shleifer and Vishny, 1997). The association of the principals and the agents satisfies the condition described as a '*pure agency relationship'* (Jensen and Meckling, 1976). Such relationships, as professed, are prone to problems (Eisenhardt, 1989; Agrawal and Knoeber, 1996). Conversely, a differing argument is given in the case of family firms, where there is a greater combination of ownership and control. While there is tendency for such a governance structure to be detrimental in the long run, large family firms may perform better in the short run, from the exploitation of resources and institutional voids (Peng et al., 2018).

In light of the agency theory, under the condition of separation of "ownership" and "control" and more specifically, the separation of residual risk bearing from decision functions (Fama and Jensen, 1983b), the decision process is left in the hands of professional managers whose interests may not always conform to the value maximization objective of the residual claimant (shareholder) (Alchian and Demsetz, 1972; Fama and Jensen, 1983b; Myers, 1983; Lai et al., 2017). Managers (agents) are, thus, considered to be in the position to exploit shareholders – or lately stakeholders – in dispersed ownership corporations (Shleifer and Vishny, 1997; La Porta et al., 1998). Although controlling shareholders typically appear to be able to monitor managerial misalignment arising

from possible dissimilar interest (Bozec and Dia, 2017), this view, however, is based on an underlying assumption of 'managerial opportunism' (Walsh and Seward, 1990). Nonetheless, the separation of decision and risk-bearing functions persist in organisations partly because of the benefits of specialisation of management and partly through the common approach to controlling the problems caused by such a condition (Fama and Jensen (1983a). Hence, as Shleifer and Vishny (1997) queried, 'How then do suppliers of finance get managers to return some of the profit to them? or How do owners ensure that managers do not use the money in bad projects?' (Shleifer and Vishny, 1997: 737). As La Porta et al., (2000) state, 'corporate governance, to a large extent, is a set of mechanisms through which outside investors protect themselves against expropriation by the insiders' (p. 4). Thus, from the agency theory viewpoint, the main purpose of corporate governance is to provide shareholders with the assurance that managers will try to achieve outcomes that are in these owners' interests (Shleifer and Vishny, 1997).

2.1.3 Corporate governance and good governance: An overview

The explanation of corporate governance has been attempted through varying descriptions. These differing definitions can be recognised, on the one hand, as reflecting the cross disciplinary nature, or on the other hand, as portraying the disparate viewpoints, on the subject matter. In this vein, equally, the multifaceted nature of corporate governance is indicated. For instance, the finance viewpoint by Shleifer and Vishny (1997) is reflected in their definition which states that, "*corporate governance deals with the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment"* (p.737). Similarly, a strong political view is reflected in such a definition of corporate governance as "*the structures, processes, and institutions within and around organisations that allocate power and resource control among participants*" (Davis, 2005: 143). In this regard, corporate governance has defied a consensual definition, thus assuming diverse interpretations. However, basically, corporate governance can be viewed to represent 'the means by which organisational mechanisms are structured and the processes are managed, in order to attain envisioned goals'. In this respect, corporate governance has simply been described as *'the system by which companies are directed and controlled'* (Cadbury, 2002: 1). Regarding the central theme of this study – corporate governance reforms – an elaborate view by the OECD states;

> *"Corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as, the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs. By doing this, it also provides the structure through which the company objectives are*

set and the means of attaining these objectives and monitoring performance" (OECD, 1999: 9).

If the aforementioned definition is to be decomposed into its major constituents, corporate governance can be said to involve specifically the rights and responsibilities of different participants (actors) in line with the organisational objective(s). However, in an expansive view, the conceptualisation is extended beyond the organisation, its purpose or internal functions, to encapsulate other interfaces. For instance, such a relational view (which corresponds with the inclinations of this study) posits corporate governance as 'the whole set of institutional, legal, cultural and other arrangements that determine what publicly traded corporations can do, who controls them, how that control is exercised' (Blair, 1995).

Similarly, as with corporate governance, the notion of 'good' corporate governance has instigated different attempts at explanation. Particularly, the term *'good'*, in this respect, tends not to conform to a singular description (Filatotchev et al., 2007). As Filatotchev et al. (2007: 9) assert "*any notion of 'good' corporate governance certainly implies mechanisms to ensure executives respect the rights and interests of company stakeholders, as well as ensuring that stakeholders act responsibly with regard to the wealth invested in and generated by the enterprise*." Nonetheless, drawing on the notion of the drive for efficient organisational processes, along with conformity to institutionalised rules (Meyer and Rowan, 1977), good governance can also be considered as *'the achievement of organisational proclivities in conformity with accepted social norms or set standards.'* Globally, international communities, such as the OECD and the World Bank have especially attempted to provide a template of what good corporate governance should entail (*see* OECD, *principles of corporate governance*, 1999, 2004). Essentially, the adoption of Transparency, Accountability, Responsibility, Independency, and Fairness (TARIF) principles has widely been acknowledged as the global best standard of corporate governance and equally Good Corporate Governance (GCG) practices (Wibowo and Gunawan, 2015). Nonetheless, despite the globally supported '*good*' governance practice, deviations are disclosed across contexts, while the same practices that are considered legitimate in one community can be perceived as illegitimate in another (Lee and Lounsbury, 2015). Research has further advanced the understanding of why corporate governance practices may defer across national contexts. In this respect, Aguilera et al. (2018), suggest that as a firm's governance discretion increases, deviance from established practices may occur through over or under conformity with prevailing governance standards. Nonetheless, in this respect, better corporate governance is intended to improve operating performance in several related ways:

1. With better oversight, managers are more likely to invest in value-maximizing projects and be more efficient in their operations.

2. Fewer resources will be wasted on non-productive activities (perquisites consumption by the management, empire-building, shirking).

3. Better governance reduces the incidence of tunnelling, asset-stripping, related party transactions, and other ways of diverting firm assets or cash flows from equity holders.

4. If investors are better protected and bear less risk of losing their assets, they should be willing to accept a lower return on their investment. This will translate into a lower cost of capital for firms and hence higher income.

5. The availability of external finance may also be improved, allowing firms to undertake an increased number of profitable growth opportunities (Love, 2011: 45).

2.1.4 Corporate governance mechanisms and corporate controls

Jensen and Meckling (1976) contend that the problem of inducing the "agent" towards maximizing the "principal's" welfare is general and exists at every management level in firms. From this standpoint, financial economists argue that much of the subject of corporate governance concerns the constraints that managers put upon themselves or the shareholders put upon them, in order to ensure that their funds are not misused (Shleifer and Vishny, 1997; Clarke, 2007). For instance, as La Porta et al. (2000), states, 'corporate governance, to a large extent, is a set of mechanisms through which outside investors protect themselves against expropriation by the insiders' (p.4). Although, the view that corporate governance can sufficiently guarantee outsider investors such protection from expropriation by insiders, is arguable. To this extent, to guarantee that providers of finance obtain a return on their investment will involve the principal establishing appropriate measures (Jensen and Meckling, 1976; Shleifer and Vishny, 1997).

In this respect, corporate governance mechanisms do involve some measures that are put in place to align the divergent interests of providers of capital (investors or stakeholders) and managers, in a firm (Shleifer and Vishny, 1986; La Porta et al., 2000; Dalton and Dalton, 2011; Kumar and Zattoni, 2017). On the other hand, these measures encompass frameworks which can aid the reduction of information asymmetry and alleviate agency problems (Walsh and Seward, 1990; Shleifer and Vishny, 1997). There has also been evidence that profitability can increase when internal and external mechanisms are present (Misangyi and Acharya, 2014). Equally, most governance research has conceptualised governance mechanisms as deterrents to managerial self-interest, underlying agency theorisation (Daily et al., 2003). Along this line, corporate governance mechanisms embody those structures that ensure that firms are run effectively to maximize shareholders' value and thus basically involve establishing appropriate controls (Jensen and Meckling, 1976; Shleifer and Vishny, 1997; Aguilera, 2005). These are specified to involve internal and external mechanisms in the form of

corporate and market controls (Walsh and Seward, 1990). In a public company, the Board of Directors (BoD) is technically responsible for the design and implementation of the internal mechanisms (Walsh and Seward, 1990). These measures usually include efficient board committees, effective compensation contracts, internal controls, adequate disclosures, etc. which provide active monitoring of executives (Dalton et al., 1998; Weir et al., 2002; Huyghebaert and Wang, 2012; Bozec and Dia, 2017); however, external control *(market for corporate control),* such as hostile takeovers, product or labour market competition threat of legal sanctions, and other regulatory measures, are imposed on companies to either discipline executives or complement internal control measures (Manne, 1965; Fama, 1980; Bhagat et al., 1990; Walsh and Seward, 1990; Goldstein, 2000; Dedman, 2002; Aguilera, 2005).

In this respect, there are some agreements that corporate governance mechanisms can serve as deterrents to the expropriation of outside shareholders (Westphal, 1998). Poorly performing managers can be disciplined through threat of displacement imposed by the market for corporate control (Agrawal and Knoeber, 1996). At one end of the debate for corporate control are the external measures, such as hostile takeover. Hostile takeover, as a means of corporate control, can help discipline or replace managers that fail to utilise company assets, effectively (Manne, 1965; Jensen, 1993; Clarke, 2007). In addition, external monitoring mechanisms, such as leverage and firm size, also influence earnings management practices (Wimelda and Chandra, 2018). As proponents of hostile takeovers argue, such a threat will make erring executives act in the interest of shareholders (Manne, 1965; Jensen, 1986; Goldstein, 2000), as it serves as an efficient deterrent to managers, if they become entrenched (Manne, 1965; Jensen, 1986). In addition to the market controls, the implication of internal mechanisms for relieving agency crisis has also been professed (Blair, 1995). For instance, Jensen and Meckling (1976) argued for the establishment of appropriate incentives for the agent. As they stated, incurring such costs designed to limit aberrant action by the agent can enable the principal to limit deviations from his interest. Certain mechanisms, such as concentrated shareholdings by institutions or by block-holders and outsider representation on corporate boards, are also employed to increase managerial monitoring and so improve firm performance (Agrawal and Knoeber, 1996). Further, according to the logic of agency theory, when a firm's board is composed of outside directors who are neither officers of the firm nor have substantial linkages to the firm, then corporate performance should be higher (Bosse and Phillips, 2016). However, the debate about the degree of effectiveness of these measures is still ongoing (Baysinger and Hoskisson, 1990; Blair and Stout, 2001; Dalton et al., 1998; Bosse and Phillips, 2016). For instance, a meta-analysis of the impact of independent outside directors on firm performance does not show consistency with such a hypothesis about an increase in performance (Dalton et al., 1998; Dalton and Dalton, 2011). On the other hand,

while corporate governance mechanisms inarguably enable some level of protection to be dispersed among shareholders, to some extent, their adequacy is contested.

2.2 PART B: Corporate governance reforms across the globe

2.2.1 Legal regulations and corporate governance

The legal environment – described by both legal rules and their enforcement – are particularly important for the size and extent of a country's capital markets (La Porta et al., 1997). The relative effectiveness of national and international authorities over company sustainability practices is influenced by the legal system in place and needs to be considered in policymaking (Hörisch et al., 2017). The corporate governance system of countries is primarily connected to the legal framework and company law. 'Most countries have adopted their legal systems through occupation or colonization by one of the European powers to which they owe the origin of their laws' (La Porta et al., 1997: 1131-2). Common law represents English law, made by judges and subsequently incorporated into legislature (La Porta et al., 1997). French, German and Scandinavian laws, on the other hand, are part of the scholar and legislator-made civil law tradition (David and Brierley, 1985; La Porta et al., 1997). All outside investors need to have their rights protected, as without this no rational person will finance a firm without a strong reputation (La Porta et al., 2000). As specifically noted:

> *"When investors finance firms, they typically obtain certain rights or powers that are generally protected through the enforcement of regulations and laws. Some of these rights include disclosure and accounting rules, which provide investors with the information they need to exercise other rights. Protected shareholder rights include those to receive dividends on pro-rata terms, to vote for directors, to participate in shareholders' meetings, to subscribe to new issues of securities on the same terms as the insiders, to sue directors or the majority for suspected expropriation, to call extraordinary shareholders' meetings, etc. Laws protecting creditors largely deal with bankruptcy and reorganization procedures, and include measures that enable creditors to repossess collateral, to protect their seniority, and to make it harder for firms to seek court protection in reorganization"* (La Porta et al., 2000 pp.6-7).

The nature of the obligations that managers have to the financiers, and the differences in the interpretation of these obligations, usually dictate the variations in corporate governance systems across countries (Shleifer and Vishny, 1997). In many countries, the possibility of the expropriation of minority shareholders and creditors is usually present, so investors' protection thus becomes crucial (La Porta et al., 2000). In countries in which investors' protection is weak, ownership concentration leads to efficient governance mechanisms (Pisano et al., 2017). Nonetheless, the expropriation of minority shareholders should be prevented by the prevailing legal mechanisms (Johnson et al., 2000).

A good legal environment raises the willingness of potential financiers to surrender their funds in exchange for securities, as it indicates their protection against expropriation by entrepreneurs; it hence expands the scope of capital markets (La Porta et al., 1997). One possibility of the critical elements that have given the "common law" nations a comparative advantage over the "civil law" world, is that substantive differences in corporate law may matter far less than differences in enforcement practice (Coffee, 1999). Also, Turk Ariss (2016) find that the common versus civil law distinction does matter for firm financing in developing countries but in the opposite direction previously documented for developed countries. In developing countries, stronger laws are associated with greater debt financing, as due to less efficient capital markets, firms are less able to resort to equity issuance compared to developed countries (Turk Ariss, 2016).

In turn, the strength of the incentives to assert legal remedies rather than the availability of legal remedies themselves, may determine enforcement (Coffee, 1999). Good legal rules should be those that can be enforced by a country (La Porta et al., 2000). The strategy for reform is not to create an ideal set of rules, but rather to enact the rules that can be enforced within the existing structure (La Porta et al., 2000). However, richer countries are usually found to enforce laws better than poorer countries (La Porta et al., 1997). In developing markets, the costs of interpreting statutes and verifying the circumstances of specific cases are usually high (Glaeser et al., 2001). Therefore, in such a context, enforcement by regulators may then be a more efficient way to protect property rights, as judges may not be sufficiently motivated to enforce legal rules (Glaeser et al., 2001).

2.2.2 Evolution of codes of good governance and reforms

Codes of good governance are described as a set of '*best practice'* recommendations, which serve as regulatory measures, generally employed to address deficiencies in shareholders' protection in a country's legal or corporate governance system (Dalton et al., 1998; Cuervo, 2002; Chizema, 2008; Zattoni and Cuomo, 2008; Aguilera and Cuervo-Cazurra, 2009; Krenn, 2014). These codes specify the structures and processes by which good governance is achieved (Talaulicar et al., 2017). They are usually regarded as negotiations between multiple stakeholders, such as states and the investors, mainly targeted at improving shareholders' rights (La Porta et al., 1997, 2000; Fernandez-Rodriguez et al., 2004; Zattoni and Cuomo, 2008; Aguilera and Cuervo-Cazurra, 2009). As Daily et al. (2003) assert, such measures often serve as regulatory controls that are typically activated when internal mechanisms for controlling managerial opportunism are inadequate. In accordance with agency theory, codes of good governance should serve as part of those external mechanisms that will align the interests of the executives with those of the owners (Krenn, 2014). For instance, following the agency theory tenets, corporate governance codes require the BoD to be able to regulate company

management, by playing an active supervisory and independent role (Cuomo et al., 2016). Codes of good governance ultimately attempt to improve the firm's overall corporate governance, especially when other mechanisms fail to guarantee adequate protection of shareholders' rights (Aguilera and Cuervo-Cazurra, 2004). Thus, they have become popular as means of improving accountability and transparency in corporations (Mallin, 2013; Cuomo et al., 2016).

The worldwide creation and/or diffusion of codes of good governance, varies across countries in their years of issuance, mode of adoption and implementation (*See* Denis and McConnell, 2003; Aguilera and Cuervo-Cazurra, 2004, 2009). There emerge two major approaches to implementation or compliance with corporate governance codes. At one end of the debate is the argument for a soft law or self-regulation alternative to corporate governance practices (de Bos et al., 2018), while at the other end of the debate is the advocacy for the rule-based, statutory and more legislated system of improvement to corporate governance practices (Proimos, 2005; Mallin, 2013). The soft law or voluntary method of implementation normally represents the more popular approach (Aguilera and Cuervo-Cazurra, 2004). The implementation of these codes is mostly either through the '*comply or explain*' approach or through legislation, as in the US Sarbanes-Oxley Act (SOX) (Dewing and Russell, 2004; MacNeil and Xiao, 2006; Seidl et al., 2013). The diffusion of corporate governance codes of conduct has equally precipitated debates regarding the appropriate mode of implementation within the developing African context (Nakpodia et al., 2016).

The UK corporate governance environment, with its '*comply or explain*'[8] principle, introduced through the Cadbury code (1992), typified the principle-based approach to good governance (Denis and McConnell, 2003; Jones and Pollitt, 2004). This involves the voluntary *'comply or explain'* principle, which represents the prevalent mode of implementation of these codes in most countries (Dedman, 2002; Denis and McConnell, 2003; Jones and Pollitt, 2004). On the other hand, the US is often cited as an example of a context with a rule based, regulated approach to corporate governance reforms, especially with the passage of the SOX in 2002 (Jones and Pollitt, 2004; Balgobin, 2008; Gupta et al., 2013). The basis for the principle-based approach is cited as allowing firms some flexibility to choose the corporate governance structure that best fosters their objectives (Cuomo et al., 2016). According to the Financial Reporting Council (FRC) UK, Corporate Governance code (2016),

> "*It is important that companies provide clear and meaningful explanations when they choose not to comply with one of the provisions of the code, so that their shareholders can understand the reasons for doing so and judge whether they are content with the approach the company*

[8] As stated by the FRC, 2010 "*The UK Corporate Governance Code identifies good governance practices, but companies can choose to adopt a different approach if that is more appropriate to their circumstances*" (FRC, 2010:5).

has taken. There may be many good reasons why a company may choose not to comply and an explanation does not imply poor governance."[9]

This approach is thus expected to provide a means of instituting a standard for corporate governance, whilst also allowing companies to avoid inflexible corporate governance performances (Dewing and Russell, 2004; MacNeil and Xiao, 2006; Seidl et al., 2013). But firms aiming to decrease the monitoring capacity of the board at times are found to use the code flexibility opportunistically, which is followed by subsequent underperformance (Shaukat and Trojanowski, 2018). Also, there has been reported misuse of the explanation of non-compliance by companies in the UK recently, whereby rhetorical construction seems more inclined towards misleading explanations (Shrives and Brennan, 2017). Nonetheless, this flexibility is expected within specified recommendations and intended uniformity of governance principles (Solomon, 2013). This should engender countries' compliance with the universally acclaimed good governance practices and unified corporate governance structures (Soederberg, 2003; Khanna et al., 2006).

As aforementioned, international institutions, such as the OECD, World Bank etc., have been at the forefront of promoting the creation and worldwide diffusion of corporate governance best practices (Cuomo et al., 2016). After 2004, as a reaction to corporate governance scandals, some institutions – such as the OECD and International Corporate Governance Network (ICGN) – started to revise their codes or to issue codes targeted at different types of firms (Cuomo et al., 2016). However, these international bodies have equally been cited as promoting the Anglo-American system of corporate governance (Soederberg, 2003). As a result, the current good governance codes are commonly held as containing a wide variety of traditional shareholder model's (market-centred) good governance tenets (Krenn, 2014; Rhee, 2018). This normally include provisions regarding board composition, director and auditor independence, treatment of shareholders, executive compensation schemes, expansive financial reporting and disclosures, among many other topics (Krenn, 2014). Hence, these provisions principally build upon the agency theory logic, a central principle of the Anglo-American style of corporate governance (Krenn, 2014).

2.2.3 Diffusion of corporate governance codes: Towards efficiency and legitimation rationales

The upsurge in governance codes has focused the awareness of policy-makers, practitioners and researchers on improvements in corporate governance mechanisms (Van den Berghe and DeRidder, 1999). As Aguilera and Cuervo-Cazurra (2004), state, *'the development and adoption of a*

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[9] FRC <https://www.frc.org.uk/directors/corporate-governance-and-stewardship/uk-corporate-governance-code> Accessed online 15-01-2017.

code of good governance is defined as a country's innovation signalling the country's commitment to improve its corporate governance system' (p. 416). The significant rise in governance reforms is also noted as a wider implication of the increase in globalisation (such as trade liberalization and internationalization of economies) (Coffee, 2005; Aguilera and Cuervo-Cazurra, 2009). Undermined by the worldwide incidences of corporate scandals, proper functioning of governance systems also becomes vital for global capital markets' integration (Aguilera and Cuervo-Cazurra, 2004). Thus, the creation of corporate governance codes can involve three hierarchical levels: international, national and individual firm level (Cuomo et al., 2016).

Historically, organisational theorists have argued that the adoption of an innovation or a new practice is generally motivated by efficiency or legitimation rationales (DiMaggio and Powell, 1983; Tolbert and Zucker, 1983; Westphal et al., 1997; Strang and Macy, 2001). Similarly, in a survey across different European countries, the creation and adoption of codes and subsequent reforms were found to be induced by efficiency and/or legitimation pressures regarding good governance practices (Aguilera and Cuervo-Cazurra, 2004; Zattoni and Cuomo, 2008). Equally, in developing countries, the corporate governance code issuances have been cited as being similarly prompted (Okike and Adegbite, 2012; Waweru, 2014). Particularly in Nigeria, the launch of the CBN and the Securities and Exchange Commission's (SEC, 2003) codes are stipulated to be inspired by the efficiency and legitimation rationale, respectively (Okike and Adegbite, 2012). To this end, corporate governance reforms are, basically, considered as the adoption or development of *codes of good governance*, providing means of *improvement (and/or legitimation) of a country's corporate governance system (*Aguilera and Cuervo-Cazurra, 2004; Zattoni and Cuomo, 2008; Yoshikawa and Rasheed, 2009). Nonetheless, such corporate governance structures promoted in the Anglo-American system of corporate governance are not found to foster many performance related results in the African context (Kusi et al., 2018).

2.2.3.1 *Efficiency perspective*

Efficiency, simply defined, is 'the quality of doing something well and effectively' (Longman, 2009). Becht et al. (2002) and Murphy and Topyan (2005) assert that a corporate charter is regarded as efficient only if it yields the highest possible pay-out for all the parties involved. Agency theory posits that due to the separation of ownership from control, outside investors (shareholders) are susceptible to being expropriated by the management (Jensen and Meckling, 1976; Fama, 1980). Therefore, managers may not always act in the interest of shareholders (Alchian and Demsetz, 1972; Fama and Jensen, 1983a; Jensen, 1986). From this viewpoint, corporate governance usually entails the quest for controls that would secure the investments of the outside (dispersed) fund providers

(owners) (Shleifer and Vishny, 1997; La Porta et al., 2000). Along this line, corporate governance advancements have similarly emphasised the improvements to such mechanisms.

As efficiency thesis posits, organisations as rational actors may be inclined to adopt a practice, in order to receive the gains or benefits that may accrue from such innovation (Thompson, 1967; Blau and Schoenherr, 1971; Strang and Macy, 2001; Zattoni and Cuomo, 2008). In light of the efficiency thesis, in relation to codes issuance and governance reforms, Zattoni and Cuomo (2008), define codes of good governance as *the provision of best practice recommendations regarding board characteristics,* in order to *compensate for deficiencies in the legal system regarding investors' protection*. Also, these codes of good governance are described as an "*attempt to improve a firm's overall corporate governance, …to guarantee adequate protection of shareholders' rights"* (Aguilera and Cuervo-Cazurra, 2004: 418). There are, however, generally mixed results in studies investigating the effect of codes in guaranteeing the efficiency of corporate governance and firm performance (*see* Bhatt and Bhatt, 2017; Zorn et al., 2017). In this sense, underlying these recommendations are basically the arguments to deliver systematic oversight functions in aligning the interests of executives with those of the shareholders, ultimately for accountability purposes (Monks and Minow, 2004; Aguilera, 2005). Thus, efficiency, with regard to corporate governance reforms, can be considered to relate to these expected improvements, from such adoptions of codes.

2.2.3.2 *Legitimation perspective*

Suchman (1995) describes legitimation as the process whereby an organisation justifies to an ordinate system its right to exist. "Legitimacy is thus a *generalized perception or* assumption *that the actions of an entity are desirable, proper,* or *appropriate within some socially constructed system of norms, values, beliefs, and definitions"* (Suchman, 1995: 547). The legitimacy thesis on innovation diffusion suggests that practices are adopted because of their emergent 'taken-for-grantedness' that is socially expected (Zattoni and Cuomo, 2008: 2). In this respect, recently more attention has been focused on investigating the role of social spectators or evaluators in legitimacy judgments (Tost, 2011; Bitektine and Haack, 2015; Hoefer and Green, 2016). Signalling effects for companies more committed to transparency generally indicate positive reactions to declarations of compliance. (Martinez- Blasco et al., 2017). However, such signalling effects no longer make sense once corporate governance reports are mandatory (Martinez-Blasco et al., 2017). Thus, while legitimacy is possessed objectively, it is still created subjectively (Pfeffer and Salancik, 1978; Suchman, 1995). Nevertheless, while corporate governance reforms are intended to provide efficiency, in line with the legitimacy theory, they are also expected to provide a form of rationalisation of a country's corporate governance system. In this light, the legitimacy of codes of corporate governance thus

derives, in part, from the fact that they represent what is usually considered "best practices", particularly universally (Seidl et al., 2013). The latter will ensue by creating the perception of compliance with generally acceptable standards or '*doing the right thing'* (Aguilera and Cuervo-Cazurra, 2004; Zattoni and Cuomo, 2008).

From the aforementioned viewpoint, corporate governance innovations have adopted a global perspective. Diffusion theory has generally not enabled explicit accounts of the role of local pressures, in shaping attempts at improved corporate governance practices (Westphal et al., 1997; Claessens et al., 1999b; Fiss and Zajac, 2004; Hermes et al., 2007). There is a general underlying assumption about the unhindered integration of these propositions of *'good'* governance practices, thus the emergent comparability across national contexts. Notwithstanding, beyond the international (universal) motivations, the endorsement of these propositions within different institutional contexts is also noted as integral, in such organisational reform schemes (Coglianese, 2007; Shipilov et al., 2010; Tost, 2011; Filatotchev et al., 2013; Kim et al., 2017). To this end, a distinction is specified in the literature regarding the global requirement of good practices (international legitimation) and the involvement of pressures and influences within national contexts, in corporate governance performances (local legitimation). As Das et al. (2015) specifically noted, in Bangladesh, the adoption of codes of corporate governance is negatively impacted on by the form of ownership in listed companies. Mainly, in the developing contexts, ownership structure of corporations, and social and political structures evidently have significant influences on corporate governance and the implementation of innovations (Sarkar and Sarkar, 2000; Lodh et al., 2014; Humphries and Whelan, 2017).

2.2.4 Implication of codes of corporate governance across the globe: Shareholder and stakeholder-oriented countries

An overview

The literature on the worldwide diffusion of codes of good governance and the implementation of corporate governance reforms, has predominantly been patterned into two major divides. These are based on their corporate governance system, i.e. shareholder (market-based) and stakeholder (bank-based) models, on the one hand (Cuervo, 2002; Murphy and Topyan, 2005; Hoskisson et al., 2018), or on their legal system and corporate finance, such as common law and civil law - 'long- term investors - systems - countries' (La Porta et al., 2000; Murphy and Topyan, 2005; Zattoni and Cuomo, 2008; Aguilera and Cuervo-Cazurra, 2009). Along this line, the international comparison of corporate governance culture generally involves the comparison of the UK and US on

the one hand and Germany and Japan on the other, as prototypes of common law (market-based or shareholder) economies and civil law (bank-based or stakeholder) economies, respectively. Thus, most country level investigations into the diffusion of codes and corporate governance reforms have also naturally been based on these clusters (*see* La Porta et al. 2000; Kaen, 2003; Aguilera and Cuervo-Cazurra, 2004; Dore, 2005; Murphy and Topyan, 2005; Yoshikawa et al., 2007; Harrigan, 2014)**.** Studies have shown that bank-based economies adopt good governance innovations more as a symbolic rationale (Aguilera and Cuervo-Cazurra, 2004, 2009; Zattoni and Cuomo, 2008). On the other hand, market-based countries initiate corporate governance reforms mostly based on an efficiency rationale (Zattoni and Cuomo, 2008). Just as their legal systems do (La Porta et al., 1997, 2000), corporate governance systems in developing countries have usually followed the ideology of their developed colonial countries. In this respect, the adoption of corporate governance reforms, in a context such as Nigeria, has thus evolved in line with the UK prototype, as a former colony, and equally the universal trends (Ahunwan, 2002; Okike and Adegbite, 2012). Noticeably, the newly released exposure draft of the Nigerian corporate governance code, is principally focused on protecting shareholders and significantly the principles are targeted at improving the role of the BoD in corporate accountability (Nigerian code of corporate governance, 2018 draft).

2.2.4.1 Corporate governance reforms in shareholder countries

In the UK, the Cadbury code (1992) was introduced as a response to public outcry over cases of fraud and financial misdemeanour in the early 1990 (Dedman, 2002). In line with this, the Cadbury code provides guidelines for best practices aimed at board's and director's independence, to which all UK-listed organisations are expected to conform (Daily et al., 2003). Essentially, the efficiency criteria, with respect to corporate governance reforms, relate to the proposed intention of these reforms towards: the protection of shareholders (investors) rights, restructuring the BoD for effective oversight function and for firms' accountability (Jesover and Kirkpatrick, 2005). Following the Cadbury code (1992), other corporate governance codes were also introduced into the UK corporate governance system. These include: The Hampel report (1998); The Turnbull report (1999); The Higgs report (2003); The Tyson report (2003); The combined code (2003, 2006); The Smith Report (2003) etc. (Keenan, 2004). In this respect, the major reforms in the UK corporate governance – which triggered similar reforms in many other countries – as targeted by the recommendations of these codes, broadly relate to:

- '*Comply or explain'* principle.
- Chief Executive Officer (CEO) Duality.

- Creating board independence (emphasising having Non-Executive Directors (NEDs) as part of the board).
- Formulation of and increasing the effectiveness of board committees (e.g. Audit committee; Remuneration committee; Nomination committee etc.).
- The role and responsibility of institutional investors in promoting good governance in companies.
- Effective directors' remuneration.
- Improving internal control.

(Dedman, 2002; Weir et al., 2002; Solomon, 2010)

In this respect, evidently these recommendations emphasise the importance of separating the role of the CEO and the Chairman (CEO Duality). The principles likewise stress having a sufficient number of NEDs on the board, which could have a significant positive impact on the board's effectiveness; also, the importance of having board committees is highlighted, especially in the Cadbury report (1992) (Weir et al., 2002). The need to avoid excessive remuneration of company executives and relate payment to performance also forms part of the focus of the reforms, particularly the Greenbury report (1995). The Turnbull report, on the other hand, focuses on reviewing the effectiveness of internal control and providing a frame of reference in this regard (Turnbull Report, 1999), while the combined code also re-emphasises the need for accounting and audit committees (Solomon, 2010). In addition, in all the UK corporate governance recommendations, prominence is placed on maintaining a *voluntary approach* to corporate governance, where executive actions are guided by principle rather than rule (Dewing and Russell, 2004).

In this line, although it has been contested whether corporate governance structures promote shareholders or stakeholders value maximization or not (Kusi et al., 2018; Zhong et al., 2017), nonetheless corporate governance reforms in the shareholder context are noted to relate primarily to accountability, shareholders' value and firm performance (Mallin, 2013). Against this background, the evaluation of corporate reforms is also reported to be based on the impact on firm performance (Solomon, 2010). Research into corporate governance reforms in the UK and US has thus mainly focused on issues relating to improvement to corporate governance internal mechanisms (Weir et al., 2002). Some studies find that the recommendations of the Cadbury code and the combined code produced significant changes in board related issues in the UK (Laing and Weir, 1999; Dedman, 2002). They discover that since the Cadbury code, the number of NEDs on the board of UK quoted companies has increased. Their findings also show that increases in sub-committees and audit remuneration are reported, while CEO duality is found to have reduced (Laing and Weir, 1999). While in the UK corporate

governance codes and their recommendations have received wide acceptance and compliance (Dedman, 2002; Dewing and Russell, 2004; Sheridan et al., 2006), this is not found to automatically reinforce firm performance. For example, no better performances are found in companies that completely comply with the recommendations of the Cadbury code, than in companies with partial compliance (Weir et al., 2002). Also, other studies in relation to the impact of the reforms on company performance have shown mixed results. For instance, while Laing and Weir (1999) find a negative relationship between the increase in board independence and firm performance, Baysinger and Hoskisson (1990) do not find any relationship between an increase in director's independence and firm performance. Nonetheless, Peasnell et al. (2005) investigated the impact of outside directors on earnings management in UK firms. They find that an increase in NEDs on the board is negatively proportionate to the likelihood of managers making income-increasing abnormal accruals in order to avoid reporting losses. Also, Dedman (2002) examined how agency problems may have been mitigated by corporate governance, upon compliance with the Cadbury Code. While Dedman's study does not find any empirical evidence of an association between board structure and firm value, there is some evidence that compliance with the Cadbury recommendations enhances board oversight (Dedman, 2002). Nonetheless, a study by Katmon and Farooque (2017) reveals an emerging trend of the internal governance mechanisms, in lessening earnings management, being outperformed by the disclosure quality.

In the US, on the other hand, the SOX, enacted in 2002, just like the Cadbury code, was launched following cases of corporate scandals[10], particularly Enron's collapse (Cuomo et al., 2016). The SOX is considered the most extensive set of business regulation in the US since 1934 (Murphy and Topyan, 2005). The SOX and other regulations have been targeted at internal control, enhancing the validity of financial information, making public boards more independent (Harp et al., 2014). Alongside this is improving management oversight, external auditing and corporate governance practices (Cohen et al., 2010). In the US, the SOX is considered to have resulted in the establishment of the Public Company Accounting Oversight Board, which allows new funding for the SEC and helps to safeguard stock investment (Murphy and Topyan, 2005). Harp et al. (2014) investigated the impact of the SOX and other standards and regulations enacted in the US from the early 2000s, on the practice in relation to the quality of disclosure, in the pre- and post-regulation period. They find that following the enactment of the SOX and emergence of more stringent corporate standards, the corporate information/disclosures become more consistent (Harp et al., 2014). Cohen et al. (2010) on the other hand, studied the effectiveness of the corporate governance reforms on the interaction of auditors

[10] Most especially, the Act emerged as a reaction to the Enron, WorldCom, and Arthur Andersen cases of corporate impropriety in the US, in 2001, which were widely attributed to corporate governance failures in these companies.

with the audit committees, board and internal auditors, and the general effect on the audit process. They find that auditors report that the corporate governance environment improved considerably in the post-SOX era, with audit committees being more active and diligent. Their investigation shows that differences in corporate governance determine the levels of quality of disclosures in the pre-regulation period, while with SOX and the emergence of more stringent corporate standards, the information environment becomes more consistent.

Generally, in fostering the protection of (dispersed) shareholders, corporate governance reforms in market-based corporate governance contexts (such as the UK and US) are directed primarily at efficiency motives (see Kishore, 2017; Katmon and Farooque, 2017; Price et al., 2018). For instance, Weir et al. (2002) discover that several reports on the governance of UK companies (e.g. Cadbury, Hampel, Greenbury) have focused attention on the importance of the internal governance mechanisms, particularly board structures and board sub-committees.

2.2.4.2 Corporate governance reforms: Perspective from stakeholder countries

In contrast to shareholder systems, studies have revealed that most corporate governance innovations in stakeholder-oriented countries are mostly inclined towards the legitimation of corporate governance practices (Kaen, 2003; Dore, 2005; Zattoni and Cuomo, 2008). Thus, corporate governance reforms in the stakeholder environments, such as Germany and Japan, have likewise mimicked the tenets of the prevalent shareholder model (Schilling, 2001; Kaen, 2003; Riehmer and Hemmelrath, 2003; Cromme, 2005; Nakamura, 2006). For instance, the improvements in the German governance structure reflect the main recommendations of the SOX, such as the oversight of auditors and corporate governance at listed companies (Cromme, 2005). Prior to this period, corporate governance issues were of secondary importance in Germany, as German companies relied mainly on funding through retained earnings and loans, resulting in a strong interdependence of industry and bank (Cromme, 2005). For instance, as Cromme (2005) asserts, the introduction of the German corporate governance code has marked the beginning of the modernisation of the German corporate governance system. The introduction of the law on control and transparency in business – known as KonTraG – in 1996, in the wake of the advancing globalisation of the economy, marked the beginning of such revolution in the German corporate governance system (Cromme, 2005). In this respect, the focus on shareholders' interest has become increasingly prominent, with the emergence of active institutional investors (Schilling, 2001). An empirical analysis of German listed firms over the period 2002-2012, finds a higher level of compliance, which significantly increases shareholder value (Kaspereit et al., 2017).

The German reform which requires publicly traded companies to provide on a yearly basis a declaration of compliance and/or an explanation of any noncompliance (*comply or explain*), provided a statutory basis for the German corporate governance (Riehmer and Hemmelrath, 2003; Cromme, 2005). The launch of the code is considered a major advancement in the German corporate governance practice, especially in the improvement of investors' protection and the development of the capital market, as opposed to the usual dominance of bank or creditors in the system (Cromme, 2005); however, the German corporate governance system is still considered a prototype of stakeholder orientation (Bottenberg et al., 2017). In this regard, the reform has also fostered the increase in international competition for investment (Schilling, 2001; Riehmer and Hemmelrath, 2003; Cromme, 2005). Specifically, the code serves as a guideline to both German and international investors, setting out a transparent and comprehensive image of the German corporate governance system (Riehmer and Hemmelrath, 2003; Cromme, 2005). As a voluntary set of rules, adopting the '*comply or explain'* principle, the code has helped in identifying the level of compliance and the extent of divergences (Riehmer and Hemmelrath, 2003) towards fostering a culture of transparency, especially in capital market dealings (Riehmer and Hemmelrath, 2003; Cromme, 2005). In this respect, the German corporate governance 'Codex' is cited to help fulfil regulatory and data requirements to identify and estimate risk issues, leading to increased risk awareness (Michelberger, 2017).

Also, the Japanese corporate governance reforms have largely resulted in eliminating the prevalence of Japanese banks, thus giving individuals greater choices in investing, by catering more for the needs of public investors (Kaen, 2003; Nakamura, 2006). Like Germany, Japanese banks had considerable dominance in the Japan corporate governance environment, as both the major creditors and the shareholders of many of their client firms. However, due to implementation of the various market-based corporate governance practices and reporting requirements reform, the over-dependence on banks dwindled (Nakamura, 2006). This is purported to have changed distributional outcomes by favouring shareholders at the expense of other stakeholders (Dore, 2005). Likewise, the Japanese government implemented several capital market liberalization measures facilitating firms to access public capital markets (Nakamura, 2006).

In line with this, the Japanese reforms resulted in the removal of restrictions that prevented banks, insurance companies, and investment houses from competing with one another (Kaen, 2003). Also, the reforms gave individuals greater choice in investing, by catering for the needs of public investors, as opposed to the survival of the *keiretsu*[11], while eliminating the supremacy of Japanese

[11] "The keiretsu is a network of affiliated companies (industrial grouping) formed around a central company or bank and connected through cross-ownership and relational contracting" (Kaen, 2003: 199).

banks in the corporate governance system (Kaen, 2003). For example, firms can in principle issue straight (unsecured) corporate bonds without collateral, which was unacceptable in the 1990s before the reforms (Nakamura, 2006). Such adoption of stock option plans in the Japanese context was, nonetheless, not found to result in much improvement in firm performance (Hasegawa et al., 2017). However, one of the main impacts of the reforms was reflected in the increased protection of investors' rights among firms, through information disclosure and transparency (Nakamura, 2006). In Japan, as a measure to improve the disclosure of relevant information for investors, many aspects of the commercial code, the Securities Exchange Law and other laws were also revised. All these reforms have contributed towards the orientation in increased shareholders value (Schilling, 2001). Against these insights, corporate governance reforms across the globe are considered to basically mirror attempts at the homogeneity of practices and systems, in line with the market-based (shareholder) governance structure.

2.2.5 Convergence or divergence view of corporate governance reforms and practices?

In light of the foregoing, the stipulated worldwide convergence of corporate governance practice has triggered divergent debates among scholars. These relate notably to views regarding a shift towards the Anglo-American (shareholder value) model of corporate governance practices (*see* Van den Berghe, 2002; Toms and Wright, 2005; Aguilera and Cuervo-Cazurra, 2009; Yoshikawa and Rasheed, 2009; Krenn, 2016). The proponents of such convergence thesis have claimed that convergence of corporate governance systems is inevitable. Convergence, in the context of corporate governance, refers to increasing isomorphism in the governance practices of public corporations from different countries (Yoshikawa and Rasheed, 2009). One major case for convergence is that, despite emphasised institutional differences among recent scholarship, the global competition has forced convergence (Hansmann and Kraakman, 2001). Further Hansmann and Kraakman (2001) argue that the trend in corporate governance, since the nineteenth century, indicates a deeper tendency towards convergence, in corporate governance (practice), capital market and law, among countries across the globe. However, in contrast, factors inhibiting convergence are, in turn, found to be related to fundamental divergences between the major legal systems of the world and the political power, development of capital markets and the acceptance of the stakeholder model (Reid, 2003).

As aforementioned, such drive towards convergence is, however, cited to be promoted by transnational organisations such as the OECD, ICGN, World Bank, among others, at the forefront of the campaign for the adoption of corporate governance best practices (Soederberg, 2003; Khanna et al., 2006). Such homogeneity is contended to be the only outcome, as a sturdy alternative to the US (shareholder) model of governance has, generally, not succeeded (Hansmann and Kraakman, 2001). Similarly, Guillen (2000) states that the introduction of the international standards and the drive

towards convergence have reflected a shift towards the promotion of the Anglo-American or 'market-oriented' system of corporate governance. However, the study further argues that countries might develop governance models that complement their laws, institution, politics and positions in the global economy (Guillen, 2000). Equally, Bebchuk and Roe (1999) state that hindrances in national corporate governance systems may prevent such a shift towards a single system of governance practice. They posit that countries have different corporate structures, which are influenced by the systems that were in existence earlier (noted as ***path dependence***) (Bebchuk and Roe, 1999). In addition, corporate rules, within institutional contexts, are acknowledged to strongly influence corporate structure. These corporate rules, likewise, depend on the existing corporate structure in such contexts (Bebchuk and Roe, 1999)**.** In a similar vein, Yoshikawa and Rasheed (2009) cite that although convergence in capital and product markets may have generated some changes in corporate governance systems in countries across the world, these changes are however limited by institutional 'embeddedness' and polity. Thus, scholars have argued that, rather than convergence, adoption of best practices by countries may be creating 'hybrid' practices (Yoshikawa and Rasheed, 2009; Adnan and Tandigalla, 2017). Thus, the imposition of new corporate governance practices is hypothesised not to yield the intended policy or performance outcome, where the ideal corporate governance may rather be firm or institution-specific. Other researchers have also contended that increasing uniformity of practice is likely to lead to hybridization, rather than result in convergence (Pieterse, 1994), whereas economic institutions merely tend to adapt foreign practices to fit local institutional contexts (Djelic, 1998; Vogel, 2003; Fiss and Zajac, 2004; Khanna et al., 2006; Yoshikawa et al., 2007). Also, as Krenn (2016) indicates, the extant review of the literature does not support either the predictions of convergence or divergence advocacy. Instead, the findings reveal that within and between corporate governance systems, convergence and divergence dynamics can coexist and lead to increased heterogeneity in firms (Krenn, 2016).

Thus, contingent on these positions are reflections of the institutional alliances of corporate governance practices. Legitimacy theorists (Lindblom, 1994; Suchman, 1995) posit that a social contract exists between the business organisation and its respective society. As La Porta et al. (2000) assert, common law countries tend to have the strongest protection of outside investors – both shareholders and creditors – whereas civil law countries have weaker protection (La Porta et al., 2000). In this regard, the motivation for corporate governance improvements could be precipitated based on the institutional proclivity for such action. In this vein, the evaluation of the pattern of corporate governance reforms in the shareholder and stakeholder countries discloses, to an extent, some degree of disparity. The focus of corporate governance reforms in the stakeholder (civil law/bank-oriented) countries, such as Germany and Japan, notably reveal a shift in practice towards the Anglo-American

(shareholder/common law/market-oriented) system (Schilling, 2001; Nakamura, 2006; Barker and Chiu, 2018). However, corporate governance reforms in market-based economies, such as the UK and US, indicate a disposition towards the improvement of the overall efficiency of corporate governance mechanisms and practice (Harp et al., 2014). In line with this, a review in this respect (Zattoni and Cuomo, 2008), suggests that:

> *'the issuance of codes in civil law countries are prompted more by legitimation reasons than by the determination to dramatically improve the governance practices of national companies'* (Zattoni and Cuomo, 2008: 2).

To this extent, other contrary positions to the convergence view, in relation to the institutional 'embeddedness' of corporate governance practices, have also emerged in the literature (Aguilera and Jackson, 2003; Chizema, 2008; Yoshikawa et al., 2014). Organisations operate within social frameworks of norms, values and taken-for-granted assumptions, to which they are expected to conform through institutional pressure (Fernando and Lawrence, 2014). Such an act of conformity is argued to be rewarded through responses such as increased 'legitimacy, resources and survival capabilities' (Scott, 1987). Likewise, the *institutionalist* approach to corporate governance, like legitimacy theory, advocates that organisations do not operate in isolation, but continuously interrelate with their society (Aguilera and Jackson, 2003, 2010; Filatotchev and Nakajima, 2014; Fan and Zietsma, 2017). Therefore, the practicality of organisational processes could depend, in many respects, on the social, cultural or institutional configuration of the context (Aguilera and Jackson, 2003; Judge et al., 2008; Zattoni and Cuomo, 2008; Adegbite and Nakajima, 2012; Krenn, 2017). This demands a revisit of the mainstream theoretical underpinning of corporate governance reforms, providing opportunity to critique the agency theory in terms of cross-national applicability and a subsequent exploration of institutional theorising of corporate governance reforms.

2.3 PART C: Theoretical underpinning of organisational variations, corporate governance and corporate governance reforms

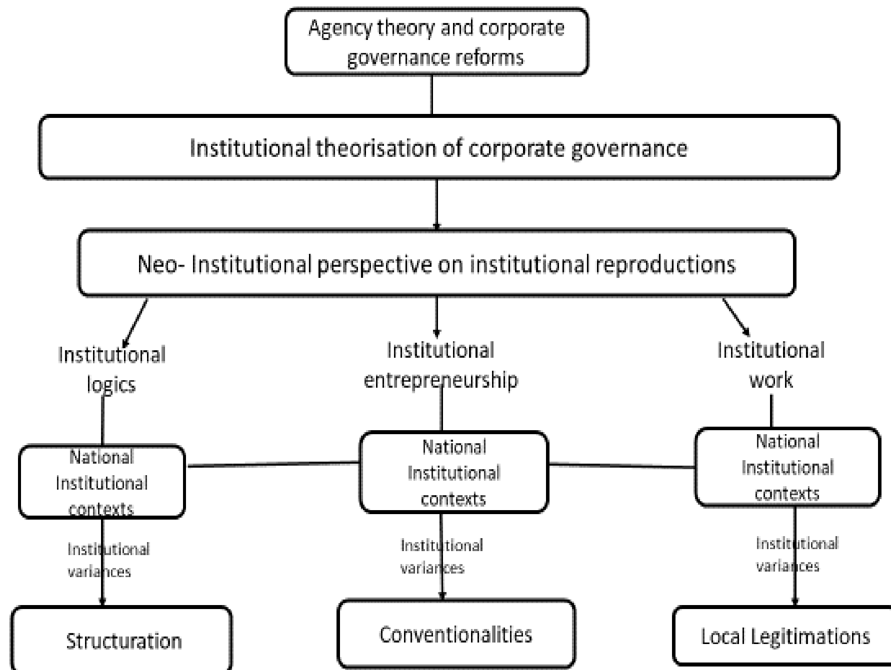

Figure 2.1: An overview of the theoretical orientation: Neo-institutional perspective on corporate governance reforms

An Overview

This theoretical discourse aims to redirect focus from the generic disposition of corporate governance reforms on the dominant agency theory, to a more contextualised perspective in instituting change, across differing organisational contexts. In this respect, the central argument is based on the neo-institutionalisation perspective on reproduction. The neo-institutional theory affirms the significance of actors, in such institutional formations or modifications, which are underscored within the institutional logic, entrepreneurship and work concepts. Nonetheless, beyond the foregoing, differing national contexts present notable peculiarities. This study seeks to extend the neo-institutional theorisation by enabling explicit explanations of interfaces and interplays across the developing organisational fields. To this end, the implications of the institutional structuration, conventionalities alongside local legitimations (from both social and organisational actors), for attempts at transformations, form the core argument of the conceptualisation below, culminating in the research gap, by exploring specifically the Sub-Saharan Africa and Nigerian situation.

2.3.1 Rethinking the rationalisation of corporate governance reforms

2.3.1.1 *Agency relationship and problem*

From the perspective of agency theory, company managers and shareholders are in a fiduciary relationship, where the managers are the 'agents' of the shareholders, who are regarded as the 'principals' (Jensen and Meckling, 1976; Fama and Jensen, 1983b). The firm is considered as a nexus of contract between different factors of production, who aim to realise their own interests (Alchian and Demsetz, 1972; Jensen and Meckling, 1976). This form of contract results mainly from the need to enhance the efficient organisation of team production (Fama and Jensen, 1983a; Eisenhardt, 1985). It is simply a contractual structure, with no authoritarian control involved, which is subject to continuous renegotiation with the central agent or the firm's owner (Alchian and Demsetz, 1972). The risks undertaken by most agents are limited by the contract structures of organisations, which specify either fixed payoffs or incentive payoffs related to specific measures of performance (Fama and Jensen, 1983b). The residual risk – the difference between the inflows of resources and promised payments to agents – is borne by the residual claimants with the rights to net cash flows (Fama and Jensen, 1983b). Such a relationship between the shareholders (principals) and the managers (agents) of a corporation, is described as a '*pure agency relationship'* (Jensen and Meckling, 1976). Thus, Jensen and Meckling (1976) define *agency relationship as "a contract under which one or more persons (the principal(s) engage another person (the agent) to perform some service on their behalf which involves delegating some decision-making authority to the agent*" (p.308).

The agency problem is stated as an inevitable outcome of the contractual arrangement of the firm, in the separation of finance and management (or ownership and control) (Coase, 1937; Jensen and Meckling, 1976; Fama and Jensen, 1983a; Eisenhardt, 1989; Kumar and Zattoni, 2017). Thus, according to agency theorisation, such a problem is due to a rise in agency relationship as a result of the conflicting interest between the stockholders and managers (Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen, 1983a, b). Also, such a crisis presents as an outcome of risk sharing resulting from the different attitudes of the principal and agent to risk (Eisenhardt, 1989). However, whether this assumption presently and generally applies, has been a topic of debate in corporate governance. For instance, as argued, the rise of institutional investors over the past several decades has led to an increased concentration of equity ownership, which has transformed the corporate landscape and, in turn, the governance problems of the modern corporation (Bebchuk et al., 2017). Also, as the stewardship theory contends, managers can actually be self-motivated (Miller and Sardais, 2011; Fan and Zietsma, 2017). As the perspective of managers' stewardship posits, executives can be even more inclined than the owners to act in the interest of the company (Davis et al., 1997). Given the necessity to serve their own interest, such as advancing their career, a natural affinity for their responsibility,

managers could more willingly act in the best interest of their organisations and the owners (Lane et al., 1998).

2.3.1.2 *The dominant perspective on corporate governance efficiency and reforms*

Different postulations are often employed in explaining divergent perspectives in corporate governance research; however, the agency theory remains dominant (Daily et al., 2003). As Walsh and Seward (1990) contend, agency theory presents as an important framework to help researchers understand the nature of the conflict between owners and managers, as well as its possible resolution. Corporate governance reforms are similarly inclined in light of the agency theorisation (Coombes and Watson, 2001; Soederberg, 2003; Dore, 2005; Krenn, 2014, 2017). The modern corporation epitomises the situation of entrepreneurial relationship (Fama and Jensen, 1983a). Thus, in accordance with the underlying agency theory assumption (of managers' opportunism), each factor of production in the firm is motivated by its own self-interest (Shleifer and Vishny, 1997; Dalton et al., 1998). Therefore, managers (agents) will not always act in the best interest of the stockholders (principals), if both parties aim to maximize their utility (Jensen and Meckling, 1976; Fama, 1980). In effect, based on the condition of '*separation of ownership and control'* (Berle and Means, 1932), self-interested CEOs can conceal selfish actions when owners do not have perfect information about CEO's behaviour and firms bear the cost (Bosse and Phillips, 2016; Panda and Leepsa, 2017)**.** Thus, the need for the control and mechanisms that will monitor or steer executives' activities in protecting the interest of the owners (usually dispersed) become increasingly significant (Eisenhardt, 1989; Fligstein and Shin, 2007). As such, corporate governance studies have focused largely on how to resolve the issues resulting from agents' and principals' relationships (Rediker and Seth, 1995). In this light, nearly all modern governance researches are theorised as restraints to managerial self-interests (Daily et al., 2003).

Therefore, from the agency theory perspective, corporate governance is usually regarded as mechanisms – and by extension any reforms thereto – mainly deployed to promote answerability by company executives (managers) (Shleifer and Vishny, 1997). In this light, corporate governance principles advocated across the globe are considered to promote, basically, improvements to the shareholder (outsider) system (Soederberg, 2003; Krenn, 2014). For instance, a preference for outsider-dominated boards illustrates the agency theorisation position of corporate governance reforms (Dalton et al., 2007). Such independent directors with no linkage to the firm are hypothesised to provide better oversight to corporate executives and corporate performance (Dalton and Dalton, 2011; Bosse and Phillips, 2016). Further, the recommendations of universal corporate principles, such as the OECD, have also aligned with such reasoning. This is largely portrayed in principles revealed as

largely predictions for the basic mitigation of the concerns of the shareholder model.[12] To this extent, effective corporate governance innovations have typically been defined by the degree of improving such mechanisms in order to control agency problems (Jesover and Kirkpatrick, 2005; Cohen et al., 2007).

2.3.1.3 *Corporate governance reforms: Agency theory delimitation and universality*

As aforementioned, the essential features of the agency problem are that the interests of the principal and agent diverge, and the principal has imperfect information about the agent's contribution (Bosse and Phillips, 2016). Corporate governance and reforms are reinforced by the agency theorisation of corporate governance (Soederberg, 2003; Udayasankar et al., 2005; Krenn 2014, 2015). This logic prioritises the protection of shareholders' interests as the guiding principle for corporate managers and boards of directors, which is ideologically rooted in agency theory (Joseph et al., 2014). Agency theory undeniably represents a dominant paradigm of economic organisation and management research (Bosse and Phillips, 2016). Nonetheless, agency theory is argued to have allowed limited theoretical perspectives in governance studies (Hirsch et al., 1987; Deakin and Konzelmann, 2004). For example, within agency-grounded research, governance effectiveness is considerably associated with the structural characteristics of the firm's governance mechanism and ownership structure (Filatotchev and Nakajima, 2014). However, cognitive evaluation theory describes how external controls could rob managers of their intrinsic motivation for behaving appropriately, thus actually having the opposite of their intended effect (Wei et al., 2017). The proposed improvements in corporate governance principles represent the centralities of the shareholder system inspired corporate governance reforms (*see* Cadbury code, 1992; The combined code on corporate governance, 2003[13]). Equally, legitimation is expected to be achieved by following these precepts (Seidl et al., 2013). However, these principles have not invariably resulted in efficiency nor guaranteed the perennial attainment of legitimacy, as supposed (Dalton et al. 1998; Dalton and Dalton, 2011). By implication, this suggests the likelihood of other variables underlying organisational performance or evaluation. Likewise, other than the efficiency of internal mechanisms, corporate governance performance is argued to be largely dependent on infrastructural and socio-political factors (La Porta et al., 2000; Fiss and Zajac, 2004). Evidently, beyond the resultant effect of organisational techniques, the effectiveness of corporate governance mechanisms is acknowledged to be contingent upon a number of other factors (Filatotchev et al., 2013; Pemer and Skjølsvik, 2018).

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[12] Such corporate governance principles, which emphasise; 1) the advocacy for NEDs on the board, 2) Duality of CEO and Chairman, 3) Board compositions,4) Expansive corporate disclosures, 5) Executive Remunerations etc., are viewed to exemplify this position (Dalton et al., 1998; Hillman and Dalziel, 2003).

[13] Financial Reporting Council (FRC) - Combined code on corporate governance, July 2003 (http://www.ecgi.org/codes/documents/combined_code_final.pdf)

Likewise, with the global diffusion of good governance codes, the constituents of corporate governance reforms have spanned a diverse interlace of organisational and institutional systems (Fiss and Zajac, 2004; Pemer and Skjølsvik, 2018). Thus, corporate governance reforms (instrumental and/or symbolic) are affirmed as not being isolated from contextual variables (Fiss and Zajac, 2004).

Against this backdrop, the contextualisation of organisational functionalities becomes inevitable (Thornton et al., 2012; Humphries and Whelan, 2017). Nonetheless, agency theory is argued to explicate corporate governance mainly in terms of relationship between shareholders and executives (Filatotchev et al., 2013). The perspective is stated to restrict attention to mostly two actors (shareholders and managers), whereby institutions have played a relatively limited role (Filatotchev et al., 2013). This standpoint is considered inadequate in addressing organisational challenges, especially given the spate of corporate scandals and collapses in the past decades (Cuomo et al., 2016). Particularly when tested in the non-Anglo-Saxon (American) context, this perspective can at times be constraining (Aguilera, 2005). Despite the dominance of agency theory over the years, its applicability across diverse issues in corporate governance is thus considered limited (Aguilera and Jackson, 2003; Udayasankar et al., 2005; Chizema and Buck, 2006). Organisations as open systems, influence and are affected by factors beyond the interplay of a company's internal environment (Filatotchev et al., 2013). As Greenwood and Hinings (1996) suggest, "*the incidence of radical change, and the pace by which such change occurs, will vary across institutional sectors because of differences in the structures of institutional sectors"* (p.1023)**.** Institutions are constituted of "cognitive, normative, and regulative structures and activities that provide stability and meaning to social behaviour" (Scott, 1995: 33). In this vein, agency theory is stated as not enabling sufficiently elaborate insights, especially into comparative corporate governance concerns (Roe, 1994; Lubatkin et al., 2001; Judge, et al., 2010). The micro-level governance focus is contested to give relatively little attention to the influence of contextual variables in corporate governance reforms (Aguilera and Jackson, 2003; Aguilera, 2005; Lee and Taeyoung, 2008; Bebchuk et al., 2017). Along these lines, perspectives have emerged in the last few decades as an alternative in theorising corporate governance and its reforms, particularly in accounting for the distinctiveness across institutional domains (Cuomo et al., 2016; Imerman, 2018).

As Globerman et al. (2011) assert:

> *"One needs to understand the institutional framework in which organizations operate in order to understand the rationale for and consequences of specific corporate governance models, as well as the likelihood that specific governance reforms will be adopted and prove effective"* (p.1).

In a similar vein, the legitimacy of corporate governance practice is cited to be institutionally construed (Judge et al., 2008). Legitimation is embedded in such endogenous factors as beliefs, values, schema and mores (Suchman, 1995). In this respect, in a bid to highlight how organisations align within different contexts, scholars have employed alternative theoretical explanations.

2.3.2 The institutionalisation of organisational innovations: Alternative theorisation and conceptualisation

2.3.2.1 *The Institutional perspective on corporate governance reforms*

There is no doubt that agency theory has been seminal to understanding the significance of the internal environment of companies for the manifestations of external mechanisms. The agency theory's explication of the dynamics within corporations has notably precipitated the wider outlook on the impact of environmental factors on corporate governance (*see* Wei et al., 2017). The prevalence of the theoretical perspective notwithstanding, agency theorists have regularly been challenged to fully acknowledge the non-universality of agency problems and how to address this (*see* Hill and Jones, 1992; Dalton et al., 2007; Bosse, and Phillips, 2016)**.** However, as Granovetter (1992) states, "*modern economists who do attempt to take account of social influences typically represent them in an over-socialized manner*" (p.31). Such over-socialization has produced an agent that is too complex for the sort of analysis historically typical of agency theory, considering the recent explosion of research in the behavioural sciences (Bosse and Phillips, 2016). Institutional theory maintains the significance of organisations' settings for their functionalities (Aoki, 2001; Aguilera and Jackson, 2003; Scott, 2004). In contested institutional change, firms' social structural context plays a central role in the processes (Krenn, 2017). Institutional theory has thus emerged to alternatively expound the implication of institutional elements and influences in corporate governance and reforms (Oliver, 1991; DiMaggio and Powell, 1983; Hatch, 1993; Hatch and Schultz, 2002). The interplay of institutions and firm level actors is enabled in this respect (Aguilera and Jackson, 2003). As such, the perspective has gained wide acceptance in the last decades as a contending alternative to agency theorisation. In particular, one of the major drivers of the upsurge in organisational research is stated as the necessity to provide meaning to corporate governance processes across diverse national contexts (Cuomo et al., 2016). Inevitably, institutional theory has become popularly espoused to explain the innovation, diffusion, institution, complementarity, maintenance or reproduction of organisational processes or structures (Scott, 2001, 2004; Aguilera, 2005; Yoshikawa et al., 2007; Cohen et al., 2008; Lee and Taeyoung, 2008; Judge, 2009; Filatotchev et al., 2013).

2.3.2.2 Universal propositions and perception on corporate governance reforms

Corporate governance reforms relate to processes *"designed to improve the corporate governance system by recommending a comprehensive set of norms."* (Aguilera and Cuervo-Cazurra, 2004: 418). Regardless of the varied codes across different countries, they nonetheless, basically, suggest similar principles (Denis and McConnell, 2003; Aguilera and Cuervo-Cazurra, 2009). These recommendations include, explicitly or implicitly:

> 1) best practices regarding the role, composition and responsibility of executives and the BoD; 2) relationships with shareholders (stakeholders); 3) clarity of responsibilities between the Chairman and the CEO; 4) the need for timely and quality information provided to the board; 5) auditing and disclosures; 6) balanced and explicable financial reporting; and 7) maintenance of a sound system of internal control (O'Shea, 2005; Aguilera and Cuervo-Cazurra, 2004, 2009; Krenn, 2014).

Arguably, these commonalities indicate how the effectiveness (and/or legitimation) of corporate governance procedures are operationalised (Charkham and Simpson, 1999). Likewise, in essence these recommendations suggest a group of predetermined suppositions for corporate governance, across the globe. For instance, Hermes et al. (2007) discovered that the contents of some countries' codes in Eastern Europe vary. In this respect, they suggest that domestic forces relating to country-specific characteristics of corporate governance systems may have been responsible for these disparities (Hermes et al., 2007). Thus, although it can be hypothesised that the main objective of the corporate reforms through adoption of codes of good governance is to provide '*good governance*', as the wording implies, the attainment of this goal can be contested to be relational. To this extent, corporate governance principles are also expected to provide legitimation of corporate governance practices, on the other hand. Thus, a cogent attainment of such an objective will be given to contextual interpretations. The objective of best practices in companies, relates differently within institutional settings. For instance, in countries with weak protection of investors' rights, the potential benefits for the economic system associated with the reinforcement of '*good governance'* practices are greater than in countries with a strong protection of investors' rights (Zattoni and Cuomo, 2008).

Nevertheless, the complementarities of these dissimilar institutional configurations towards corporate governance reforms are still largely ambiguous. Such insights are especially advocated in differing models from those of the prevalent, and relatively more investigated, shareholder Anglo-American models (Young et al., 2008; Filatochev et al., 2013; de Bos et al., 2018), whereby, based on the legal system and institutional characteristics in a specific country, the performance of corporate structures, such as corporate boards, ownership structure, and executive incentives, may differ

(Filatotchev et al., 2013). However, the efficiency view of corporate governance reforms from the agency theory perspective assumes the efficacy of practices and mechanisms to be uniformly defined. For instance, this supposition is reflected through cited broad recommendations, such as the duality of chairman and CEO, BoD, emphasis on corporate disclosures, internal controls, etc. These propositions largely reflect the underlying assumptions of control or monitoring in shareholder (outsider-dominated) systems. Hence, by inference, all corporate governance systems are either assumed to be comparable with, or expected to conform to, the workings of the shareholder models. However, agency theory is argued to '*fail to sufficiently explore how corporate governance is shaped by its institutional embeddedness*' (Aguilera and Jackson, 2003), whereby 'corporate governance' is ingrained in the institutional domain (North, 1990; Scott, 2001; Aguilera and Jackson, 2003; Judge et al. 2008). In a survey of African banks, corporate governance structures as promoted recommendations, such as CEO duality, non-executive members and large board size, rather lead to a reduction in both shareholder and stakeholder value maximization (Kusi et al., 2018). In this regard, the notion of effectiveness, for instance, within agency theory is contested to be too narrow to be applied to corporate governance across different settings (Filatotchev et al., 2013). Zattoni et al. (2017) find that while the type of legal system is insignificant, the efficacy of board structures is likely to be contingent on the specific national context. Unsurprisingly, several studies (e.g. Aguilera and Jackson, 2003; Cromme, 2005; Yoshikawa et al., 2007; Judge et al., 2008; Filatotchev and Boyd, 2009; Yoshikawa and Rasheed, 2010; Uddin et al., 2017) have continued to seek to explain, in this vein, the diffusion of codes and administration of corporate governance principles or reforms in varied settings.

In a similar vein, with the emphasis on how national 'models' embody a coherent institutional logic, institutional theory has equally been critiqued to lean towards a perspective too abstract for the conflicts and coalitions between stakeholders at the firm level (Aguilera and Jackson, 2003). Nonetheless, with the increased interdependence of corporations and society, a deeper explanation of the micro-level operation has increasingly mandated the requirement for an expanded, or macro level, elaboration of corporate governance processes (Davis and Thompson, 1994). For instance, along these lines, Donaldson (2012) contends;

> "*Agency theorists' accounts presume straightforwardly that principals have a justified claim or entitlement to their property and that agents are justified—have authority—to act on behalf of the best interests of their principals. With this in mind, it is not surprising that agency theory is frequently used with substantial normative force in attempts to justify corporate governance reform, such as pushing for nominating rights for shareholders and for better executive pay structures that align the interests of executives and shareowners. A one-size-*

> *fits-all tool for understanding corporate governance from a normative perspective may be unwise or impossible, especially given the complexity of organizational phenomena and human values underlying organizational life"* (p. 263).

In this respect, in an effort to understand the externalities of firms' dynamics, the institutional theorisation of organisational techniques necessarily gained prominence (Greenwood et al., 2002). However, regardless of the precedents, the theorisation of corporate governance remains an evolving debate. Moreover, no single or mixed perspective(s) could be declared to offer an exacting condensation of corporate governance. To provide an exhaustive account of corporate governance conceptualisations will thus be both impracticable and beyond the objectives of this research. Further, essentially, this study relates to the institutionalisation of organisational reforms (change or reproduction), with a perspective on the evolving organisational fields. Such explanation is identified to be contextualised within the ideologies of (neo)-institutional theorisation and thus pursued from an ontological stance. The independence-performance relationship is argued to be significantly moderated by national-level institutions (Zattoni et al., 2017).

2.3.3 Articulating an external view of the firm in governance reforms: (Neo-)Institutional theory perspective on organisational reproductions

2.3.3.1 *Institutional perspective: Institutional maintenance or conformity*

Institutional conceptualisation of organisational studies offers valuable insights into organisations' environments, relations and reactions to institutional processes (Oliver, 1991), whereby the perspective has been regenerated for the articulation of organisational structures and behaviours (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; March and Olsen, 1989; Scott, 2003). Institutional theory has advanced from the literature on the sociology of organisations and organisational behaviour (Cohen et al., 2008). In recent times, the theory has been adopted for analysing management concerns across varying organisational contexts (Wright et al., 2005; Young et al., 2008; Haxhi and Aguilera, 2017). It emphasises the interactions between different governance parties and how they maintain their forms to all relevant parties (Cohen et al., 2008). In this respect, board interlocks and industry peers can have the potential to facilitate institutional change, continuity and resistance to change (Krenn, 2017). However, historically, institutional theory has more usually been adopted as an explanation for the similarity ('isomorphism') (DiMaggio and Powell, 1983), and stability of organisational arrangements in a given field (Greenwood and Hinings, 1996). As a result, within given domains, organisations have been considered to be homogeneous, whereby they are increasingly organised around rituals of conformity to wider institutions (DiMaggio and Powell, 1983).

From this viewpoint, institutional theorisation of transformations, within organisational contexts, has normally been associated with inertia forms (Chizema and Buck, 2006). As such this normally undermines the supposed continued differentiation of national systems in international corporate governance (Chizema and Buck, 2006). Stated as a consequence of social norms being taken for granted, a commonly held view of the mainstream institutional perspective is that organisational behaviours are being patterned and reproduced (Greenwood and Suddaby, 2006). To this end, organisations have typically been considered as conforming and institutional structures as resilient prescriptions (Barley and Tolbert, 1997; Westphal et al., 1997; Scott, 2001). As Scott (2001) states;

> *"Institutions are social structures that have attained a high degree of resilience. They are composed of cultural-cognitive, normative, and regulative elements that, together with associated activities and resources, provide stability and meaning to social life"* (p. 48).

Along this line of reasoning 'diffusion studies have thus originally investigated the introduction and adoption of an innovation' (Strang and Soule, 1998: 267). Isomorphic change has often been argued to be facilitated by the proclivity of managers to increase their organisations' effectiveness (DiMaggio and Powell, 1983). In this instance, actors unwittingly accepted the prevailing template as appropriate, right and the proper way of doing things, as the organisational field became infused with a taken-for-granted quality (Greenwood and Hinings, 1996). In this context, institutions are generally understood as patterns, shared systems of meaning and associated prescribed behaviour (Scott, 2008a; Stenling, 2014). Hence, the recognition of organisations as compliant in the adoption of a restricted range of socially approved organisational templates (Tolbert and Zucker, 1996; Scott, 2001; Greenwood and Suddaby, 2006). Correspondingly, the convergence theory has proclaimed analogous patterns of organisational practices, simultaneously occasioned by the universal diffusion of corporate governance principles (Yoshikawa and Rasheed, 2009). Nonetheless, postulating the homogeneity of reproductions and consequent similarity in organisational structures and forms (DiMaggio and Powell, 1983), the theory of isomorphism acknowledges the structural determinants of the range of choices perceived as rational (*see* DiMaggio and Powell, 1983). Also, the literature on the spread of innovations has given due consideration to both formal and informal organisational structures, that sometimes compel "*unanticipated consequences*" to ensue from intended organisational activities (Selznick, 1949).

Thus, historically, institutional theorisation has basically focused upon explaining how institutionalised structures of meaning affect organisational processes (Greenwood and Suddaby, 2006), in this regard, failing to admit the significance of social actions or actors' inclinations for such institutional archetypes. In this sense, it rather disregards the possible interests and influences of

organised actors. The dynamics and actions of institutional agents have been significantly identified, with respect to the outcomes of organisational structures (DiMaggio, 1988; Oliver, 1991; Maguire et al., 2004). Notably, this ideology underpins the theoretical viewpoints advanced by neo-institutionalism. Central to neo-institutional theories, such as institutional entrepreneurship, and institutional work, among others, is the acknowledgement of the role of social agents in organisational reproductions (Maguire et al., 2004; Wijen, 2010; Harmon et al., 2015). For instance, Misangyi et al. (2008) proposes that institutional reproductions should primarily involve institutional logics, resources, and social actors, drawing from the notion of the interactions of institutions and collective actors. Neo-institutionalism has developed from the coming together of the old and a new institutional perspective (Greenwood and Hinings, 1996). In this respect, the neo-institutionalism identifies different procedures in organisational structures, such as reproductions, modifications, variations or maintenance (Oliver, 1991; Thornton, 2004; Lawrence et al., 2011; Ocasio and Radoynovska, 2016). For instance, Yoshikawa et al. (2007) analyse the diffusion of governance innovations in Japan. In their investigation of the convergence-divergence propositions in corporate governance in this context, they argue that Japanese systems of corporate governance neither fully converge to, nor completely diverge from, the Anglo-American model. Their results reveal that the investigated entities rather decoupled the corporate governance reforms and tailored them to fit their own situations in generating governance innovations (Yoshikawa et al., 2007). Accordingly, as Oliver (1991) contends, when confronted with institutional pressures, organisational acquiescence may take alternative forms, which include habit, imitation or compliance**.** Strang and Soule (1998) claim that diffusion arguments are easily typically segregated from other causal dynamics. Diffusion prototypes often treat the adopter as a reflective decision-maker (Strang and Soule, 1998). As such, this notion, inevitably, on the one hand, upholds the inclination of the diffusion process towards models of individual choice (Strang and Soule, 1998). On the other hand, it tends 'towards a broader class of contextual and environmental processes, where conditions external to the actor are recognised to shape behaviour' (Strang and Soule, 1998: 267). To this end, the diffusion debates could be considered as being two-sided; while actors' innate tendencies are identified, the effects of field level contingencies towards diffusion of practices, are also contended.

2.3.3.2 *Institutional reproductions and the neo-institutional perspective*

Neo-institutional theory enables the elaboration of isomorphic diffusions and the understanding of the adoption of innovations and new practices across different organisational contexts (Yoshikawa et al., 2007; Zahir-Ul-Hassan, 2017). The neo-institutional perspective emphasises three levels of analysis: societal (global) institutions; governance structures; and actors (Ntim and Soobaroyen, 2013). Thus, the perspective has increasingly been employed in explaining the

diffusion or innovations of new practices, at the macro or field level (Aguilera and Cuervo-Cazurra, 2004; Chizema and Buck, 2006; Thornton et al., 2012). Regarding the diffusion of corporate governance practices, the mainstream view of institutional theory has normally been associated with institutional inactivity, stability or conformity (Berger and Luckmann, 1967), where organisational reforms imitate existing social order. In contrast, the diffusion of new organisational practices is identified as the proposition for change or reorganisation (Tolbert and Zucker, 1983). As such exploitation is not isolated from the socio-institutional context within which these entities are embedded (Tost, 2011), thus, the continuous advocating for the clarification of the consequences of institutional constituents in the attempts at organisational transformations, within the neo-institutionalism concept (DiMaggio and Powell, 1983; Powell, 1991; Thornton et al., 2012; March and Olsen, 2006b; Greenwood et al., 2008; Scott, 2008b). As Covaleski and Dirsmith (1988) cited, one of the major limitations of institutional theory is the view that organisations assiduously conform to institutional prescriptions conveyed to them. Thus, recognition of the repercussions of social interplay, in this regard, tends to be de-emphasised. Within the perspective of institutional theory, the interpretation of the roles of human agency and the cognitive features of the institutional environment have focused primarily on the organisation (George et al., 2006). Likewise, the traditional focus of accounting and auditing research has typically disregarded the contextual richness within which governance structures are developed (Cohen et al., 2008).

From the perspective of complexity theory, institutional environments embody 'populations' that contain a range of genetic profiles (Tenbensel, 2018). Thus, within a governance field, change and stability are shaped by the 'nesting and abrasion' of alternative combinations (Tenbensel, 2018). Organisational studies most often articulate the interactions of different interests or factors and thus are heavily reliant on the activities of institutional agents and social exchanges (Meyer and Rowan, 1977; Giddens, 1993). Further, the diffusion of governance innovations essentially involves multiple actions and perceptions of other social actors/agents towards institutional prescriptions across different domains (Seo and Creed, 2002; Thornton et al., 2012; Hoefer and Green, 2016). The neo-institutional theory has attempted to promote the understanding of institutional change or reproduction against this backdrop. This is the perception that organisations shape and are shaped by their social and institutional constituents, which gives meaning to social realities (Giddens, 1984, 1993; Thornton and Ocasio, 1999). From this viewpoint, this scenario would emphasise the eminence of those relational factors that encapsulate organisational functions and equally occur as the consequence. While neo-institutional theorists do not disregard the possibility that institutional entities can resist change or conform to the *status quo* (Oliver, 1991), they however, in addition, acknowledge the likelihood of divergence in the incidence of reproduction (Dacin et al., 2007). Boolaky

and Soobaroyen (2017) suggest in their findings that the efforts by the International Federation of Accountants (IFAC) and other international agencies to implement auditing standards need to recognise the relevance of a broad set of institutional factors, rather than merely narrow economic ones, in the development of audit policymaking, practice and regulation worldwide. Thus, beyond the conformist position depicted by the traditional institutional perspective, neo-institutional theory advances the varying dimensions from diffusion of practices.

2.3.3.3 *Institutional process and receptivity in organisational reproductions: Understanding actors' dynamics*

Within the neo-institutionalisation of organisational transformations, organisations are established within the boundary of institutional structures, values, pressures and forces that define their constructions (Friedland and Alford, 1991). This boundary, referred to as logics, delineates the characteristic features which spell out the distinctiveness of each organisational field (Thornton and Ocasio, 1999; Thornton et al., 2012). This configuration defines the behaviours and reactions of organisational structures and, in turn, the mode of institutional innovations. Institutional logics promote the debate that these responses would nonetheless depend on the result of the alignments and/or alliance of these logics, across institutional contexts, at any point in time (Goodrick and Reay, 2011). In this regard, the concept of institutional logic represents the institutional context which organisations affect and which also confer organisational prescriptions. As Martin et al. (2017) contend, '*organizations – and specifically the way organizations instantiate relationships between multiple logics – contribute crucially not just to the availability of logics, but also to the manner in which they become available: the degree to which the appearance of a logic constrains or enables autonomy'* (p.122). Institutional logics are therefore defined as, '*socially constructed*, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organise time and space and provide meaning to their social reality' (Thornton and Ocasio, 1999: 804). More importantly, as 'social prescriptions', institutional logics admit the impact of social actions on prevailing organisational forms, within a given institutional field. Along this line, institutional logics provide an alternative explanation to variation in or creation of practices, by its highlighting of human-managerial cognition in decision making (Zahir-Ul-Hassan, 2017).

Further, the literature on institutional entrepreneurship emphasises how creative entrepreneurial forces bring about change to organisational processes and institutions (Garud et al., 2007: 958). Hence, the deliberate efforts of social agents, as persons professed to have an intended stake in such process, are indicated (Dacin et al., 2002; Seo and Creed, 2002; Szabó, 2017). Institutional change thus reflects the influences and interests of actors, hence being political (Fligstein, 1997; Seo

and Creed, 2002; Maguire et al., 2004). Although, from the definition of institutional logics, as 'providing meaning to social reality' (Thornton and Ocasio, 1999: 804), the actions of social actors are also assumed within these boundaries. In this regard, the emergent or reproduction of institutional practices are contested as not merely the consequential evolution of institutional structures (Dacin et al. 2002). Having acknowledged the idea promoted through institutional logics that institutions involve social structures, scholars attempt to expound the influence on the manner in which these changes occur (Seo and Creed, 2002). Expanding the views of the institutional contexts (field-level factors) for institutional reproduction, the institutional entrepreneurship expands the implications of agents (entrepreneurs) in organisational advancements (Meyer and Jepperson, 2000). Correspondingly, not only are the institutional templates important – as institutional logics affirms – institutional entrepreneurship instigates the deliberate change to the institutional prescriptions through endogenous sources (Greenwood et al., 2002; Greenwood and Suddaby, 2006). Thus, by advancing the understanding of institutional change and emergence, institutional entrepreneurship contributes to institutional theory (Greenwood and Suddaby, 2006). In this respect though, from the assumed homogeneity in the diffusion of corporate governance reforms, studies have specified the different approaches to achieving corporate governance modifications. Along this perspective, institutional entrepreneurship seeks to elaborate on the way actors affect the contexts in which they are embedded. In other words, social actors are embedded within institutional structures crafted through myriad conducts. This advocates not just the view that changes are driven within institutional boundaries, but how those modifications are brought about. In this light, institutional entrepreneurs are thus described as interest-driven, organised actors, who advance the interest they value highly by creating new institutions (DiMaggio, 1988; Greenwood and Suddaby, 2006). A major focus of scholars, in this regard, is to explain the manner by which these actors enable changes to those institutional contexts by which they, as actors, are also shaped (Greenwood and Suddaby, 2006), i.e. "the paradox of embedded agency" (Seo and Creed, 2002: 226). Within this debate, scholars have attempted to forge the understanding of how ***'agents'*** lead conformity to social convention or initiate non-isomorphic action by challenging the institutional fabric (Dacin et al., 2002; Chizema and Shinozawa, 2012). Accordingly, reinforced by the prevailing diffusions of governance practices, a research trend has emerged in the quest to elaborate these incidences, across institutional contexts.

Against this background, beyond the perspective on the activities of agents, as in institutional entrepreneurship, institutional work expounds the interplay of organisational actors and the dynamism of institutional fields. Institutional work draws on the ideas from political science and sociology to enable insights into the role of individuals, in the emergence of institutional structures (Dobbins, 2010)**.** "The concept of institutional work highlights the (perhaps controversial) notion that

individuals actively engage in processes of institutional *creation, maintenance, disruption, and change*" (Lawrence et al., 2011: 53). As Giddens (1993) posits ***"The production and reproduction of society thus has to be treated as a skilled performance on the part of its members***, ***not as merely a mechanical series of processes"*** (p. 168). In this sense, rather than the focus on the entrepreneurial activities of individuals, as declared by institutional entrepreneurships, the attention here is drawn to collective actions. Institutional work therefore involves the physical or mental effort aimed at affecting an institution or set of institutions (Lawrence et al., 2011: 52). In this respect, institutional work attempts to promote the understanding of how the transformational (or otherwise) actions of agents are achieved in relation to the construct of institutional logics. By such insight, considered missing in original institutional theory perspectives, institutional works strengthen the general understanding of the significance of the interlace of social actions in organisational innovations (Lawrence et al., 2011). Basically, and disregarded by traditional institutional theory, is the lived experience of organisational actors, especially the connections between this experience and the institutions that structure and are structured by it (Lawrence et al., 2011). The perspectives espoused in institutional entrepreneurship highlight the role of self-interested agents in driving organisational change (Misangyi et al., 2008). Specifically, the centrality of a firm's entrepreneurial identity, as it interacts with the national governance logic, is highlighted to jointly create corporate governance discretion (Aguilera et al., 2018). Unlike the underpinning ideology of stability and preservative nature of institutional frameworks promoted in institutional theory, institutional work promotes an extended position (Lawrence et al., 2011). Institutional work directs attention at not only the continuity of institutional structures, but the multi-dimensional implication of these social actions, thus, stimulating an attempt at promoting the understanding of social dynamics.

In spite of the foregoing, social actions are enabled within the boundary of social interpretations and meanings – norms, schemas and customs etc. (Misangyi et al., 2008). From this view, scholars have continuously engaged in investigating the implications of the organisational contexts for the outcome of innovations. For instance, Kim (2016) found that changes in reporting quality, as measured by value relevance of information, are a function of the type of isomorphic pressure within a country. Likewise, the practical influence of western banks on corporate governance reforms was perceived to be ineffectual in most cases, in the emerging context of China (Nolan, 2010). As revealed, normative institutions, including a 'who you know' or guanxi credit culture, represent a prevailing procedure consistent with the path dependence models of institutional change (Nolan, 2010). Thus, rather than ontological actors, frozen in space, time and isolated from the social and cultural context, social relationships represent a fundamental unit of analysis, within institutional spheres (Aguilera and Jackson, 2003). Social behaviours are explained by

institutions which embody cognitive, normative, regulative structures and activities (Scott, 1995). Yet, as Suddaby et al. (2010) posit, '*instead of casting institutions as relatively contingent creations of human cognition, emerging research has tended to identify universal properties of institutions and to study them and their organizational impacts in realist, if not outright functionalist, terms*' (p.1234). By implication, within the contextual confine, institutional factors play a more prominent role in the existing organisational form (Möllering and Müller-Seitz, 2018; Pemer and Skjølsvik, 2018).

2.3.3.4 *The contextualisation of corporate governance: Institutional variances and reproductions*

Neo-institutionalists promote the significance of the ambience of organisational structures in institutional reproduction or change (Powell, 1991). This is a central idea, illustrated in the perspectives advanced in the cited notion of institutional logic, entrepreneurship and work. As Filatotchev et al. (2013) state, '*national institutions represent important contingency factors that may influence the adoption and effectiveness of firm-level governance practices, contrary to the universalistic framework that until recently dominated agency-grounded research'* (p. 979). Neo-institutional theory jointly explains the diffusion of new practices and the strategic responses to such innovations across organisational fields (Szabó, 2017; Zahir-Ul-Hassan, 2017). These definitions share the key notion that institutions make social order possible by reducing uncertainty, thus providing a framework or structure for interactions (Yoshikawa et al., 2007). The assumptions of the convergence view of governance practices and the declared isomorphism of corporate governance innovations portray the uniformity of adoption across contexts. However, the scholarship continues to promote the underlying implication of institutional field influences. '*The challenge remains to conceptualize cross-national diversity and explain the differences, in spite of the rich description found in corporate research literature'* (Aguilera and Jackson, 2003). In this respect, the basic principal-agent relationship is modified by institutions in such ways that require specific contextualisation (Filatotchev et al., 2013). Along this line, Kusi et al. (2018) find that instead of the expected shareholder and stakeholder value maximization, corporate governance structures, such as CEO duality, non-executive members and large board size, lead to a reduction.

Thus, although there have been a growing number of attempts by agency theorisation to appreciate the differences in cross-national corporate governance, these have, however, remained problematic (Filatotchev et al., 2013). For instance, scholars have emphasised the role of power in the elaboration of logics within organisational fields (Joseph et al., 2014). In a similar thread, Oliver (1991) asserts that, although organisations commonly consent to institutional pressures, such submission may take different forms, such as '*habit, imitation, and/or compliance.*' Lee and Taeyoung (2008), in their analysis of the French case of corporate governance reforms, discover that the converging and diverging forces of institutional change coexist. They further suggest that while the adoption of the

shareholder model is necessary for resource acquirement from the global capital markets, the implementation of a stakeholder model is, however, motivated by the resource allocation objective (Lee and Taeyoung, 2008). To this end, scholars have admitted patterned variations from the diffusion of practices across dissimilar institutional contexts (Thompson, 1967; Yoshikawa and Phan, 2001; Scott, 2003; Filatotchev et al., 2013; Talaulicar et al., 2017; Pemer and Skjølsvik, 2018; Tenbensel, 2018).

2.3.3.4.1 *Institutional rubrics and field structuration*

Organisations are enclosed within an internal and external environment (Selznick, 1949; Cyert and March, 1963). The external environment consists of the interfaces and pressures from other institutional factors (Granovetter, 1985). While the internal environment, on the other hand, is depicted as systems, those myths, views, practices etc. which consist of the logics by which the functions are understood and executed (Meyer and Rowan, 1977). Each institutional domain, however, are characterised by the discrete recommendations of common goals and how this context is structured to achieve such goals (Greenwood et al., 2014). For example, institutional work submits to the view that the actions of actors within an institutional field, may not only uphold an attempt at maintaining, but could also impede improvements to such a structure.[14] Likewise, the suggestion of institutional complexity by scholars is precipitated by the perception that there is a coexistence of multiple, dominant logics within institutional fields (Martin et al., 2017; Tenbensel, 2018). As Giddens (1993) states *"the reproduction of modes of domination, one must emphasize, expresses asymmetries in the forms of meaning and morality that are made to 'count' in interaction"* (p.165). Möllering and Müller-Seitz (2018) show how practices dealing with uncertainty, though, do not eliminate the basic uncertainty, but nevertheless configure the field and institutionalise a common direction, which makes institutional work possible. Nevertheless, convergence of corporate governance is regarded as the increasing isomorphism in the practices of public corporations in different countries (Yoshikawa and Rasheed, 2009). Conversely, Besharov and Smith (2014) contend the dominance of institutional logics, whereby organisations are categorised in terms of logic compatibility and logic centrality. As such, this is suggested to espouse field that organisational and individual factors' influence, which aids in explaining the varied implications of such multiple institutional logics (Besharov and Smith, 2014).

In like manner, an established corporate governance system mirrors the societal-level coordination. Organisational contexts are indicated to be encapsulated within multiple logics (Reay

[14] 'Structuration theory takes the position that social action cannot be fully explained by the structure or agency theories alone. Instead, it recognizes that actors operate within the context of rules produced by social structures, and only by acting in a compliant manner are these structures reinforced'. <https://www.britannica.com/topic/structuration-theory>

and Hinings, 2009). Endogenous variables, in addition to structural variances, also define institutional fields. Corporate governance legitimation is defined as practices and structures within a nation that result in corporate behaviour which satisfy the demands within such society (Judge et al., 2008). However, indications of the complexity of individual actors' legitimacy judgment of organisational change have also been promoted in the literature (Reay and Hinings, 2009; Tost, 2011; Szabó, 2017). Thus, while corporate governance principles are internationally predicated they are, nonetheless, nationally implemented. In this respect, the need to understand how these mechanisms are instantiated within the framing of institutional configurations has become imperative. The features of institutional fields dictate the nature of multiplicity within organisational entities (Besharov and Smith, 2014)**.** As Smets and Jarzabkowski (2013) posit, within institutional fields '***constellations are constructed rather than given***' (p.1301). However, as argued, compelled by their individual values and ethics of organisational actors, firm might be steered to adopt practices that have no immediate or obvious benefit (Ntim and Soobaroyen, 2013). In this regard, some scholars have promoted the understanding of multiple interests on the implications of variations in institutional structures for organisational reproductions (Edelman, 1992; Thornton et al., 2012; Joseph, et al., 2014).

The study of ***institutionalisation*** has attempted to explain the nature and variety of institutional processes, and the influences that such processes exert on the structuration and change of organisational fields (Meyer and Rowan, 1977; Zucker, 1988; DiMaggio and Powell, 1983; Tolbert and Zucker, 1983; Scott and Meyer, 1987; Hinings and Greenwood, 1988; Oliver, 1991; Greenwood et al., 2014; Haxhi and Aguilera, 2017; Imerman, 2018). Institutionalisation often includes institutional orders and their transformations, which although can be emergent, but can likewise be the intentional product of actors within an institutional field (Misangyi et al., 2008). In illuminating the process by which new fields are created, Suddaby et al. (2007) draw on neo-institutional theory to examine the role of large accounting firms in the emergence of a transnational regulatory field in professional services. Their observation reveals a shift in regulatory logics in which historical efforts to separate rather than suppress professional practice from commercial interest are embraced (Suddaby et al., 2007). Institutional diversity is noted to be contributory to the innovation and differentiation in products and services across different contexts (Clarke, 2016), where dominant institutional logic(s) can affect the establishment of new practice (Lounsbury, 2007; Marquis and Lounsbury, 2007). In this sense, organisational forms are stipulated as the recombination of core organisational features of goals and authority relations involving organisation structures and governance arrangements (Rao et al., 2003).

Corporate governance reforms are intended to engender improvement to corporate governance mechanisms. Nonetheless, in many respects, the interdependence of corporate

governance on their institutional substances has been highlighted (*see* Fan and Zietsma, 2017; Haxhi and Aguilera, 2017). Li and Harrison (2008) examine how ownership structure and national culture influence the size and leadership structure of the corporate boards of multinational firms based in industrial countries. They found that national culture has a dominant influence on corporate governance structure, thus indicating that corporate governance structures differ significantly across countries (Li and Harrison, 2008). Misangyi and Acharya (2014) in their configurational approach to examining governance mechanisms, articulate the interrelations of governance mechanisms. Their finding suggests that corporate governance mechanisms complement rather than substitute their internal structures. Further, their effectiveness is realised to be reliant mostly on the mechanisms mutually enhancing each other, in a complementary manner (Misangyi and Acharya, 2014). For instance, Yoshikawa et al. (2014) explore the different combinations of governance practices, at a national level in China. Their study highlights the reliance of corporate governance practices on the institutional fabrics as significantly explaining the diversity and variation of governance structures across firms (Yoshikawa et al., 2014).

2.3.3.4.2 ***Institutional legitimation and prevailing practices***

Legitimacy is declared to occur as an emerging social entity gains a taken-for-granted quality that leads it to be perceived as an objective and natural reality (Tost, 2011). In a sense, legitimacy relates to the acceptability of a practice or conduct, based on the perceptions of individuals. In this regard, Suchman (1995) posits that legitimacy affects not only how people act toward organisations, but also how they understand these organisations. Legitimation is thus considered to be independent of individual observers but rather dependent on a collective audience (Suchman, 1995), whereby '*an organization which deviates from individuals' values may yet retain legitimacy if such deviation draws no public disapproval'* (p.574). Accordingly, from institutional theorisation, taken-for-granted social norms, across institutional fields, stipulate that behaviours are patterned and reproduced (Greenwood and Suddaby, 2006). Yet, the assumptions of what actors do, say and mean are problematic when studying the institutionalisation process (Yuan, 2017), where these three are distinct correlates of social reality which move from the micro to the macro level (Yuan, 2017). Thus, the legitimation of a course of action may inevitably follow a pattern that the major coalition of social actors historically considered as a norm. This then suggests, to a certain extent, the influence of the existing structures on organisational behaviours. As noted, agents' actions can constitute key components of field-level, structuration, logics or processes (Greenwood and Suddaby, 2006; Lawrence et al., 2011; Thornton et al., 2012). Nonetheless, they do this with regard to social composites, such as beliefs or obligations which present as the standard for such ratification. As Meyer and Rowan (1977) posit, societal elements of rationalised formal structure are deeply ingrained in,

and reflect, widespread understandings of social reality. As argued, the co-existence of conflicting signals regarding the spread of new institutional models needs to be acknowledged in a balanced approach to studying institutional change in corporate governance (Krenn, 2017).

Organisational legitimacy research in the institutional theorisation divide has emphasised the ways in which sector-wide structuration *dynamics* generate cultural pressures that transcend any single organisation's purposive control (DiMaggio and Powell, 1983; Meyer and Rowan, 1977; Powell, 1991; Giddens, 1993; Suchman, 1995). DiMaggio and Powell (1983) argue that "*Coercive isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function"* (p.150). Accordingly, Giddens (1993) contends that '*the realm of human agency is bounded. Human beings produce society, but they do so as historically located actors*' (p.168). Thus, if institutions retain some of their identities in the attempts at reproduction or change to institutional environments, then the centrality of contextual variables is definitely implied. Legitimacy remains sensitive to changing subjective perceptions and intrinsically relational (Imerman, 2018). Legitimacy has been affirmed to represent a necessary component of institutionalisation, which is considered critical in institutional research (Tost, 2011; Imerman, 2018). Consequently, corporate governance legitimacy is described as one of the means by which a nation directs corporate power to create and distribute economic wealth (Judge et al., 2008). To this end, the uniformity of the outcome of corporate governance may merely be proposed. Past research has argued for the understanding of the complementariness among micro level governance practices in different organisational fields (Aguilera et al., 2008). But macro- and micro-level studies diverge in their approach to understanding the implications of institutional complexity for actor's independence (Cohen et al., 2008). Most especially, these views differ in their identification of the basis for agents to resist, reinterpret or make judicious use of institutional prescriptions (Cohen et al., 2008). For instance, the concept of institutional logics provides an explanation to practice variation/creation, by extending human-managerial cognition in decision making (Zahir-Ul-Hassan, 2017)**.** In other words, the import of institutional elements for reproduction is prominent, despite the universal drive for homogeneity. Although institutional logics provide the guiding principles for organisational structures and practices, yet they fail to provide detailed template in implementation, thus rather allowing substantial variations (Friedland and Alford, 1991; Lounsbury, 2008; Joseph et al., 2014; Humphries and Whelan, 2017). According to the structural elaboration theory, broad and equivocal principles, often set forth within social laws, are subject to interpretation by organisational actors (Edelman, 1992; Joseph et al., 2014).

While "*corporate governance legitimacy is defined as suitable practices and structures within a nation, they are also declared to result in corporate behaviour that is appropriate to meet the needs of society"* (Judge et al., 2008: 768). Organisations incorporate institutionalised practices and procedures that are derived from prevailing rationalised concepts of organisational work (Meyer and Rowan, 1977). As such, institutions decide both formal and informal rules that bound social exchanges (North, 1990). The effectiveness of a practice, across institutional settings is fundamentally decided by its bearing on the societal needs (Fligstein, 2001; Aguilera et al., 2008). As such, institutional legitimation that also usually occurs in the form of pressures and influences, in turn, can impact on efficiency within an organisational field. For instance, Sobhan (2016) discovers that the significant over-statement of compliance with governance principles reported by public companies in Bangladesh, is positively associated with control by sponsor families. This suggests that legitimacy/efficiency of organisational practices can be affected by the dominant logics within the institutional environment. '*Cultural–cognitive elements involve the creation of shared conceptions that constitute the nature of social reality and the frames through which meaning is made'* (Scott, 2003; 2004; 2014). Tost (2011) specifies the content underlying legitimacy judgments and provides a model of the process by which these judgments develop and change. In this regard, individual-level legitimacy judgments are typically based on evaluations that fall into three dimensions: '*instrumental, relational,* and *moral*' (Tost, 2011).

As DiMaggio and Powell (1983) proclaim, goal-oriented behaviour may be reflexive, in the sense that it reflects deeply embedded predispositions, scripts, schema, or classifications. Hence, even though it does not contribute to the achievement of a goal, behaviour oriented to a goal may still be reinforced (DiMaggio and Powell, 1983). Failing to account for active cognitive processing by the traditional approach of institutional theorists, is claimed to have hindered the explanation of how individuals form the judgments of legitimacy (Tost, 2011; Hoefer and Green, 2016). Predicated on the path dependence approach to institutional change, Nolan (2010) shows that normative institutions remain dominant influences in the inclination and capacity of Chinese banks to engage in changes to corporate governance mechanisms**.** Thornton and Ocasio (2008), assert that "*Institutional logics shape rational, mindful behaviour, and individual and organisational actors have some hand in shaping and changing institutional logics*" (p.100). Kim (2016) reveals that firms that adopted IFRS, and equally experienced significant improvements in their reporting quality, in the Russian Federation, are those that also experienced coercive, mimetic, and normative societal pressures. Similarly, as Oliver (1991) argues, certain institutional scenarios can limit the ability of organisations to conform to institutional requirements. These situations include basically: (1) inadequate organisational resources or capacity to meet the requirements for conformity, (2) conflicting institutional pressures that make unilateral

conformity unachievable, and (3) a lack of recognition or awareness of institutional expectations (Oliver, 1991: 159). Therefore, the process of institutionalisation can involve the legitimacy judgments of evaluators being subjected to social control to proffer an institutional stability loop (Bitektine and Haack, 2015). In turn, a cross-level positive-feedback process may evolve, which ensures stability of the institutional order through the persistence of legitimacy judgments (Bitektine and Haack, 2015). Although, as argued, the heightened attention given to institutional configurations has fostered a shift from the focus on the organisation as a centre of analysis (Meyer and Höllerer, 2014), such a stance is contended to encourage comparison across contexts based on a focus on the differences (rather than similarities) in their organisational forms (Meyer and Höllerer, 2014). Nonetheless, there is witnessed increasing advocacy for the effect of field-level constituents in the diffusion theorem. Recently among scholars, studies have increasingly pursued the relevance of organisational fields towards the explanation of organisational behaviours (Boolaky and Soobaroyen, 2017; Haxhi and Aguilera, 2017; Kim et al., 2017; Zhong et al., 2017; Möllering and Müller-Seitz, 2018; Tenbensel, 2018). Thus, undeniably, the need to foster understandings of the implication of varieties of institutional constituents for organisational innovations remains.

2.4 Part D: Review of literature on corporate governance reforms in Nigeria: Research gap and agenda

2.4.1 Corporate governance and reforms in an evolving field: Perspective from the developing countries

The global campaign for corporate governance reforms, as well as in the context of the developing countries, has generally been propelled by transnational agencies, such as OECD, ICGN, World Bank, IMF, AfDB (Coombes and Watson, 2001; Krambia-Kapardis and Psaros, 2006). However, these institutional bodies are professed to drive convergence in corporate governance reforms (Khanna et al., 2006; West, 2009; Yoshikawa and Rasheed, 2009; Adegbite et al., 2013), in light of their actions being considered as propelling homogeneity in corporate governance practices. The propositions of the corporate governance reforms depict a governance model that typifies the advanced institutional settings of the UK and US (Coombes and Watson, 2001). This has considerably spurred developing countries in the direction of an Anglo-American model (Reed, 2002). An institutional perspective on governance is regarded as particularly applicable in the case of emerging economies, with the variations and effects that these contexts have on strategic choices (Peng, 2003; Young et al., 2008). In the developing economies, the definition of what GCG encapsulates has similarly followed these universal prescriptions, i.e., as a measure for promoting improvements to corporate governance mechanisms (Okike and Adegbite, 2012; Clarke, 2015; Qian et al., 2018).

However, beyond this firm-level focus, the emphasis of good governance, in the developing contexts, encompasses a broadened significance for macro-economic functions and developments. These include such goals as curtailing institutionalised corruption and fostering viable economic environments for growth and development (Reed, 2002; Claessens, 2006). For instance, even though a range of isomorphic forces appear to be prevalent in Zambia, embedded corruption is likely to require addressing before any meaningful change can be achieved in corporate governance reforms (Chanda et al., 2017). Also, the African Development Bank Group (AfDB) reforms program across African countries, in the last decades, has mainly focused on agendas that are crucial for accelerating economic transformation, including the improvement of the quality of life of the populace, across the continent.[15] Nonetheless, developing countries are noted to lack the institutions and structures on which such organisational systems in the advanced contexts depend (Gugler et al., 2003; Paredes, 2005; Uddin et al., 2017). The advanced settings, as a result of the established institutional structures in these contexts, represent mature fields (Maguire et al., 2004). Organisational field, represents those organisations that constitute a recognised area of institutional life (DiMaggio and Powell, 1983). A mature field epitomises relatively well-structured configurations (Maguire et al., 2004). Such a field usually comprises participants who have a strong mutual awareness of which organisations occupy given fields and which do not, thus encompassing, stable, routinised interactions (Scott, 1994, 2001; Greenwood and Suddaby, 2006). Likewise, in most comparisons, in corporate governance reforms and diffusion of practices, studies have usually contrasted two dichotomous models of Anglo-American and Continental European corporate governance[16] (Cuervo, 2002; Kaen, 2003; Aguilera and Cuervo-Cazurra, 2004; Cromme, 2005; Talaulicar and Werder, 2008; Zattoni and Cuomo, 2008; Yoshikawa and Rasheed, 2009; Seidl et al., 2013). Nonetheless, organisational fields normally display considerable diversity in approach and form in the initial stages of their life cycle (DiMaggio and Powell, 1983). In this vein, the literature and research on corporate governance reforms has typically been inclined towards developed economies, particularly the US and UK (Jhunjhunwala, 2012).

Even with the proposed homogeneity of practices from globalised governance principles, multiplicities of institutional structures remain (Ocasio and Radoynovska, 2016). The concept of

[15] For instance, in November, 2017, the Republic of Cameroon financed the first phase of the government's Competitiveness and Economic Growth Support Programme (PACCE), sponsored by the AfDB, in line with the bank's 2013 - 2017 Private Sector Development Strategy, among others. As "Ousmane Dore, Director General of the Bank's Central Africa Hub said while presenting the project to the Board, "The program aims at preserving macroeconomic and budgetary stability and contributing to laying the foundations for robust, resilient and inclusive economic growth by improving the public finance management framework and strengthening the governance and competitiveness of productive sectors (transport, energy and agriculture),". <https://www.afdb.org/en/news-and-events/afdb-supports-cameroons-economic-reforms-with-eur180-million-loan-17589/>Accessed on 20-10-2017.

[16] Yet this classification of Continental European corporate governance only partially fits Japan and other East Asian countries (Aguilera and Jackson, 2003).

isomorphism best captures such a process of homogeneity (DiMaggio and Powell, 1983). Isomorphism is promoted through the actions of organisations incorporating norms from their institutional environments for benefits such as stability and/or legitimacy (Meyer and Rowan, 1977**;** DiMaggio and Powell 1983; Chizema and Buck, 2006). Isomorphism is a constraining process that forces one unit in a population to resemble other units that face the same set of environmental conditions (DiMaggio and Powell, 1983). In their rhetorical model of institutional decision making, Hoefer and Green (2016) argue that the level of contestation during the institutionalisation process can decide the evaluations of a practice. Accordingly, there is a lower risk of doubting the effectiveness or legitimacy of a practice, 'where such practice faces higher burden of proof in order to be institutionalised' (Hoefer and Green, 2016: 143). On the one side, the Anglo-American model of corporate governance deploys strong corporate governance mechanisms to protect investors (Dharwadkar et al., 2000). Such a system usually embodies the most comprehensive and well enforced mechanism towards the protection of investors (Bhide, 1994). In this respect, shareholders are comparatively passive with respect to internal control mechanisms and instead rely more on external corporate controls, such as hostile takeovers (Bhide, 1994; Dharwadkar et al., 2000). However, in developing countries such a higher burden of proof can often be lacking. Corporate governance in developing countries reflects differing circumstances. Rather than the prevalent external control in developed countries, studies have indicated the monitoring role of large shareholders within the developing corporate governance structure (Sarkar and Sarkar, 2000; Claessens et al., 2002; Waweru and Riro, 2013; Oluyemisi and Ayoib, 2017). Filatotchev and Allcock (2010), posit that 'in societies with strong egalitarian tendencies, powerful stakeholders and reputational concerns frame managerial behaviour'. As a result, the effectiveness of governance mechanisms – such as executive compensation – may be limited, regardless of the specific organisational context (Filatotchev and Allcock, 2010). In this respect, attempts to explain the variations of organisational fields are expected to offer insights into diverse consequences of multiple logics manifestation within organisations (Besharov and Smith, 2014).

Developing countries encompass evolving institutional contexts. As Feleagă et al. (2011) assert, competitiveness in today's global economy is more difficult in developing economies. As Kamal and Deegan (2013), discovered, although the garment and textile companies of Bangladesh are disclosing more social and environment-related governance information than that required by corporate regulatory authorities such as the SEC, the disclosures are still found to fall short of what might be ideal from the perspective of the international community. Nonetheless, organisations do not simply extract legitimacy from the environment; cultural definitions determine how the organisation is built, how it is run and, simultaneously, how it is understood and evaluated (Suchman, 1995). Hoefer and Green (2016) highlight the role of actors that act to persuade themselves and others

to adopt, maintain, or reject practices. Aside from this, field level factors matter in corporate governance reproductions. As Filatotchev and Allcock (2010) argue, national institutional environments may affect the nature and extent of agency conflicts at the firm level. In developing/emerging countries, formal institutions, such as laws and regulations regarding accounting requirements, securities trading, information disclosure, and their enforcement, are either absent, inefficient, or do not operate as intended (Young et al., 2008; Qian et al., 2018). Also, through the absence of widely shared convergent norms, emerging fields, in contrast with mature ones, are initially characterised by an absence of stable coordination (Maguire et al., 2004). For instance, in Romania, in order to institute GCG practices, improvements in the business environment and the accountants' and managers' education are disclosed as necessary prerequisites (Albu et al., 2012). In addition, in developing countries block-ownership in companies is commonplace (Lodh et al., 2014; Das et al., 2015)**.** Although principal-agent conflicts may be less prevalent, large shareholding control can potentially result in the hijack of business management by family owners (Yoshikawa and Rasheed, 2010). Regardless, the investigation of the implication of family-controlled, publicly-listed firms has traditionally been in governance research (Yoshikawa and Rasheed, 2010). Along this line, the resilience of cultural and institutional diversities has impacted on the theoretical arguments for and against the inevitability of the convergence of corporate governance systems (Clarke, 2016; Szabó, 2017; Möllering and Müller-Seitz, 2018; Pemer and Skjølsvik, 2018).

2.4.2 RESEARCH GAP

In spite of the aforementioned, theoretical propositions in organisational studies have been challenged, often tacitly assuming that the institutional conditions found in developed economies are also present in other economies (Young et al., 2008). Gonzalez et al. (2005) find a significant relationship between ownership structure and firms' utilisation of corporate governance provisions. Concentrated ownership is discovered to align incentives and encourage monitoring, but weakens other corporate governance mechanisms and can impose significant costs (Berglöf and Claessens, 2006). In emergent economies, due to the overbearing influence of large shareholders, the BoD is often found to mainly play an advisory role in public companies, rather than provide an oversight function (Agyemang and Castellini, 2015). Nonetheless, corporate governance reforms are basically grounded in the ideologies of agency theory (Krenn, 2014; Adnan and Tandigalla, 2017; Lee, 2018). The dominant agency perspective does not sufficiently explore how corporate governance is shaped by its institutional embeddedness (Aguilera and Jackson, 2003; Wei et al., 2017). Nonetheless, in analysing the effectiveness of corporate governance in diverse organisational environments, an open system approach is proposed (Aguilera et al., 2008). This professes the interdependencies and

complementarities of different corporate governance practices (Aguilera et al., 2008; Tenbensel, 2018). In developing economies especially, changes in institutional structures are likely to be more frequent than when compared with an advanced economy, where there is less disparity (Baig and Godley, 2016). Organisations operating in high velocity business environments, such as in evolving contexts, often face the challenge of making hasty strategic decisions in the face of rapid change, ambiguity of information and lack of ability to verify key facts (Oliver and Roos, 2005: 889). Within such evolving fields, the widely shared values associated with normative forces have yet to develop, while diffuse power makes it difficult for individual actors to coerce others (Maguire et al., 2004).

2.4.2.1 *Corporate governance reforms in the Sub-Saharan Africa context*

In the Sub-Saharan Africa region, economic integration, globalisation and the need for foreign direct investment (FDI) have particularly influenced the quest for improvements in corporate governance (Reed, 2002; Claessens, 2006; Klagge and Zademach, 2018). In this respect, prescriptions for good governance generally contain similar recommendations to the global corporate governance principles (Abor and Fiador, 2013; Munisi and Randøy, 2013; *African Corporate Governance Network*, February 2016; Waweru and Prot, 2018). This notwithstanding, organisational practices and mechanisms are frequently largely affected by a range of competing contextual elements, basically disregarded in universal corporate governance schemes. For instance, in Sub-Saharan Africa socio-wellbeing can usually considerably moderate internal corporate governance practices, whereby, in the endorsement of corporate governance, actions towards wellbeing, such as corporations' corporate health accounting practices, often impacts on firm value significantly (Ntim, 2016). Likewise, corporate governance in this region can rely on investment opportunities as the main factors influencing quality (Waweru, 2014); for instance, the level of dividend pay-out (or retention) by listed companies, in this region, can be significantly determined by the availability of or access to external funding opportunities (Abor and Fiador, 2013). Also, factors such as the Gross Domestic Product (GDP), and the political environment such as the level of governance, can determine corporate practices in terms of the volume of corporate social disclosures (Kühn et al., 2018). Likewise, the majority of Sub-Saharan Africa stock exchanges are institutionally weak, small and illiquid, although there is an increasing number of them (Klagge and Zademach, 2018). Thus, there can be huge constraints on the effectiveness of corporate internal structures as a consequence of the interference from these contextual structures. However, companies sometimes have to vary their corporate governance practices to make up for the deficiency in external mechanisms. For instance, differences in the disclosure levels, among listed companies in Sub-Saharan Africa countries, are generally attributed to the different levels of corruption in these countries, as companies can often hide corrupt practices through minimal disclosures (Agyei-Mensah, 2017).

Further, in the developing/emerging contexts, improvements in the enforcement environment, and the adoption and implementation of public laws, are often prevented by political-economic constraints resulting from the intermingling of business and politics (Berglöf and Claessens, 2006: 123). While legitimacy evaluation encompasses sense-making of collective actors who act upon some collective, macro level legitimacy judgment (Daft and Weick, 1984; Bitektine and Haack, 2015), efficiency in corporate governance, on the other hand is hypothesised to be determined by its fit within institutional contexts (Aguilera et al., 2008; Filatotchev and Boyd, 2009). Roberts and Greenwood (1997) portrayed this as a ***constrained-efficiency framework*** within institutional fields in the process of adopting new organisational designs. Within the developing context, poor governance standards are often considered to be some of the most difficult to mitigate, among the risks associated with investing (Governance Newsletter, 2014). Often, in making decisions, individuals and groups (in high velocity business environments) tend to use rules of thumb (Oliver and Roos, 2005). Although companies in Sub-Saharan Africa can potentially enhance their performance by adopting GCG practices, many publicly listed companies typically comply with just over half of the global '*good corporate governance practices'* (Munisi and Randøy, 2013). It is particularly revealed in Sub-Saharan Africa, that country-specific fundamentals, institutions, policy, as well as governance and fiscal reforms, represent the key drivers of structural transformations in the region (Mensah et al., 2016). In this respect, Feleagă et al. (2011) discovered that due to cultural, economic and social factors, when compared with developed countries, the emerging economies are yet to develop a comprehensive approach to the implementation of principles of corporate governance.

2.4.2.2 *Nigerian institutional configurations and corporate governance reforms*

The prevalence of dysfunctional institutions, dearth of infrastructures, less developed financial markets, etc., portrays a challenging institutional context[17] for corporate governance in Nigeria (Yakasai, 2001; Okpara and Kabongo, 2010; Amaeshi et al., 2016). As in other corporate contexts across the globe, gross inefficiency and unethicality involving corporations' boards in their oversight functions have also been reported in Nigeria[18]. However, in Nigeria these issues are associated with contextual factors, such as general level of illiteracy in the country and endogenous or attitudinal challenges; and impunity, greed and connivance among company directors and consultants

[17] The following are identified from past studies and extant survey of the literature, as institutional variances (peculiarities), in the distinct context of Nigeria: Ownership structure; (Lack of) shareholder activism and low protection of minority shareholders rights, principal - principal conflicts, endemic and institutionalised corruption; (Lack of) supporting institutions and enforcement framework; (weak) financial/capital market; (inadequate) legal and regulatory system; socio-economic factors; (high level of poverty; high level of illiteracy/low level of education); cultural factors; (varied views, opinions, values, beliefs, norms, schema, mores) (Aoki, 2001; Ahunwan, 2002; Aguilera and Jackson, 2003; Adegbite and Nakajima, 2012; Nmehielle and Nwauche, 2004; Okike, 2007; Amao and Amaeshi, 2008; Adekoya, 2011; Adegbite et al., 2012).

[18] For instance, corporate frauds, such as the Cadbury Nigeria and Halliburton Scandals, in 2007 and 2008 respectively were reported. Also, in 2009, The CBN sacked eight bank executives on allegations of fraud and other corporate misdemeanours.

(Ahunwan, 2002; Yakasai, 2001; Bakre, 2007; Owolabi and Ogbechie, 2010; Adekoya, 2011; Donwa and Odia, 2013; Akinkoye and Olasanmi, 2014; Adegbite, 2015). Bakre (2007) specifically reported the lack of appropriate disciplinary action against erring company external consultants in Nigeria. Further, the absence of a large pool of qualified candidates to act specifically as independent directors or members of audit committees in Nigeria, is also indicated (Adegbite, 2012b). Nonetheless, these institutional mechanisms which constitute significant complementarities for effective corporate governance reforms are commonly predominant in the developed countries (Cuervo, 2002; Dore, 2005).

The BoD usually serves as an instrument of strategic control within corporate governance infrastructures (Baysinger and Hoskisson, 1990; Dalton et al., 1998; Keenan, 2004; Mahadeo et al., 2012). In developed countries, the emergence of institutional investors and shareholder activism has substantively influenced the board and executives in the discharge of their duties (Charkham and Simpson, 1999). However, such a condition is nascent within this context. Specifically, shareholder activism is discovered to still be at the developing stage in Nigeria (*See* Ahunwan, 2002; Amao and Amaeshi, 2008; Adegbite et al., 2012). Moreover, Adegbite et al. (2012) state that shareholder associations in Nigeria are often ineffective in protecting the minority shareholder, as their members sometimes compromise on their responsibility. These shareholder groups often accept bribes, take up appointments on company boards and collude with company executives, thus exposing minority shareholders to expropriation (Adegbite et al., 2012). In this regard, Sanda et al. (2005) find that there is no significant relationship between the appointment of outside (independent) directors and firm performance in Nigeria. Their study suggests the need for regulatory agencies to reassess the functionalities of outside (independent) directors, in Nigeria. Ojeka et al. (2017) investigated the impact of the revised Nigerian Code of Corporate Governance (2011) on the market performance of selected firms in the Nigerian capital market. Their study, however, shows that as presently captured in the code, the non-executive and independent directors tend to guarantee more the independence of the audit committee and the larger board. Therefore, it is suggested that to stabilise the system and reinstate the confidence of investors, there is a need to strengthen the implementation of every recommendation contained therein (Ojeka et al., 2017).

The Nigerian corporate governance model mainly evolved from the British – outsider[19] (shareholder oriented) – corporate governance system (Ahunwan, 2002). However, studies have

[19] Some of the features of the outsider (Shareholder) system of corporate governance include: dispersed ownership, separation of owners from control, little incentive for outsider investors to participate in corporate control, highly sophisticated and diversified financial market, low commitment of outsider investor to long term strategies of firm (Corbett and Mayer, 1991 in Clarke, 2007: 10).

revealed features of the insider system[20] of corporate governance in developing countries (Claessens et al., 1999a; Coombes and Watson, 2001). Studies by Amao and Amaeshi (2008) and Adegbite (2012a) also reveal the presence of large shareholders constituting the majority of investors in Nigeria. As La Porta et al. (2000) argue, large shareholders might often be instrumental in aligning the interests of management with those of shareholders. However, this shareholder group can also sometimes resist corporate reforms, where they perceive that such change can militate against their control and influence in corporate management (La Porta et al., 2000). Nonetheless, it is suggested that in Nigerian listed companies, block-holders can constitute significant monitoring mechanisms (Oluyemisi and Ayoib, 2017). Along this line, Nakpodia and Adegbite (2018) examine the relationship between elitist interventions and the effectiveness of corporate governance mechanisms. Alternatively, they argue that elites can invent, circumvent and corrupt institutions, in the presence of institutional voids. In this respect, as against the institutional change widely viewed as needed in developing countries, Adegbite and Nakajima (2012) propose that the institutional maintenance of norms, practices and structures, largely exists. Further the study argues that if corporate governance models, especially in developing countries, were not institutionally based, they could have limited applicability (Adegbite and Nakajima, 2012). In this respect, a previous study, which evaluated the ability of the various corporate codes in Nigeria to provide intended reforms, indicated that conflict among the codes reduces compliance (Osemeke and Adegbite, 2016). Equally, the implementation of corporate governance reforms in Nigeria is noted to be challenged by the proliferation of codes, which created implementation and monitoring difficulties for both the related firms and the regulatory agencies (Bello, 2016). However, beyond the launch or implementation of corporate governance codes, the need arises to improve knowledge about how intended good governance reforms are achieved. Along this line, Daodu et al. (2017) propose a thorough understanding of the interrelationship among the institutional variables as a necessary precondition in establishing an effective corporate governance structure in Nigeria.

In light of the budding research in the neo-institutional sphere of organisational studies, diffusion theory, institutional reproductions or innovations, mapping the inference of peculiarities of the developing contexts, are necessary. Nonetheless, perspectives on the elaboration of the institutionalisation of organisational changes, other than the mainly reported outcome or impact, within the Sub-Saharan Africa organisational fields, is found to still be relatively uncharted. Thus, to the extent of the review of the literature, a lacuna is revealed. First is regarding the theorisation of the

[20] Some features of the insider (stakeholder) system include: concentrated ownership, association of ownership by control, control by interested parties (banks, related firms), high ratio of bank credit to total liabilities, low level of sophistication and diversification of financial markets, and stewardship of business (Corbett and Mayer, 1991 in Clarke, 2007: 10).

establishment of new organisational practices within this evolving context. Second, particularly, with the increasing universalities (and externalities) of corporate governance principles, scholars have called for definitive explanations of the contextualisation of these institutional reproductions. Studies have advocated for a better understanding of the complementarities (or otherwise) of institutional structures with corporate governance innovation agenda (Fiss and Zajac, 2004; Aguilera et al., 2008; Filatotchev et al., 2013; Cuomo et al., 2016; Talaulicar et al., 2017; Tenbensel, 2018). To this end, a case is made for the elaboration of the procedure of corporate governance reforms within the organisational field of the developing country. Given the variability of these developing contexts, such investigation represents necessary advancements in adaptive corporate governance reforms or practice. In particular, this investigation proposes significant efforts towards understanding the transition – beyond the diffusion or launch of codes – to the eventual actualisation of governance (organisational) innovations. This study therefore attempts to bridge this knowledge gap, using Nigeria, a central Sub-Saharan Africa country, as a typology. Considering the affirmed variance between the institutional domains of the developed and developing nations, this study enables the practicalities of these attempts at transformation, to equally aid policy making. While not postulating that a single study focusing only on Nigeria will be entirely generalisable in this respect, nonetheless, the study enables vital insights with respect to the subject of inquiry. Consequentially, the investigation engenders transferability of the outcomes to other similarly developing settings, especially within the institutionally comparable Sub-Saharan Africa nations.

Chapter 3 – Research Methodology

3.0 Introduction

This chapter is divided into three sections. The first part discusses the methodological approach. Within this section, the research approach (paradigm) and design are described. In this respect, the section reviews the ontological and epistemological perspectives adopted in the research. It explains the research sampling techniques, methods and data gathering techniques. Access to data, sample selection, ethical consideration and the limitations of the methodology, are also discussed. The second section outlines the interviewing and data collection procedure adopted to gather the necessary data employed in fulfilling the objectives of this research. The third section relates mainly to the analysis procedure that the study adopts to make meaning of issues emerging from the data. This follows a grounded theory methodological position through an interpretivism/inductive analytical approach.

Section 1 – Methodological Framework

3.1 Research Paradigm

The research paradigm (approach) involves the overall decisions made regarding the procedure for an inquiry into the topic of interest (Creswell, 2013). Rather than the methods employed, the paradigmatic lens of the researcher guide the whole research process (Avramidis and Smith, 1999). The overall research approach is usually determined by the different ontological and epistemological views on the social world and how it can be studied (Matthews and Ross, 2011). Along this line, the constructionism (interpretivism) perspective provides a fitting basis (*see* Guba, 1990), complementary to the research agenda of investigating the process of instituting corporate governance reforms within the context of choice (Kuhn, 1962). Correspondingly, in obtaining and evaluating social/organisational actors' opinions, this study adopts a qualitative approach for the execution of the research purpose. This methodological approach to the research is not random. The choice of the qualitative approach was informed by the cited ontological and philosophical stance (assumptions) adopted by the researcher in achieving the research objective(s). It is also steered by the existing conceptualisations in the literature or theoretical perspective (Guba, 1990). In accordance with this research paradigm, an inductive approach to data analysis is employed, for the analysis of the data gathered. Such an inductive proposition aligns with the qualitative technique which forms the basis of the interpretivism philosophy adopted in this study (Guba, 1990). Moreover, rather than a positivist (deductive) position that aims to assess theoretical propositions, the inductive approach helps to promote the development of theory. This intent is fostered through a grounded theory

framework, which usually embodies such a qualitative research technique (Glaser and Strauss, 1999). In the succeeding segments of this section, each aspect of the research paradigm is discussed in detail.

3.1.1 *Research Ontological and Epistemological (Philosophical) Perspectives*

Ontology and epistemology perspectives can be viewed as two sides of a coin. Ontology in social research refers to the way the social world and social phenomena are viewed (Matthews and Ross, 2011). In other words, it is the distinction between the way the world is and the meaning and interpretation of that world by individuals (Ritchie et al., 2013: 5). Epistemology (philosophy) on the other hand is concerned with how we know and learn about the world and what forms the basis of our knowledge (Ritchie et al., 2013). Ontological issues are mainly concerned with the ***nature of reality*** – either in a subjective or objective view – and what is to be known about the world (Saunders et al., 2012; Creswell, 2013). Research Philosophy (epistemology) on the other hand, relates to the acceptable knowledge in a discipline or field of study (Bryman and Bell, 2011; Saunders et al., 2012). In social research, the research paradigms or philosophies typically dictate the methods for collecting data, and analysing and interpreting those data (Grbich, 2013). The research philosophy adopted contains assumptions that will underpin the research strategy and the methods chosen as part of that strategy (Saunders et al., 2012).

Such a qualitative research technique is adopted in this study, which involves researchers embracing the notion of multiple realities (Creswell, 2013). This notion of multiple realities is reflected in the ontological view embodied in social constructivism and the interpretivism epistemology (Schutt, 2011). The researcher's perspective involves the assumptions made concerning the relationship between ontology, epistemology and human nature (Holden and Lynch, 2004). In this study, the **social constructionism/interpretivism** position adopted views reality as being "socially constructed" (Saunders et al., 2012). This is because this study identifies that '***realities in this social inquiry derive from the meaning of the phenomenon for the participants'*** (Matthews and Ross, 2011). This position assumes that knowledge is not independent of thinking (Grbich, 2013). Hence, reality is viewed as socially embedded and existing within the mind (Grbich, 2013), whereby, 'social actors, may place many different interpretations on the situations in which they find themselves.' (Saunders et al., 2012).

In this respect, the perspective in this investigation identifies the concept of language as a symbolic action, which suggests that language, whether written or spoken, both shapes and reflects the assumptions (e.g. attitudes, values, ideologies, etc.) of social actors within a given community (Burke, 1966; Harmon et al., 2015). ***Multiple realities*** are therefore presumed, with different people experiencing these differently (Walle, 2015). Accordingly, in the social constructivism approach, the

goal of the research is considered as reliant, as much as possible, on the views of participants (Creswell, 2013). This study relates to assessing the views and perceptions of the subjects of interest. The central position of the study is that individuals' views and experiences count and can be explored as ***multiple realities*** in social research. This thus mirrors the fundamental idea depicted by the social constructionism (interpretivism) research philosophy, which this research adopts.

3.1.2 *Research Conceptualisation*

In addition to the ontological position, the theoretical framing of the study – (neo)-institutional theory – also has a bearing on the research approach. Theoretical orientation explains the viewpoint of the researcher in the choice of the research methodology (Corbin and Strauss, 2015). The use of theoretical frameworks from previous studies provides the ideas and insights for developing the current study (Corbin and Strauss, 2015). While not being constrained within the existing conceptualisations in the literature – as this study opens itself up to varying outcomes in the investigation, towards possible theory development – the research approach however is guided by the notion of the *'embeddedness'* within the institutional theorisation of corporate governance (Aoki, 2001; Aguilera and Jackson, 2003; Scott, 2004). The idea of the *'embeddedness'* of corporate governance posits that corporate governance practices are enshrined in their institutional contexts, and reflect such social constructions as values, schema, norms, traditions, beliefs etc. (Aoki, 2001; Scott, 2001; 2004; Aguilera and Jackson, 2003; Judge et al., 2008; Adegbite and Nakajima, 2012). This study explores the views of corporate governance stakeholders in the *context* of Nigeria, thus, similarly, this investigation relates largely to these endogenous factors.

3.2 Research Technique - *Qualitative Research Technique*

The study employs a qualitative research method as this research technique supports the overall research position. Quantitative research typically aims to test assumption(s) (Flick, 2011), and often controls for predetermined criteria (Walle, 2015), which do not complement the cited constructivism philosophy of this study. On the contrary, the very essence of qualitative research is to gain insights that can be afforded through the in-depth examination of a phenomenon, normally adopted in the technique (Simons et al., 2008). In addition, qualitative research is naturalistic in nature, whereby the researcher intends to make sense of phenomena in view of the meaning people attach to them (Newman and Benz, 1998). The study investigates datasets, which requires an in-depth approach to data gathering, offered through the qualitative research technique. Thus, the adopted qualitative research approach aligns with the cited conceptualisation of this investigation.

Further, a qualitative technique entails an interpretative research procedure (Denzin and Lincoln, 1994, 2011). The interpretivist (epistemology) research philosophy contends that the truth about a phenomenon of study can only be understood through subjective delineation (Taylor et al., 2015; Corbin and Strauss, 2015). Qualitative research tends to provide a platform to identify issues from the perspective of the study participants (Hennink et al., 2011). By providing participants own meaning to issues, and interpreting viewpoints and stories, qualitative research permits a holistic procedure to lived experiences (Tracy, 2013: 5). Such research agenda requires the researcher to investigate views and issues in their natural settings (Hennink et al., 2011). Such a research technique thus aids the identification of how peoples' behaviours and subjective meaningful experiences are shaped by the social, cultural, economic or physical context of their lives (Snape and Spencer, 2008; Hennink et al., 2011). This relates to the exploration of multiple realities underlying the constructivist ideology, which addresses the processes of interaction among individuals (Creswell, 2013). This social research approach usually involves a form of flexibility that is not typically availed by the strict scientific procedures involved in quantitative research (Flick, 2011; Walle, 2015). The foregoing – theoretical and philosophical attributes – conforms to the fulfilment of this investigation, thus a qualitative research method was adopted.

3.3 Research Methods

A qualitative research technique includes a specific set of methods, such as 'in-depth interviews, focus group discussions, visual methods, direct observations, ethno-methodological, the life histories or biographies' (Hennink et al., 2011; Berg and Lune, 2012) and archival records, document and textual analysis (Yin, 2010). In order to ensure research validity, a mixed qualitative approach to data collection is adopted in this study. This includes two main sources of data: ***interviews and documentary (archival) dataset***. This 'combination of multiple methods in a qualitative study depicts the researcher's intention to add rigour, breadth and depth to his/her investigation.' (Flick, 1992: 194).

3.3.1 *Interviews*

Berg and Lune (2012) assert that interviews provide rich, detailed and insightful accounts of a phenomenon. Thus, the interview method becomes imperative for data gathering in social research when the research's objectives centre on understanding experiences, opinions, attitudes, values, processes or predictions of research participants (Rowley, 2012). Qualitative research interviews usually include unstructured and semi-structured interviewing (Bryman and Bell, 2011). The use of the unstructured or 'non- directive' interview (Whyte, 1953) in research usually allows the respondents much freedom, which can often risk the interviewees' responses being tangential to the research objective, which may question the reliability or validity of the data. The semi-structured interview

however, while allowing the respondent plenty of freedom, also seeks to provide some focus (Bryman and Bell, 2011). This study thus employs the conduct of in-depth *semi-structured* (one-to-one) interviews.

- ***Semi-structured in-depth interview***

The semi-structured interview is used in this study, because the study aims at understanding how participants make meaning of issues (Tracy, 2013). The interview technique allows a vivid picture of the participant's perspective on the research topic (Milena et al., 2008). It also facilitates in-depth exploration of issues, by enabling follow-up questions or probes (Yin, 2010). These benefits are significant in order to be able to explore endogenous issues involved in this study. The semi-structured interview usually involves a list of questions on the subject under investigation, known as the *'interview guide'* (Bryman and Bell, 2011). However, the interviewee is given some leeway in responding (Yin, 2010; Bryman and Bell, 2011). This allows more flexibility for the interviewee to express his/her points of view, i.e. 'telling the story as it is', in accordance with the interview guide/direction (Bryman and Bell, 2011: 467), which engenders rich and detailed insights (Berg and Lune, 2012). Aside from this, the semi-structured interview used in the study helped to give direction around the aims of the study, through the interview guide.

3.3.2 *Documentary (archival) analysis*

Documentary *(archival)* analysis was employed as an additional research technique in the study. This includes the collection of contents of other printed materials, graphics, archival records and physical artefacts (Yin, 2010). In qualitative research, data are also regarded 'as representations of human acts and utterances' thus documents are seen as data (Sarantakos, 2012: 365). This research method helped to substantiate and increase the authenticity of data obtained through the interview process (Flick, 2011; Grbich, 2013). This usually enables a reliable and rich source of data in social science research (Cowton, 1998). The use of interview in social research is usually considered a highly subjective type of data collection method (Schutt, 2011). In this study, the use of documentary data provided an unobtrusive method of extracting data, thus helping to reduce researcher's bias (Payne and Payne, 2004). Thus, using such additional means of data gathering for corroborating the interviews technique helped to increase the validity of this research's data. Documentary evidence accessed in this study includes both private and public documents, such as official gazette, circulars, internal memos, manuals, company annual reports, articles, newspaper reports and other archives. This method also helped to triangulate the interview data. The documentary analysis thus added sufficient breadth and depth to the research study, as it helped to inform the issues raised during the interview in a complementary manner.

3.4 Participants' Selection process

3.4.1 *Sampling Technique*

Purposive (judgment) and ***snowball sampling*** are commonly used sampling techniques in qualitative research design (*see* Marshall, 1996; Tracy, 2013; Walle, 2015). This study adopts both of these in the selection of interview participants, as they are considered a realistic means of addressing the research questions.

3.4.1.1 *Purposive or Judgment Sampling*

This involves a process where the researcher purposively chooses data respondents that fit the parameters of the project's research, questions, goals and purposes (Tracy, 2013). Qualitative research involves in-depth analysis of issues under investigation, thus samples for qualitative investigations tend to be small and chosen purposely (Marshall, 1996; Hennink et al., 2011). This study realises that some informants are 'richer' than others and that these people are more likely to provide insights and understanding for the researcher (Marshall, 1996). Thus, in this qualitative research, the researcher selected participants and integrated cases according to their significance (Flick, 2011). Sampling is therefore purposefully focused on a structured or predetermined group of participants (Tracy, 2013: 135). In this light, the purposive sampling technique adopted in this study provides the basis for the researcher to target the respondents that are relevant to the study.

3.4.1.2 *Snowball Sampling*

"This represents another method for reaching 'difficult-to-access' or hidden populations." (Tracy, 2013: 136). Snowball sampling techniques offer an established method for identifying and contacting hidden populations and, potentially, for their enumeration (Atkinson, 2003). "Researcher begins by identifying several participants who fit the study's criteria and then ask these people to suggest a colleague, a friend, or a family member" (Tracy, 2013: 136). In this study, the snowball sampling approach was applied through the recommendations and referrals of respondents, which included relevant stakeholders in the Nigerian corporate governance context. This provided an invaluable means of accessing more relevant stakeholders, especially those that were not easy to contact by the researcher beforehand.

The study adopted a multidimensional approach to data gathering by targeting varied categories of key stakeholders in order to obtain data triangulation – triangulation of sources – (Hennink et al., 2011; Flick et al., 2004). This provides validity, richness, reliability and valuable insight into the issues under investigation.

3.4.2 Categorisation, Criteria and Access to participants

3.4.2.1 *Categorisation of participants*

In order to ensure triangulation of data sources (*See* Flick, 2004), which also affords a holistic view, respondents from the three categories of key stakeholders identified in the corporate governance sphere of Nigeria (Okike, 2007; Adegbite, 2012b; Akinkoye and Olasanmi, 2014) were interviewed. The process includes participants being selected based on their relevance to the research objective. In this regard, for the purpose of this study, the study classified the relevant stakeholders as persons that were involved in, have contributed to, or whose activities/interests are deemed to have been influenced directly and are adequately informed about corporate governance reforms in Nigeria. This also involved affiliate and representatives of such persons. The key stakeholders are identified based on the past research and literature on corporate governance in Nigeria (Okike, 2007; Adekoya, 2011; Okike and Adegbite, 2012; Akinkoye and Olasanmi, 2014) and other parts of the world (Filatotchev et al., 2007; Yoshikawa et al., 2007; Aguilera et al., 2008). These stakeholders are relevant as they are recognised as having adequate understanding about corporate governance reforms in Nigeria and are able to provide expanded insights into the issues under investigation. Within this study, these stakeholders fall into three main categories as illustrated in **Figure 3.1.**

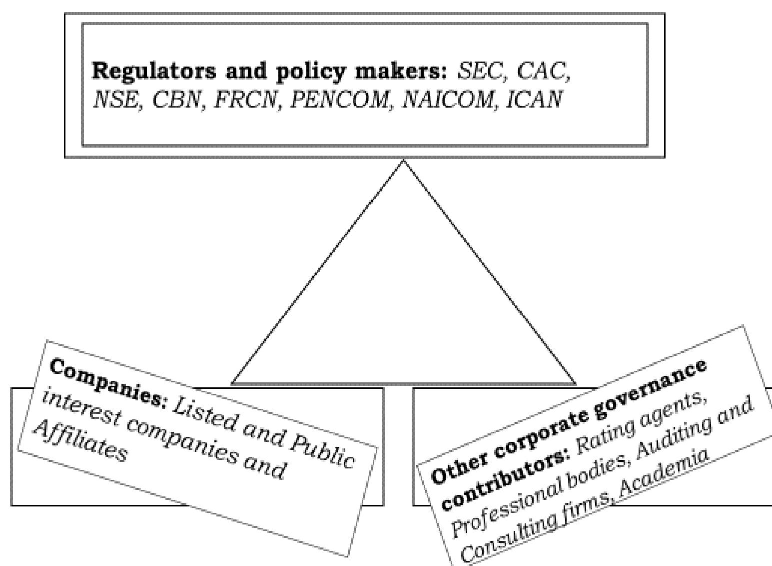

Figure 3.1 Triangulation of respondents: Key Corporate Governance Stakeholders in Nigeria

The constituents of these categorisations include;

- **Corporate governance Regulators and Policy makers**
- **Listed corporations and affiliated Companies**
- **Other Corporate Governance contributors**

3.4.2.2 *Selection of participants and Access to Data (participants)*

Selection of targeted respondents, within each of the above classes, was based on their perceived significance to the study as analysed. The specific stakeholders relevant to this research were identified as:

1) Regulators and Policy Makers in Nigeria

Government agencies, parastatals and institutions, in the capacity of administrators and regulators of the corporate governance matters in Nigeria. National agencies responsible for enacting standards in corporate governance and accountability in Nigeria. These include Corporate Affairs Commission (CAC), SEC, Nigerian Stock Exchange (NSE), CBN, PENCOM, NAICOM, FRCN, Institute of Chartered Accountants of Nigeria (ICAN). The representatives of all the above-listed regulatory and policy making agencies constitute respondents in the study, under this category.

- ***Access to Data (participants)***

The above identified agencies were contacted initially through email. Out of the 20 agencies contacted via email only two responded initially. The researcher then had to visit the premises of these parastatals physically. A letter of introduction relating to the study and the researcher was submitted to these agencies. An overview of the research questions was also provided. The researcher was then contacted by the agency to schedule the interview date, time and the designated person(s) to grant the interview. The designated officials were the relevant persons in charge of corporate governance best practices or compliance within these agencies. Ultimately 16 officials participated in the research.

2) Listed and public interest corporations and affiliates

These include all listed companies in Nigeria. These represent entities that are mandated to comply with the provisions of the corporate governance codes in Nigeria (SEC codes, 2003, 2011). They are also companies that are regulated by the Nigerian SEC. This also includes affiliates or associates of these listed companies. Participants within this group include Chairmen, CEOs, Executives, company secretaries, legal counsels and other Executive Officers of these listed companies, such as board committee members and other management staff.

All listed companies in Nigeria were open to selection, in order to engender fair dealing and spread. Companies were randomly selected under the industry categories in the NSE listings. This

includes the two major classifications of listed companies as indigenous and foreign affiliated companies. The sample included a mix of companies from the 12-sector categorisation of the NSE listings: services, utilities, oil and gas, conglomerates, natural resources, information and communication technology, industrial goods, healthcare, financial services, consumer goods, construction/real estate and Agriculture. Three companies were selected from each of the 12-industry categorisations, thus making 36 listed companies in total that were contacted for participation.

- ***Participants***

The 36 companies were initially contacted through email sent to the company secretariat stating the object of the study; 20 responses were received from these companies indicating interest in participating and identifying the corporate governance personnel that would grant an interview. However, ultimately, 12 corporate participants were able to make the interviews, with eight unable to keep their appointments. The participants were designated by the company based on their responsibilities/roles and as anchor persons in charge of corporate governance matters. These include persons that are involved in corporate governance affairs, policies, agenda, best practices and codes of conduct in these companies.

3) Major corporate governance contributors

These include persons or organisations that have significantly contributed to corporate governance and/or corporate governance reforms in Nigeria in the last decades. These categorisations thus involve professional bodies [e.g. The Society for Corporate Governance Nigeria (SCGN), The Chartered Institute of Taxation of Nigeria (CITN), The Chartered Institute of Bankers of Nigeria (CIBN), Institute of Directors Nigeria (IoD)], consultants or auditors of listed companies, corporate governance rating or censorship bodies, academia in corporate governance discipline, persons who have been members of committees inaugurated with regard to corporate governance matters or reforms (e.g. the SEC code 2003, 2011 steering committee, FRCN corporate governance reforms' committee), consultants on corporate governance matters and watchdogs in relation to corporate governance issues in Nigeria.

- ***Participants***

These groups of participants were selected based on the listed criteria above. Those individuals that were identified within this category were contacted for participation in the study. In total, 30 persons and organisations were contacted for interview via email. The research overview was sent to the individuals, 12 persons indicated interest to participate in the study initially. Out of these

12 persons, three could not fulfil their appointment, making it nine participants that were eventually interviewed for the study, under this category.

3.4.2.3 Demography of respondents

The analysis of the stakeholders who participated in the study, as per the three categorisations, is shown in Table 3.1.

Table 3.1: Demographic Analysis of Participants

Category	Demography of Participants	Number
Regulators and Policy makers *(SEC, CAC, NSE, CBN, FRCN, ICAN, PENCOM, NAICOM)*	Directors Deputy Directors Heads of Departments	5 6 5
Companies and Affiliates *(Listed and Public Interest Companies)*	Company Secretaries/ Legal Counsels Chairman and CEO Executive Officers	6 2 4
Other Corporate Governance contributors	Rating Agents	2
Contributors/Observers *(SCGN, CIBN, NDIC, ID, Auditors, Consultants, Academics)*	Professional bodies Consultants /Auditors Academics	2 3 2

Participants: Regulators 16; Listed Companies: 12; Other Contributors: 9

In order to protect the identity and fulfil the confidentiality ethical obligation in the research, the interview respondents were anonymised using Alpha-Numeric representations **(see Appendix 1 for the tabulation of the interviews as per the three categories)**. The prefix letters denote the categories of the interviews, for instance, the prefix R = Regulators and policy makers; C = Listed Companies respondents; O = Corporate Governance (CG) Contributors and independent observers.

The remaining letters depict the alphabetical sequence for the respondent. The number of each interview is then stated following these numeric configurations. For instance the interview RCM 03 denotes a respondent – Regulator or a Policy maker – with the corresponding interview number 03.

SECTION 2 - Data collection

3.5 Data gathering process

3.5.1 *Format of the interview*

Rowley (2012) outlines the processes usually involved in social research interviews, which depict the phases similar to the interview procedure adopted in this inquiry. These include:

- The determination/selection of the relevant respondents.
- The determination of the sample technique, e.g. purposive sampling.
- Obtaining access to the targeted respondents.
- The actual interview, the conversation and engagement of the interviewee.
- Using prompts and probes (Rowley, 2012).

The fieldwork was carried out between December 2015 and March 2016. At the commencement of the data collection process, the earlier interviews helped to ensure that the intents of the research were properly construed through the interview guide. This was done by trying to review the responses and reactions of some of the early participants to the interview questions. This process helped to avoid complex and poorly worded questions that were found difficult to answer during the earlier phase. Also, throughout the data gathering process, this procedure was adopted to ensure that the interview reflected the objective of the study and any new developments.

The interview guide/question was sent in beforehand. This enabled the respondents to familiarise themselves with the objectives of the study and the research **(*see* Appendix 2 for the format of the interview guide/questions)**. The research involved a face-to-face approach to interviewing. This form of interview is recognised to have the ability to provide the best insights into respondents' opinions and better analysis of background issues. According to Creswell (2013: 20), interpretivism research philosophy has the advantage of interpreting the social world from the perspective of the subject under investigation. This can only be achieved by getting as close as possible to the subjects (Creswell, 2013). Thus, telephone or mail interviews usually lack the face-to-face nonverbal cues that researchers use to pace their interviews and to determine the direction to move in (Berg and Lune, 2012: 3). The one-to-one interview in this study helped to achieve such benefits.

Body language and expressions from respondents offered added dimensions to the responses, which enabled greater insight into the data.

3.5.2 *The Interview Procedure*

The one-to-one discussion procedure adopted in the study also helped to build trust between the interviewer and the respondents. Prior research in Nigeria indicates the importance of establishing trust in investigations involving top public sector officials and company executives (Uche et al., 2016). The discussions started with a brief introduction of the researcher, the research project, followed by the aims and the objectives of the interview and the major categorisation of the interview questions. The respondents were also assured of their confidentiality, as many were initially concerned about the use to which the data will be put. The respondents however became relaxed and comfortable when they were guaranteed the protection of their identities and the anonymity of the interviews (data).

The average time for each interview was approximately 70 minutes. The interviews were kept within this range to prevent interviewees/subjects from becoming disinterested (Rowley, 2012). This also ensured that sufficient time was allowed for the detailed information and the scope of the research/interview questions to be adequately covered. These discussions were audio recorded in about 90% of the cases; about 10% of the participants objected to being recorded. In this case, note taking was primarily adopted by the researcher. The data collection process followed a three-month period in Nigeria.

The interview procedure was designed in such a way as to ensure high quality data were gathered. Although the research guide/questions served as a direction for the overall process, the respondents were however given leeway to discuss at length. Probing, follow-up questions and prompting were used during the interview process in order to add necessary depth to the research (*see* Bryman and Bell, 2011). Follow-up questions to earlier discussions enabled the researcher to gain a deeper insight into emerging issues. In some instances, questions were reframed to obtain confirmation of responses on similar issues. The use of probes and follow-up questions also enabled the researcher to corroborate the responses from interviewees. This enhanced the authenticity and credibility of the data. Prompting ensured that the interviewees were appropriately guided in answering the interview question, where ambiguity was suspected. However, prompting was done to the barest minimum to avoid undue interference from the researcher (Emerson, 1983). As much as possible, the researcher tried to conduct the interview in a conversational manner, to allow an open discussion. The interview process was specific to each respondent with each person given the leeway to direct the 'mood' and trend of the process. As the survey involves qualitative open-ended

questions, this enabled the researcher to gain a more naturalistic account of participants' experiences. The interview guide was modified to capture emerging issues and, in some cases, to ensure more clarity of inquiry. The modification was continuous throughout the data collection procedure. The interview procedure was repeated throughout the data gathering process until data saturation was reached. In all, **37 interviews** were conducted.

3.5.3 *Data saturation*

The data gathering spanned across the 3-months period until data saturation was reached. **Data saturation** was considered to be achieved as similar themes and information (information redundancy) began to emerge from the process (*see* Lincoln and Guba, 1985). This usually indicates that adequate depth and breadth have been covered in the data gathering process (Bryman and Bell, 2011). The number and type of data collected within the inquiry indicate depth in a qualitative research (Russell and Gregory, 2003). On the other hand, attention to multiple perspectives and vantage points, in relation to the area of inquiry, enhances breadth in qualitative studies (Russell and Gregory, 2003). Specifically, during this data gathering process, this stage was realised to have been reached when the interviews did not convey additional new information. Also, the documentary analysis began to reveal redundant data and no variation in the information that was emerging (Fusch and Ness, 2015). Further, the type of respondents and the documentary analysis involved in this study represent the most relevant populations (*see* criteria for selection in preceding section **3.5.2.2**), which provided the best opportunity for the researcher to fulfil the purpose of the study (*see* Burmeister and Aitken, 2012). In addition, the length of time allowed for the interviews provided the required in-depth knowledge of participants' experienced. Also, the structure of the interview guide (questions) provided an avenue for the researcher to extract all information relevant to the subject of inquiry (Fusch and Ness, 2015). All this enables sufficient **depth** in the data gathering process. The **breadth** in the data collection relates to the necessary scope being covered in the research. This objective was achieved in the study, as participants constitute all the relevant key corporate governance stakeholders which span a range of the different corporations, disciplines, professions, parastatals, responsibilities, industries, across the Nigerian corporate sector. Thus, **the 37 interviews** generated are representative of the general opinions about corporate governance reforms within the context. These allowed multiple perspectives in the investigation.

3.5.4 *Negative Obtrusiveness and researcher's bias*

In a qualitative study researcher's bias can normally arise through the overlap between the researcher's own perspective or personal lens and the participant's views (Denzin, 2009). This might create concerns in qualitative research with an underlying interpretive epistemology (Jackson, 1990).

In this study researcher's bias was mitigated by ensuring that the interpretation of the information represents completely the views of the participants and not that of the researcher (Holloway et al., 2010). In this study, the researcher's personal bias regarding the subject of inquiry was identified early on at the inception of the study. In this respect, deliberate effort was made to prevent infiltrations and interferences of personal viewpoints with the data collection and analysis (Dibley, 2011; Chenail, 2011). In addition, for instance, participants' responses were transcribed verbatim and the exact expressions and views of participants were retained, as evidence in the study.

SECTION 3 Data Analysis Approach

3.6.1 Qualitative Data Analysis

In relation to the qualitative methodological approach to the research, a qualitative data analysis (QDA) procedure is considered a fit. Qualitative methodology targets societal issues, problems and questions, thus helping to understand the world, its societies and institutions (Tracy, 2013; McNulty et al., 2013; Hsieh and Shannon**,** 2016). The literature indicates some approaches that are available for the analysis of qualitative research. Amongst these are: Ethnography, Life history, Case study, Participant's observation, Phenomenological study, Descriptive Interpretive research, Action research, Narrative research, Symbolic interactionist study, Constructionism or Interpretive analysis, Discourse analysis (Leech and Onwuegbuzie, 2011; Schutt, 2011; Ritchie et al., 2013). The theoretical framework, the research questions and the overall research interest usually dictate the data analysis approach (Weber, 1990). Thus, in line with the ontological (constructionism), the epistemological (interpretivism) and theoretical (institutional) viewpoints, this study adopts an interpretive (constructionist) framework for data analysis. **"**Interpretive (constructionist) analysis explores the meaning and significance of a relevant experience to given participants, in order to gain insights into their psychosocial processes." (Ritchie et al., 2013: 18).

"The logic that the qualitative researcher follows is inductive, from the ground up, rather than handed down entirely from a theory or from the perspectives of the inquirers." (Creswell, 2013: 22). The (conventional) qualitative content analysis forms one of numerous research procedures used to analyse text data and to interpret meaning from the context of text data (Hsieh and Shannon, 2005). In this respect, a qualitative content analysis procedure is employed to analyse the data gathered in this investigation. In this study, 'qualitative content analysis is defined as a research method for the subjective interpretation of the content of text data through the systematic classification process of coding and identifying themes or patterns' (Hsieh and Shannon**,** 2016: 1278). Such 'content analysis describes a family of analytic approaches ranging from impressionistic, intuitive, interpretive analyses to systematic, strict textual analyses' (Rosengren, 1981; Hsieh and Shannon**,** 2016).

Further, previous qualitative social science scholarship has employed such an ontological basis in analysis relating to various investigations within the neo-institutional theorisation (*see* Giddens, 1979; 1984; Lincoln and Guba, 1985; Greenwood and Suddaby, 2006; Reay and Jones, 2016). For instance, the conceptualisation of endogenous variables within the institutional logics domain is stated to be deduced through the ***constructionist*** research framework (Ocasio et al., 2015; Reay and Jones, 2016). Reay and Jones (2016) highlight three different categorisations of data analysis techniques that scholars employ in presenting neo-institutional study investigations: pattern deducing, pattern matching, and pattern inducing. This study submits to the **"pattern-inducing" technique** (Reay and Jones, 2016: 449). In this data analysis procedure, researchers usually follow a grounded theory set within the 'interpretivist tradition based in the assumption that meaning is tightly intertwined with context' (Guba and Lincoln, 1994; Myers, 2013; Reay and Jones, 2016). Under this '**pattern-inducing technique**', "analysis is based on the development of categories (induced from themes) through reflective engagement with the data which relies on framing arguments in conjunction with extant theory to provide new insights" (Reay and Jones, 2016: 449).

3.6.2 *Data Analysis Procedure*

The process of QDA in the study involves the multifaceted procedure outlined below. **Figure 3.2** shows an illustration of the QDA procedure.

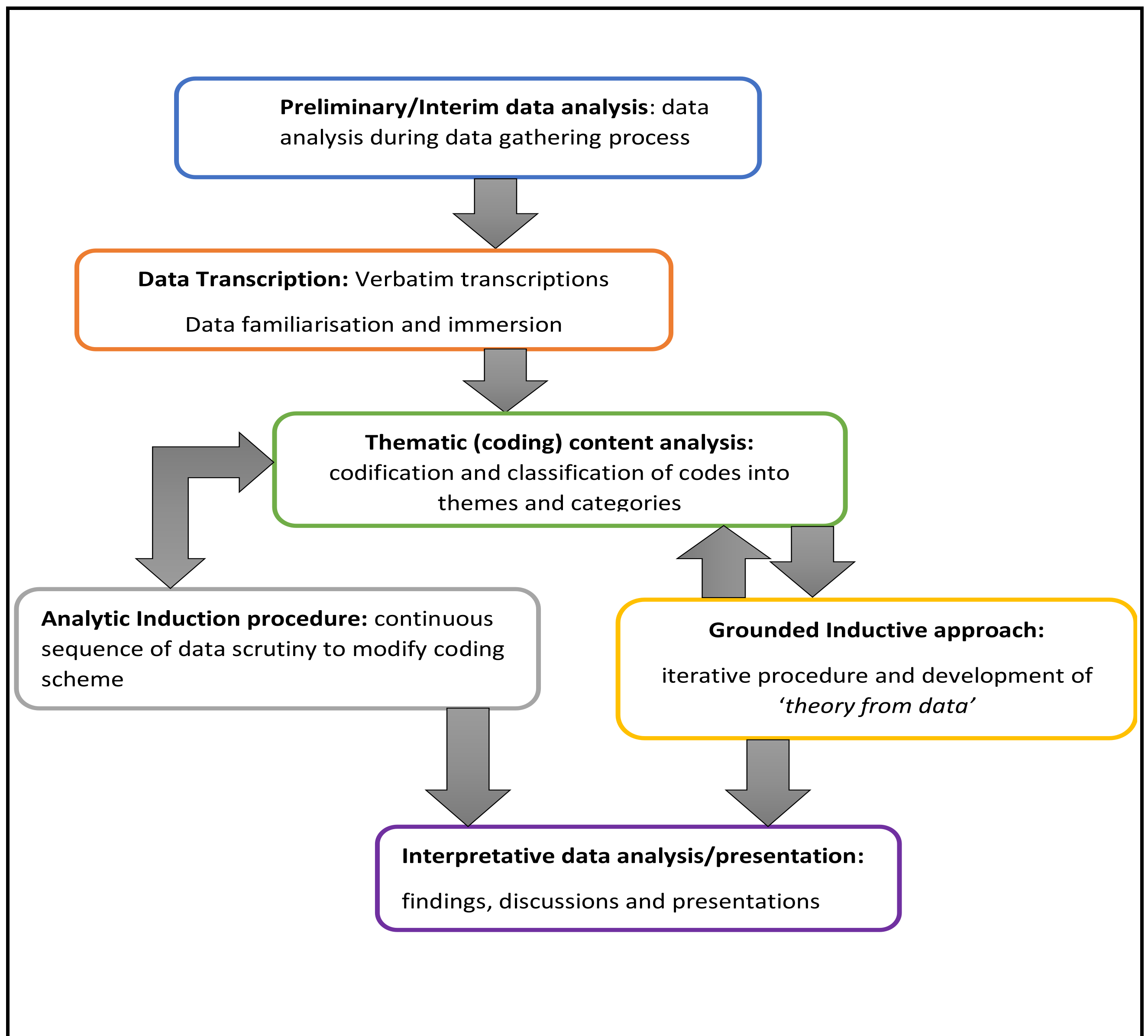

Figure 3.2: Data Analysis procedure

The stages involved in the data analysis procedures are described below;

3.6.2.1 ***Preliminary/interim data analysis***: This involves the data collation and analysis during the data collection phase of the research (Pope et al., 2000). This allowed the researcher to engage with the data during the process of data collection in order to summarise the emerging issues and to use this to seek direction in the further data collection process (Lofland and Lofland, 1995). This could serve as a roadmap for the main analysis (Weitzman, 1999). This approach was adopted because it has the advantage of allowing the researcher to constantly refine the data collection procedure in order to pursue further depth in emerging issues (Pope et al., 2000), thus improving the validity of the data analysis process.

3.6.2.2 ***Data Transcription and Engagement with the Data*****:** The data analysis involved a manual, line-by-line transcription of data from the recorded interviews and related archival data/documents (Grbich, 2012: 189). The manual approach to transcription was preferred over the use of data transcription software. The themes emerging from the data were initially recognised and patterns or trends in the data were identified as the transcription was being undertaken. This approach to data transcription allows the researcher to become immersed in the data and therefore engendering utmost familiarisation (Weitzman, 1999; Pope et al., 2000). The transcription generated several pages of data. The researcher read through these documents to identify the different themes emerging from the data, in the first instance. This provided the researcher with insights into patterns manifesting within the data, thus providing the background for subsequent analysis procedures.

3.6.2.3 ***Thematic (coding) content analysis***: The study adopts a thematic coding approach to qualitative content analysis (Pope et al., 2000). "A coding scheme includes the process and rules of data analysis that are systematic, logical, and scientific" (Hsieh and Shannon, 2005: 1285-6). *Thematic content analysis* is a qualitative content analysis that is usually chosen, on the basis of the content (as opposed to form), to reflect the search for themes across datasets (Simons et al., 2008: 123). This form of analysis includes the identification of a set of conceptual categories into which to sort the data (Weitzman, 1999). In this study, in order to recognise thematic categorisations, based on the transcribed data, similar words or phrases identified as codes, were collated and these constituted emerging themes. Similar themes, in turn, were clustered into broad classifications as categories. In this regard, an inductive analytic process helped to distinguish these stated categories. These categories either represented explicit statements directly derived from the text or meanings inferred from the data through the analysis (Hsieh and Shannon, 2005).

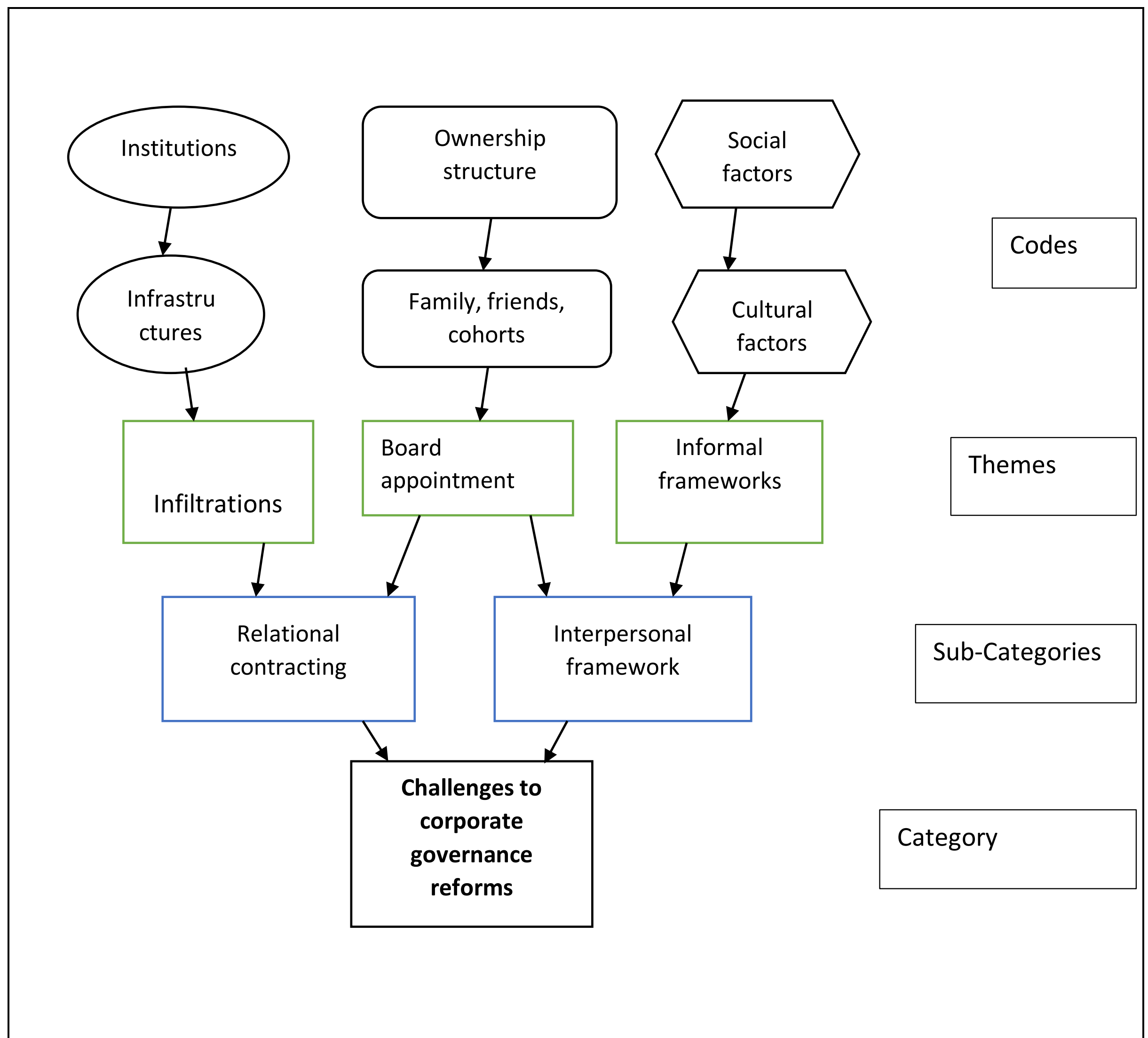

Figure 3.3: An illustration of a coding frame for analysis of data into codes, themes, sub-categories and categories

- **Coding Frame and Themes:** The thematic data analysis was principally carried out manually using a Microsoft (Ms) Office Word package. The use of Ms Word for the data analysis, enabled greater immersion and engagement with the data (*see* Matthews and Ross, 2011; Reay and Jones, 2016). This provides an in-depth understanding and identification of emerging issues, which buttressed the derivation of themes and categories. In conjunction with the use of the Ms Office Word, QDA software (NVivo 10) was also employed. However, in this study, the researcher appreciates that *'the investigators do the analysis as they create the keywords, categories, and logical relations used to organise and interpret data'* (Russell and Gregory, 2003). Likewise, *'the soundness of qualitative study findings depends on*

investigator judgments, which cannot, as yet, be programmed into software packages' (Russell and Gregory, 2003: 38). Thus, this study employed the use of the QDA software only as a means of codification and classification of the data (Wiedemann, 2013), which provided an additional systematic means of organising, reorganising and discovering exceptions within the QDA (Pope et al., 2000; Russell and Gregory, 2003; Firmin et al., 2016). This data analysis software also provided verification for the themes and categories inductively generated through the Ms Word analysis.

3.6.2.4 ***Analytic Induction(iterative)Approach***: "Qualitative research is highly inductive, as qualitative research and data analysis attempts to develop concepts, understanding, insights from the pattern in the data rather than collecting data to attempt to assess preconceived hypotheses, theories or models" (Taylor et al., 2015: 8). Thus, the main goal of qualitative research is usually to ensure that theory or concepts evolve from the data and not vice versa. Coding was based on the combination of insights derived ***a priori*** from the conceptual framework (Weitzman, 1999) and codes emerging independently from the data, using an ***iterative induction procedure***. In this study, iterative analytic induction was applied as a process of continuous sequence of data scrutiny and analysis in the data codification phase, to establish linkages among themes and classify them into categories (Simons et al., 2008). This enables the researcher to constantly refer back to the data to modify the coding scheme and to relate it to the phenomena in the script accordingly as issues emerge. This process was repeated until saturation was reached, indicated by the stage where there were no new themes or categories emerging from the data (Simons et al., 2008).

3.6.2.5 ***Grounded theory (inductive) approach***: Grounded theory has been defined simply as the theory derived from data (Strauss and Corbin, 1998; Bryman and Bell, 2011). The two central features of grounded theory are that it is iterative and involves the development of '*theory from data'* (Bryman and Bell, 2011: 576). Within this study, the data codification or iterative induction process opens itself up to the techniques involved in the grounded theory data analysis framework (Taylor et al., 2015; Firmin et al., 2016). Thus, in this study, the underlying idea of grounded theory was applied to understand and explain the evolving relationship between identified categories (*see* Grbich, 2012: 19; Firmin et al., 2016). This basically refers to the inductive theorising that is associated with qualitative research (Glaser and Strauss, 1967; Taylor et al., 2015). Where a theory may be said to be '*grounded*'

due to the fact that it is based on and derived from the data (Taylor et al., 2015). The aforementioned, with respect to this research, thus means that the possibility of the emergence of supposition (or themes) for theory building is considered in the analytic inductive approach to data analysis. Qualitative research, as a type of exploratory study, normally aims for the development of theory (Kothari, 2004).

In this respect, as stated by Berg and Lune (2012: 19) "One purpose of social science is to find the meaning underlying various patterns, by creating, examining and refining concepts". Consequently, theories are simply defined as explanations (Berg and Lune, 2012: 19). Thus, in this study, the application of the grounded theory framework, basically involves the explanation of associations or interrelationships amongst categories. This also entails sensitivity to the contrast between the emerging categories (Bryman and Bell, 2011). This procedure is related to a "***grounded inductive approach*** developed through a ***focused iterative process***" (Simons et al., 2008: 128). 'In qualitative research, analytic induction process and grounded theory are often described as iterative' (Bryman and Bell, 2011). The use of these combined procedures brings a deeper understanding and investigation of the subject in qualitative studies (Simons et al., 2008). In this study this iteration describes the constant repetitive cycles of operations during the collection and analysis of data, to inductively locate new themes and categories, towards explaining their relationship and implications.

3.6.2.6 ***Interpretive (analysis) presentation*****:** Following the above stages, the relationship and/or connections discovered among the evolving themes and categories were highlighted to explain their implications, in line with the **interpretive epistemological** stance, which constitute the **findings**. **Verbatim transcripts:** The presentation of themes, categories and findings also involves the input of excerpts from the interviews. This includes verbatim or line-by-line quotes from the transcription to convey and support the emerging account of respondents' experiences.

3.6.3 ***Documentary (archival) data Analysis*****:** Documentary data include evidence extracted from the relevant documentary sources. These data were also analysed using the aforementioned thematic iterative and grounded theory approach (*See* Grbich, 2013). The analysis also involves the above phases. Emerging themes, in relation to the research objective, extracted from documents constitute findings and categories. Extracts from the consulted archives,

which include quotations where necessary, constitute documentary evidence to support the findings and analysis.

3.7 Limitations of the Research Methodology

Researchers employing social constructivism recognise that their own background shapes their interpretation and they "position themselves" in the research to acknowledge how their interpretation flows from their personal, cultural and historical experiences (Creswell, 2013). As Ritchie et al. (2013: 6) argue;

> *"When so called inductive researchers generate and interpret their data, they cannot approach this with a blank mind. Even if they are not testing a hypothesis, the kind of data they have generated, the questions they have asked and the analytical categories they have employed will have been influenced by assumptions deductively derived from previous work in their field."*

Thus, a pure inductive technique in QDA is regarded as impossible, as qualitative research still operates within theoretical frameworks (Ritchie et al., 2013; Taylor et al., 2015).

Further, "qualitative approaches developed in studies of particular conditions and populations often translate with difficulty to different circumstances." (Simons et al., 2008: 120). As stated by Thompson (1990), accounting qualitative studies are usually susceptible to the problem of being isolated from their original or social-historical background, referred to as the *fallacy of* internalism'[21] (Ferguson, 2007: 913-4). As further suggested, in order to avoid such a problem, a constructivism research agenda should, as much as possible, be considered within the original contextual framing (Thompson, 1990), i.e., alongside their cultural and social boundaries.

Additionally, there is the inherent danger that qualitative content analysis might fail to develop a detailed understanding and recognition of all the major themes or categories in the data (Hsieh and Shannon, 2005). This may result in findings that do not sufficiently represent the data (Hsieh and Shannon, 2005). Another major concern in qualitative research is the tendency for the analysis to be subjective. Respondents may be evasive and not answer the queries truthfully. However, the use of different complementary datasets and triangulated sources of data (stakeholders and methods) provide essential verification.

[21] "Drawing on Thompson (1990), the extant studies of accounting discourse are noted to have one major limitation: they assume, or speculate upon, the likely effects of accounting texts, without thoroughly investigating how these texts are interpreted by the individuals who encounter them in their everyday lives, or considering, in any specific detail, the social-historical contexts of text production, transmission and reception." (Ferguson, 2007: 913-4).

3.8 Data validity and reliability

The mixed-qualitative analysis process employed, in terms of interviews complemented with the documentary data, provided triangulation and the required rigour to the study (Flick, 1992). The QDA procedure employed in this study allowed themes/categories to emerge directly from the data themselves rather than the use of preconceived categories (Kondracki and Wellman, 2002; Hsieh and Shannon, 2005). Cited as one of the main advantages of qualitative analysis (Hsieh and Shannon, 2005), in this investigation, this approach to data analysis involves the prolonged engagement with data and persistent observation in order to establish emergent trends (Ritchie et al., 2013). In this study, the use of a sequential procedure of analysis (as indicated above) enabled the usual concerns about authentication of findings in QDA, to be addressed. The utilisation of a combined approach in this study, through the use of Ms Word with a combination of the QDA software for data classification, ensures that the emerging themes (codes) are adequately accounted for during the analysis (*see* Reay and Jones, 2016). This allowed for this data analysis to account for the inherent disadvantage of trustworthiness or internal validity stipulated in QDA (Folger et al., 1984; Lincoln and Guba, 1985). In this study, the in-depth semi-structured interviews were conducted within the corporate governance context of Nigeria. The researcher was part of the investigation from inception to culmination, therefore forming a substantial aspect of the research. This aids a better understanding of participants' opinions and sentiments, as opposed to the mere dependence on textual or discourse analysis indicated to be prone to stated *internalism* concerns (Thompson, 1990; Ferguson, 2007). To this end, the foregoing helped to mitigate the earlier noted research limitations to a large extent.

3.9 Ethical consideration

Participants were given detailed information about the study beforehand. Informed consents of participants were obtained; hence, only those willing to participate in the study were included. Respondents were given the option to withdraw at any time before, during or after the survey. The anonymity of participants was adequately assured, where there were concerns about this, during the study. In order to further enhance the anonymity of participants, the recorded interviews were coded with alpha-numeric representation to sever any connection to respondents. No names of individuals or relating descriptions were included in the study. Subjects' utmost confidentially was upheld, as the data collected are only for the purpose of research. The recorded interviews and datasets were not transferred to any other person apart from the interviewer, to prevent undue access and breach of respondents' confidentiality. The study did not involve children under the age of 18 and vulnerable persons. In addition, an appropriate ethical standard was strictly adhered to and any other ethical issues were fully taken into consideration during and after the study.

3.10 Findings, Analysis and Discussions Chapters

The data categorisations within the chapter form the basis of the findings and are presented in this section of the research thesis. The findings section involves the emerging findings, analysis of these findings and discussions in light of the literature, theoretical framework and past studies. As a result, the thesis developed into four chapters of findings, analysis and discussions, based on the evolved categorisations from the data. The three research questions which are – as stated in the introductory chapter of the thesis:

- What are the motivations for corporate governance reforms in Nigeria and how can institutionally driven corporate governance reforms be achieved?
- What are the challenges (implications) of the Nigerian corporate governance system for the attempts at corporate governance reforms?
- How are corporate governance reforms ratified and regulated within the Nigerian institutional context?

are attempted to be answered within the four findings chapters of the thesis, as follows: in order to attain the research objective, the first question was answered in Chapters 4 and 7, while Chapters 5 and 6 address the rest of the research questions.

Each of the chapters starts with an introductory section. The main body of the chapter is divided into sections and sub-sections in relation to the emerging themes, sub-categories and categories from the data analysis. Also, within these chapters, quotes and paraphrases from the transcribed interviews and fieldnotes are inputted into different sections as evidence to reinforce the discussions. The analysis integrates the relevant literature, documentary evidence and data from the study into the discussions. At the end of each chapter a conclusion section is provided to summarise the findings and implications. Lastly a further discussion section provides the synthesis of the findings, analysis and discussions in this section.

CHAPTER 4: Motivations for corporate governance reforms in Nigeria

4.0 Introduction

Historically, institutional structures are claimed to attain a high degree of resilience together with associated activities and resources (Selznick, 1957; Scott, 1995). Thus, as the emphasis of this perspective is on conformity, institutional pressures are typically maintained to enhance isomorphism, which is stated to provide meaning and stability to institutional structures (DiMaggio and Powell, 1983**;** Scott, 2003, 2008a). However, other perspectives on the nature of institutional structures suggest the reverse. For instance, as Meyer and Rowan (1977) state:

> *"Institutions inevitably involve normative obligations but often enter into social life primarily as facts which must be taken into account by actors"* (p. 341).

Multiple structures are argued to interact to influence the legitimacy of organisational practices within a nation (Judge et al., 2008). Specifically, these structures are noted to involve varied institutional factors which characterise different national contexts (Aguilera and Jackson, 2003; Aguilera et al. 2008; Filatotchev et al., 2013). Thus, beyond the mainstream notion of conformity and adherence of institutional elements, emerges the neo-institutionalist notion of institutional processes, interplays and their implications (Giddens, 1979, 1984, 1993; Greenwood and Suddaby, 2006; Lawrence et al., 2011). Against this background, specifically the ***structuralist notion*** along with the ***institutional logics perspective*** (both embodied in the institutional theorisation), highlight the implication of the interfaces among institutional structures and logics (Giddens, 1993; Ocasio and Radoynovska, 2016). As Giddens (1993) cites:

> "*All organizations or collectivises consist of systems of interaction and can be analysed in terms of their structural properties: but as systems, their existence depends upon modes of structuration whereby they are reproduced*" (p. 165).

In this light, ***Institutionalisation*** is described as the processes by which structures, practices or actualities become infused into social status and values, in reinforcing institutional framework for conformity, reconstruction or change (Meyer and Rowan, 1977; DiMaggio, 1997; Greenwood and Suddaby, 2006; Thornton et al., 2012). Past studies have also highlighted the significance of the interdependence of institutional factors in institutional change and/or behaviours (Dacin et al., 2002; Aguilera and Jackson, 2003). Despite this recognition, considerable external influences on corporate governance practices across institutional contexts have been identified (Judge et al., 2008; Adegbite et al., 2013; Filatotchev et al., 2013). Scholars have cited that such argued universal inspirations limit peculiar insights into the role of contextual factors in organisational processes (Aguilera et al., 2008;

Filatotchev et al., 2013). Consequently, studies have sought to advance the theorising of the complementarities of corporate governance mechanisms with their national institutional contexts (Aguilera, 2005; Chizema, 2008). Thus, extending these perspectives, the neo-institutional theory examines generally, a broader view in the interaction between society, organisational structures and social actors (Ntim and Soobaroyen, 2013); in essence, seeking wide-ranging interpretations of the interactions among varying institutional factors, whereby understanding the associations, rather than the continued fostering of institutional stability, are emphasised (*see* Lawrence et al., 2011; Besharov and Smith, 2014).

Although both developed and developing countries seemingly portray similar institutional factors, their configurations, however, actually vary (Coombes and Watson, 2001; Chizema, 2008; Misangyi and Acharya, 2014). Developing countries are discovered to exhibit the largest number of institutional diversities, relative to developed economies (Scott, 1995; Young et al., 2008). Corporate governance reforms have, nonetheless, mainly been broadly applied (Dore, 2005; Krenn, 2016), whereby these are principally propelled by universal propositions (Cuervo, 2002; Yoshikawa and Rasheed, 2009). The proliferation of these reforms across countries is driven by noted rationales of efficiency and legitimation of practices (Aguilera and Cuervo-Cazurra, 2004; Zattoni and Cuomo, 2008; Okike and Adegbite, 2012). The inferences of this for specific national inclinations in organisational innovations are still widely speculative within the literature. Thus, the challenge remains to more specifically relate corporate governance reforms' discourse to the explication of the interactions between organisations and their institutional settings (Filatotchev and Nakajima, 2014; Young et al., 2008). Against this backdrop, this study brings to the fore insights into such phenomenon in the developing context of Nigeria, where the institutional structures are still largely evolving.

In essence, from these perspectives the chapter, thus, advances understanding in this respect, by outlining the emerging themes, findings and discussion in answering '*What motivates corporate governance reforms within the institutional context of Nigeria?*' In this regard, an advancement of the motivations for a corporate governance reforms agenda within the institutional specificities of Nigeria is outlined. The findings reveal that the corporate governance agenda in Nigeria is driven by the institutionalised exigencies (institutional logics) rather than the efficiency or symbolic rationales. Beyond external pressure for compliance, the directions for corporate governance reforms are compelled more by the internal constituents, in terms of prevailing practices, infrastructures, institutional priorities and organisational structure. Through these findings, a particular implication of the configuration and complementarities of the national institutional logics, for attempts at organisational reproduction, is thus enabled. The emerging findings from this study are organised as

follows; first the nature of the Nigerian organisational field is outlined, to reveal the institutional framework for corporate governance practice in Nigeria. Following this, the emerging themes highlight the influences on corporate governance reforms in Nigeria. Lastly, the corporate governance reforms agenda with respect to the noted institutional logics is indicated.

4.1. Nigerian organisational field and corporate governance reforms

4.1.1 *The Nigerian corporate structure*

In Nigeria, corporate governance and company law has historically been informed by external pressures (Ahunwan, 2002). While the UK and US epitomise the market-based corporate governance structure, the bank-based structure is typified by the German or Japanese governance model. Nigeria typically presents a corporate governance model that technically mimicked the market-based system (Nmehielle and Nwauche, 2004), as the Nigerian corporate governance ideology was largely inspired by the UK (Ahunwan, 2002; Nmehielle and Nwauche, 2004). As noted, the system of corporate governance of a country is usually epitomised by the prevalent institutional structure (Shleifer and Vishny, 1997). In this vein, the organisational field of Nigeria is similarly characterised by such structures as publicly listed companies, the NSE, the Securities and Exchange Commission (SEC), and other infrastructures, such as company law in the form of the Companies and Allied Matters Act (CAMA). Also, as shown below, an analysis of the NSE Q4 Fact Sheet (2016) reveals the capital market capitalisation to constitute largely equity against other securities.

Table 4.1: LISTED SECURITIES (Nigerian Stock Exchange Quarter 4 2016 - Fact Sheet)[22]

Category	Number Listed	Market Capitalization (NGN) As at Dec 30, 2016	Market Capitalization (USD)* As at Dec 30, 2016
Equities – Premium Board	3	**3,548,225,397,593**	**11,633,525,894**
Equities - Main Board	162	**5,698,697,421,790**	**18,684,253,842**
Equities – AseM	9	**8,957,153,629**	**29,367,717**
Exchange Traded Products	8	4,798,651,125	15,733,282
FGN Bonds	17	6,101,548,318,713	20,005,076,455
Corporate Bonds	23	281,973,226,960	924,502,383

[22] Nigerian Stock Exchange Q4 Fact Sheet, 2016: <http://www.nse.com.ng/market_data-site/other-market-information-site/NSE%20Fact%20Sheet/Q4%20Fact%20Sheet%20-%202016.pdf>

State and Municipal Bonds	22	516,579,469,400	1,693,703,178
Supranational Bonds	2	24,950,000,000	81,803,279
Total	**247**	**16,185,729,639,209**	**53,067,966,030**

As highlighted in Table 4.1, the total equity against other securities listed on the NSE shows that equity constitutes a substantial portion. That is to say, a total of **$30,347,147,450** against the total market capitalisation of **$53,067,966,030**, reinforces the fact that the Nigerian corporate structure notably indicates a market-based system. In this regard, the corporate governance system in Nigeria should reasonably be expected to complement such an organisational structure; however, emerging themes from this study reveal the reverse. As stated by a corporate executive respondent:

> CLD16: "*The Nigerian corporate governance is noted as a market-oriented system, like in the United Kingdom. But in reality, does it actually conform?"*

Also, as another company executive noted:

> CLL31: "*You cannot classify the corporate governance system in Nigeria as clearly a market-system. Though it possesses the features but it does not really function as one.*"

However, this investigation further on identifies that although the corporate governance environment of Nigeria mirrors similar structures as obtains within other market-based corporate contexts, it does not do so in reality. As a regulator stated:

> RCL21: *"We have two distinct structures of corporate owners here; we have these dispersed owners and the large shareholders."*

Emerging themes reveal a combined form makes up the Nigerian corporate ownership. Thus, in spite of the stipulated market-based corporate governance model in Nigeria, the corporate structure of Nigerian listed companies differs. In the main, as opposed to the stipulated single system, in the market-based outsider model, indicated in past studies (Nmehielle and Nwauche, 2004), the Nigerian organisational field reveals a pluralist structure, in a combination of *market-based* (outsider model) corporate governance and *bank-based* (insider model). As a corporate governance consultant stated:

> OAI37: *"Our own corporate governance system is discrete in Nigeria to the type in other developed contexts like UK. The system replicates a market-based structure, but the corporate ownership portrays a remarkable departure from this."*

Even though such pluralist structures exist in variations across corporate governance contexts (Cuervo, 2002), such as Germany, nonetheless, they usually exhibit a clearer differentiation towards

either of these two systems (Dore, 2005). With no such explicit distinction in Nigeria, there is no true classification of the prevailing corporate governance model. This illustrates one of the key *exceptionalities* of corporate governance systems in the developing African countries, cited to defy a definitive categorisation (Rwegasira, 2000). This feature is also declared to affirm some of such *institutional specificities* of developing countries which distinguish them from the more developed economies, such as the US, the UK, Germany and Japan (Sarkar and Sarkar, 2000; Claessens et al., 2002).

4.1.2 The institutional configuration

Institutionalised structures are basically considered as systems of controlled activities embedded in complex network of technical exchanges serving as visible symbols of compliance (Meyer and Rowan, 1977; Joseph et al., 2014). However, evidence from this study reveals a predominantly evolving nature of corporate governance performance within Nigeria. As a regulatory agent stated:

> RCK20: "*Corporate governance performance in Nigeria is not yet established. We still have a long way ahead.*"

Also, as another company official stated:

> CLA10: *"We still don't have a solid structure for corporate governance in most of the Nigerian corporations."*

The discovery that the Nigerian corporate governance performance, like that of other developing contexts, is embryonic is however not a new phenomenon. Past studies have portrayed the corporate governance system in Nigeria to be, comparatively, developing (Yakasai, 2001; Ahunwan, 2002; Adegbite et al., 2012). Nonetheless, in Nigeria, there have been several attempts at corporate governance reforms (Ahunwan, 2002). Alongside such efforts is the issuance of the first code of corporate governance, followed by other corporate governance principles in Nigeria in the past decades (Okike, 2007; Osemeke and Adegbite, 2016). Given these stated attempts at good governance advancement, the yet evolving nature of corporate governance reforms presents as unrepresentative. Obviously, the corporate governance reforms in the context of Nigeria reveal a slow pace of progression, as indicated by the emerging data above. However, most importantly, beyond the discovery that the corporate governance environment of Nigeria is evolving, the evidence from the study reveal the rationale for this. In line with this, as a listed corporate governance consultant stated:

OAD26: "*So many companies are not listed within the corporate context. The corporate governance environment in Nigeria is still mainly unstructured, in comparison with the developed countries.*"

Organisational fields represent clusters of organisations and functions whose features and interactions are specified and stabilised by shared institutional logics (DiMaggio and Powell, 1983; Scott, 2001). Correspondingly, in line with the corporate governance performance, the Nigerian organisational field is likewise found to be rudimentary. Along this line, one notable configuration of the Nigerian corporate context is that it embodies mainly unlisted companies. A documentary analysis of the number of listed corporations in Nigeria, in comparison with the ratio of the total companies incorporated in Nigeria, as highlighted below, also reinforced the above position.

Table 4.2: Listed companies on the stock exchange listing compared with the total incorporated entities in Nigeria

Category	Number of Companies
Nigerian Stock Exchange (NSE) Listings *(15-08-2017)*	247 listed companies as at date
Nigerian Corporate Affairs Commission (CAC)	About 6,000 registered companies in Nigeria

In this respect, the Nigerian corporate governance context depicts the existence of a large volume of private ownership (companies). As corporate governance codes mainly apply to listed companies, in Nigeria, as in many other settings (SEC codes, 2003, 2011), [23] thus, these private companies do not fall under the categorisation of corporations that are required to comply with the codes of good governance. These private businesses are not mandated to adopt codes of best practice; they are only encouraged to establish sound corporate governance, by way of good practice. Thus, the Nigerian corporate environment constitutes largely unregulated corporate entities. In the core explanations of isomorphism and reproduction of organisational structures, the significance of the institutional environment is underscored (DiMaggio and Powell, 1983; Oliver, 1991)**.** Consequently, such structure impacts on the achievement of a holistic corporate governance scheme in Nigeria. Thus, governance reforms are not extensive but rather limited. As stated by a policy maker in this respect:

[23] The code of corporate governance is mainly expected to be complied with by listed and multiple stakeholder companies – *see* The Nigerian corporate governance code (SEC code, 2003, 2011).

RCG07: *"It is not as if we don't canvass for substantial corporate governance advancement, but with many unlisted companies in the environment, it is difficult for the effort to be widespread."*

These unlisted companies, equally, lack robust corporate governance mechanisms. As a regulator cited concerning such private businesses:

RCD04: *"If you look at some of the companies, there is no proper corporate governance structure. The same person that is the director is also the managing director. Thus, proper coordination is problematic."*

As cited by Ahunwan (2002), such companies represent one of the four major categorisations (Categories A-D) of the type of companies within the Nigerian corporate context, in an earlier classification of the ownership structure in Nigeria. In response to environmental complexities, structural compliance usually reflects the elaboration of administrative realities, within the organisational field (Meyer et al., 1987; Oliver, 1991). Accordingly, as noted, concerning such corporate establishments in Nigeria; *"A majority of them are small companies, owned and operated by families and friends and lacking business sophistication."* (Ahunwan, 2002: 272). Thus, in Nigeria, corporate governance mechanisms, broadly across the organisational context, are largely emergent.

The state of the corporate governance mechanism among listed companies is usually operationalised based on such parameters for evaluating good practices such as Board composition (Solomon, 2013). For instance, a dynamic BoD normally signifies one of the major indicators of corporate governance efficiency (Coombes and Watson, 2001). However, the evolving state of corporate governance in Nigeria is also reflected in the board of many corporations. To this extent, board composition in most listed companies includes merely the basic structure. Along this line, as a company corporate governance official stated:

CLF19: *"In Nigeria, most companies usually don't see the need to have most of the board committees e.g. the corporate governance committees. So, you only find the very basic corporate governance structures."*

In addition, in many dispersed ownership or shareholding structure, NEDs are intended to provide the needed check on the corporate executives (Blair and Stout, 2001). However, in the context of Nigeria, these constituents are largely lacking in the corporate governance mechanism of many companies. As a policy maker and a member of the corporate governance reform's steering committee stated:

RCH13: *"In this environment, many companies don't have the number of Non-Executive Directors (NEDs) that are required by the code. They usually state that they are small sized or medium sized entities and they therefore do not require such numbers."*

Thus, the Nigerian corporate context depicts a higher degree of the encroachment of less established corporate governance structures. As stipulated, rather than a deterministic top-down process involved in the evolution (DiMaggio, 1983; Ranson et al., 1980), organisational field structuration sometimes involves the preclusive period where neither the templates nor the structures are yet fully formed (Suddaby et al., 2007). In turn, the cited emergent stage of corporate governance reforms in Nigeria stems largely from the aforementioned conditions of the corporate governance structures. As a regulator cited:

> RCP36: *"In my opinion, the developing nature of the corporate environment has prevented significant effect of these reforms. We have many odds against us and it is indeed challenging to get things done as quickly as is desired."*

In this respect, the finding reveals the corporate governance environment of Nigeria to entail a rudimentary state of best practice advancement. Also, such a circumstance regarding the Nigerian corporate context is found to curtail the spread of corporate governance best practices.

4.1.3 The Institutional alignments

As Aoki (2001) identifies, two major forms of perspective embody the understanding of the nature of institutions in diverse contexts:

1) The complexity and diversity of institutional arrangements across different economic contexts, and
2) The mechanism of institutional evolution, which allows for the possibility of innovation.

Consequently, the alignment and dominance of institutional logics in Nigeria reflect the state of the Nigerian corporate context.

> RCN32: *"There are certain peculiarities in the available corporate governance structure in this country that one can relate to as a regulator operating in a developing country. The state of our mechanisms, especially the external controls on corporations, are very limited and mostly weak."*

These were the words of a regulator regarding corporate governance (external) mechanisms in Nigeria. The above statement exemplifies the central theme (consensus), regarding the state of the institutional framework for corporate governance administration in Nigeria. Existing evidence has shown that the institutional structures of developing contexts are grounded in organisational fields encompassing social, political and economic contexts that depict a high degree of volatility (Coombes and Watson, 2001; Reed, 2002). For instance, Arun and Turner (2004), find that supervisory bodies in developing economies typically the lack political independence necessary to coerce banks into to complying with prudential requirements. Major corporate scandals in Nigeria, such as the notable case

of the Lever Brothers[24] and more recently the Cadbury fraudulent financial reporting case (denoted as the *'Nigerian Enron'*)[25] have been basically linked to the inability of regulatory bodies to properly monitor the activities of listed companies in Nigeria (Ahunwan, 2002; Amao and Amaeshi, 2008). A company auditor stated, in this respect:

> OAI37: ***"****In this environment, highly sophisticated techniques that are enough to prevent any form of subservience are lacking. This makes it very difficult for meaningful oversight. Many companies even get away with not paying taxes."*

An organisational field is described as a composite of entities constituting a recognised area of institutional life (DiMaggio and Powell, 1983). Unlike in developed countries, the organisational fields of developing countries are identified as mainly embodying dysfunctional and amorphous elements (Rossouw, 2005; Yakasai, 2001), i.e., such structures that contradict normative prescriptions and/or functionalities. In this vein, the corporate governance contexts of developing countries are, likewise, characterised by non-adaptive institutional mechanisms. As a consultant legal practitioner stated:

> OAH35: *"When you talk of corporate governance regulation, in this environment, there are infrastructural issues. The regulators can mainly depend on their manpower to regulate, but they don't have sufficient pool in this respect. So, there is limited coverage and the regulators here are relatively disadvantaged compared with the situation in the advanced countries."*

This claim is also upheld by a company executive, thus:

> CLE18: "*And when you also look at the regulators most don't have the resources to enforce, and that becomes a problem. Only those that have the capability to enforce are performing."*

In line with a previous study in Nigeria (Amaeshi et al., 2016), findings from this research reveal that the institutional environment of developing countries exemplifies void institutional fundamentals. While the organisational context of Nigeria is not depleted of institutions, the corporate governance setting, however, indicates a preliminary nature of essential infrastructures. The institutional structures are, thus, weakened in their operations. Likewise, Africa is stated to lack an equitable and balanced socio-economic situation that could guarantee political stability and hence development (Rwegasira, 2000). However, not merely the inadequacy of infrastructural support, but principally the alliance of these institutional factors recognisably impacts on corporate governance reforms in

[24] <file:///C:/Users/Admin/Downloads/CorporateFraudinNigeria-ATwo-CaseStudy.pdf>

[25] This financial fraud case involves a deliberate overstatement of the company's financial position over a number of years to the tune of between N13 and N15 billion. Cadbury, Nigerian Enron <http://nigeriaworld.com/feature/publication/babsajayi/121406.html> Accessed on 14-12-2018.

Nigeria. Societies fundamentally emerge through the active constituting skills of their members, drawing upon resources and conditions which they are unaware of or perceive dimly (Giddens, 1993). Notably, the prevailing infrastructural situation in Nigeria shapes the corporate governance administration in Nigeria, to a large extent. Specifically, the terrain of the Nigerian corporate governance structure, challenges the promulgation and a nationwide coordination of corporate governance reforms. In this respect, as stated by a policy maker:

> RCI14: *"We actually do not have such integrated systems that can facilitate synergy and self-validation of corporate governance functions. This is why holistic corporate governance reform is being seriously challenged in Nigeria."*

4.2 Influences on corporate governance reforms in Nigeria

4.2.1 Foreign Direct Investment

Organisations may be coerced to adopt new practices, even if they do not improve efficiency, essentially as a fulfilment of the legitimacy needs (DiMaggio and Powell, 1983). As DiMaggio and Powell (1983) argue, organisational change seems less stimulated by the need for efficiency; instead it is as a result of structuration processes that make organisations more similar without necessarily making them more efficient. As prior studies (Okike and Adegbite, 2012; Waweru, 2014) in the developing contexts of Sub-Saharan Africa suggest, while the need for legitimation accounts for the macro level drive for corporate governance best practices, efficiency rationale is cited to spur reforms at the micro (organisational) level. In this vein, emerging themes from this study similarly reveal such motivation for corporate governance reforms. As stated by a company executive:

> CLD16: *"If you don't have good corporate governance, people will not want to do business with you. Best practices will help to promote the image and reputation of the country, which should promote investment."*

Although the above evidence seemingly supports the universally acclaimed drive for best practices (Aguilera and Cuervo-Cazurra, 2009), however, beyond this, the implications of the economic circumstance of the developing contexts and Nigeria, suggest a new dimension to organisational reforms, which this study reveals.

In recent years, the emerging markets have become a major destination and source for FDI, accounting for over half of the total world FDI inflows (International Monetary Fund 2014; Clarke, 2015). According to the World Bank Report, FDI flow into the Sub-Saharan Africa remains one of the most important forms of cross-border capital flow into the developing countries (World Bank Group,

2017)[26]. As Rueda-Sabater (2000) contends, the availability of a broad range of business practices is a likely decisive determinant of the destination of FDI flows. In this vein, corporate governance normally represents an important basis for inward foreign investment in developing countries, as the corporate governance practices significantly strengthen their "bargaining power" in attracting foreign investment (Rueda-Sabater, 2000). Equally, the nature and impetus for governance reforms in countries depicts factors such as economic changes and the historical experience of these countries (Reed, 2002). Nigeria in recent times has initiated several economic development initiatives[27]. This study found such economic investment goals to constitute one of the main drivers of good governance in Nigeria. This position is explained by a regulatory agent thus:

> RCF06: *"Any sound investors will do their due diligence before they invest, and corporate governance is one of the critical areas, that they will look at. So, if there are red flags for the investors, and if they feel that this environment is too risky to invest, they will not invest."*

Along this line, although studies have specified global external pressures towards legitimation to largely stimulate global diffusions or national adoption of corporate governance best practices (*see* Aguilera and Cuervo-Cazurra, 2004; Yoshikawa and Rasheed, 2009), as this study suggests, in Nigeria, investments needs are the main motivations. Also, in the view of one of the respondents (company executive) regarding this:

> CLG22: *"And when you have the **necessary structures** other entities will want to do business with you. It is a challenge for… especially when you don't have the necessary structures in place, to get loans or work with foreign partners etc."*

4.2.2 *Foreign aid and Economic policies*

Within developing countries such as Nigeria and in similar contexts, the demands for foreign finance have heightened in the last decades. Specifically, such requirement is triggered by the insufficiency of internally generated revenue and a governance void within this context. As Aguilera and Jackson (2003) state, in market-based systems, such as the UK and US, households expand the size and liquidity of capital markets. This is done by investing in publicly issued equity (stocks and bonds) and the monitoring role is left to institutional investors or other shareholders (Aguilera and

[26] World Bank Report on Foreign Direct Investment (2017), <http://documents.worldbank.org/curated/en/505071468203651135/Foreign-direct-investment-flows-into-Sub-Saharan-Africa>

[27] Some of these developmental programmes include: International Fund for Agricultural Development (IFAD), United Nations Development Assistance Framework (UNDAF), United Nations Development Programme (UNDP), World Bank Countries Partnership (WBCP), Africa Development Bank Group country strategy (AfDBG), United Kingdom Department for International Development (DFID). <http://www.ruralpovertyportal.org/country/approaches/tags/nigeria>

Jackson, 2003). However, in Nigeria, such means of internal revenue are generally absent. Essentially, these factors have hampered the mechanisms for corporate funding in Nigeria. As cited by a company executive:

> CLL31: *"This is a consumer economy; unfortunately we almost don't have institutional investors here – people don't invest. One direct outcome is that it impacts on internally generated revenue."*

Further, governance participation in developing countries is relatively low. Government actions, or inaction, usually decides the focus of fiscal policy and pattern of economic development (Claessens et al., 1999b; Klapper and Love, 2004). As Evans and Dadzie (1998) reveal, developing countries are typified by low savings attributed to the high default risk, as a result of lack of credit history, collateral, seasonal or variable income, rates and low gross national products. Historically this situation has resulted in less developing countries (LDCs) being unable to meet their credit shortfall. Similarly, *inter alia,* such a situation accounts for the participation of foreign aid agencies in the Nigerian economy. Accordingly, this has also prompted compliance with best practices. As one of the regulators specified:

> RCK20: *"For example they say he who pays the piper dictates the tune. When we go out to source for fund/support from abroad, they ask that we have to exhibit sound corporate governance mechanisms before they can support us, then we have to do that. Because if you don't meet their requirements, then you don't get their fund."*

Therefore, the capacity of the governments of developing countries to provide the required interventions for developmental strategies is limited, yet the drive for conformity with external aid regulations are necessities. This situation has placed these countries under the direct influence of international financial bodies such as the IMF and the World Bank (Reed, 2002). As a condition of renegotiating loans, these international financial bodies have typically imposed a series of liberalizing measures, commonly referred to as structural adjustment programmes on involved companies within the developing countries (Biersteker, 1990; Reed, 2002). Consequently, foreign sponsors such as USAID or the World Bank, typically establish credit programmes to provide these Less Developed Countries (LDCs) with monetary assistance to promote industrial production (Evans and Dadzie, 1998). Specifically, in Nigeria, the need to fulfil the economic growth agenda has also prompted different initiatives that have evolved remarkably through various developmental policies in recent decades.[28] Noticeably, this situation has correspondingly prompted the actions and engagement of different

[28] Some of these developmental programmes include: International Fund for Agricultural Development (IFAD), United Nations Development Assistance Framework (UNDAF), United Nations Development Programme (UNDP), World Bank Countries Partnership (WBCP), Africa Development Bank Group country strategy (AfDBG), United Kingdom Department for International Development (DFID). <http://www.ruralpovertyportal.org/country/approaches/tags/nigeria>

economic agencies. While such actions have been noted to precipitate convergence in the practice of corporate governance in the developing region (Adegbite et al., 2013; Krambia-Kapardis and Psaros, 2006), the emerging data present partly divergent views regarding corporate governance reforms in Nigeria.

A regulator stated in this regard:

> RCJ15: "*We need economic improvement, we cannot just continue to do things anyhow like before, so we need to standardize our processes."*

In this regard, rather than canvass **uniformity or convergence**, the **standardisation** of the corporate governance procedures or practices by many partnering organisations in Nigeria is discovered. For instance, as stated by a company executive:

> CLB11: *"Through the activities of international bodies such as the UNDP, IMF, USAID, AfDB, DFID, Nigerian companies are striving to structure their corporate governance in a way that boosts the confidence of these foreign partners and others."*

Also, as stated by a corporate auditor/consultant:

> OAF30: *"These companies are often regularly required, by their foreign partners, to file disclosures about their corporate governance mechanism and internal control procedures. However, I believe it is more about protecting their funds, as these agencies don't instruct the companies on how to do it. They mainly require that these companies have sound corporate governance practices in place."*

Along this reasoning, as Berglöf and Claessens (2006) similarly disclose:

> "*While enforcement is a general problem of development, it particularly affects firms seeking external financing. Financial contracts, after all, involve the commitment of the firm to adhere to certain obligations, in particular to pay an appropriate rate of return to the providers of external financing. A weak enforcement environment makes it more difficult for firms to make such commitments*" (Berglöf and Claessens, 2006: 2).

Thus, beyond the need for homogeneity in the launch of best practices, corporate governance reforms are revealed to be triggered more, in the Nigerian context, by internal necessities. Thus, in this case, the requirement for ***'best practices' to secure investments***, more than a pursuit of uniformity, is unveiled.

4.2.3 The Nigerian market for corporate control

Basically, the capital market provides the avenue for trading corporate shares, bonds or other securities. Additionally, in the event of the breakdown of the internal control mechanism, the market for corporate control provides an external control mechanism whereby the shareholders' interests can be served (Walsh and Seward, 1990). Such an external mechanism has normally served as a measure to check the internal governance of public corporations. Situations in developing countries, such as lack of a market for corporate control (Reed, 2002; Mangena and Tauringana, 2007), have been found to largely hamper corporate governance advancements (Tsamenyi et al., 2007). Emerging themes provide the alignment of such a mechanism for the institutionalisation of corporate governance reforms in Nigeria.

First, the transition stage of development normally presents distinct implications for corporate governance modifications (Joseph et al., 2014). For instance, Le et al. (2010), examine the impact of institutions on a number of Corporate Governance Mechanisms (CGMs) at different stages of the transition process. They discover that CGMs will usually display different levels of effectiveness, depending on the transition stage (Le et al., 2010). Equally, as earlier noted, such a transitional state affects the administration of corporate governance reforms in Nigeria. Besides other explanations, this has profound implications for corporate governance mechanisms, such as the Nigerian capital market. Along this line, the capital market in Nigeria is basically recognised as a minority market. In a director of a regulatory agency's opinion:

> RCP36: *"Nigeria could actually be strongly termed as the minorities market. Because when you look at the trading pattern, in many companies, the number of shares that is available for trading is usually very small."*

As indicated in the earlier section of this chapter, generally, corporate governance in Nigeria is budding, but many listed companies still lack a robust corporate governance mechanism. As a corporate governance consultant noted:

> OAH35: *"Many of these companies are usually unable to satisfy the conditions for engaging in active trading on the floor of the exchange as a result of their level of sophistication. For instance, the required amount of capital base and the amount of collateral/guarantee demanded by the exchange."*

Furthermore, as discussed in the earlier section, in relation to the outlined structure of the corporate governance context, Nigeria presents a pluralist corporate structure. The structuration of the Nigeria corporate entities, with largely concentrated shareholdings and widely dispersed minority

shareholders, impacts on the advancement of the stock market. Historically, developing countries are characterised by a relatively weak capital market (Arun and Turner, 2004; Udayasankar et al., 2005). The capital market in Nigeria is largely underdeveloped, even in comparison with other developing countries' capital markets (Ahunwan, 2002). Emergent findings from this study identify the underlying rationale for such a situation in Nigeria. In Nigeria, many of the companies listed on the capital market are generally not disposed to active participation on the stock exchange. As a regulator stated in this respect:

> RCC03: *"I find that many companies are not listed because they want to trade. They are listed on the stock exchange primarily because they want to go public. There is a certain status that is associated with the image of a listed company here and this is not actually about the functionality of sourcing for funds or stock exchange."*

In this respect, this investigation finds that concentrated owners in most Nigerian listed companies are still largely averse to trading on the capital market. Essentially, this reaction is found to result, in part, from the ***reluctance to dilute shareholdings, in order to retain corporate control***. As stated by a corporate governance consultant (rating agent):

> OAD26: *"These concentrated shareholders basically don't want to sell shares because they fear losing control and their management influence. They are unwilling to diminish their corporate control."*

As noted, the concentrated-ownership model characterized by controlling shareholders, commonly engenders less disclosure and transparency, thus resulting in weaker securities markets and often with banks having stakes in the company and a monitoring role (Clarke, 2015). Accordingly, a larger percentage of companies in Nigeria are unlisted on the stock market, though they satisfy the specified requirement by CAMA. As a regulator cited:

> RCN32: "*There are many companies that are public companies but are not listed (many companies, e.g. power sector, telecommunications). They are mainly classified as public companies because they have more than 50 shareholders. Also, you find that there are some public listed companies who have been delisted. The financial market is still rudimentary in Nigeria. We have a paucity of instruments, so it is just developing."*

As one of the respondent policy makers highlighted:

> RCE05: *"Companies in Nigeria that are listed on the stock exchange, are not active. Even if you look at the newspapers, you can hardly find more than 25 or 40 companies that are vibrant participants. This has equally affected the functioning of the capital market."*

A review of the Nigerian capital market capitalisation and trading pattern from the **LISTED SECURITIES (NSE Q4 2016 – Fact Sheet)**[29] as shown above in **Table 3.1** also affirmed this. From the market capitalisation, the total value of exchange traded product compared with the total value of securities reveals a value of **$15,733,283** against a capitalisation of **$52,067,966,030**. This depicts a very low trading activity in this respect, i.e., in spite of the huge market capitalisation, only a small amount of just about **0.03%** is lubricating the market (NSE Q4 2016 – Fact Sheet). Also, as hypothesised, in order to maintain absolute ownership and control rights, in developing countries the controlling shareholders of poorly governed firms are likely to prefer debt (Haque et al., 2011). In Nigeria, under such corporate management conditions, an alternative source of funding, other than the capital market, is also usually sought. Companies have a general affinity towards the demand for debt rather than equity financing; consequently, dependence on other sources of funding, such as debt or external aid, have become increasingly popular. As a regulator noted:

> RCN32: "*Bank loans are very common. Thus, businesses prefer the use of debt for financing company undertakings, rather than the issuing of shares or public offerings. Many of these listed companies (or the owners) rely on bank facilities. This is preferred by them.*"

By implication, such practice undermines the advancement of the capital market. According to the opinion of a corporate governance consultant:

> OAA08: ***"****A sizeable volume of investments does not go through the equity market in Nigeria which has rendered the capital market to lose some of its significance. Large volume of shares is also held by few individuals who are neither willing to sell nor trade, hence, the very limited number of shares being traded determine the vibrancy of the market."*

The foregoing situation largely renders the Nigerian stock market inactive, and resultantly, contributes to the stipulated underdevelopment. This also curtails the capacity of the market to provide necessary external controls for corporate governance processes. The capital market, in this vein, reflects the cited pluralist structure of the organisational field, i.e. the market-based and the bank-based structures. Regarding the cited underdevelopment of the capital market in a developing country – as stipulated in previous studies (*see* Arun and Turner, 2014; Hopper et al., 2009) – this study recognises the effect of the prevailing institutional logics (such as the corporate structure, attitude and perception of owners of companies, and state of the corporate mechanisms) in Nigeria, to actually explain the basis for this condition. In this regard, with respect to the effectiveness of those

[29] <http://www.nse.com.ng/market_data-site/other-market-information-site/NSE%20Fact%20Sheet/Q4%20Fact%20Sheet%20-%202016.pdf>

governance mechanisms, the Nigerian capital market is notably weak. For example, the significance of such macroeconomic structure, particularly for developing economies, is highlighted by the World Bank thus:

> *The development of capital markets is critical to promoting economic growth and financial stability, to creating jobs and to reducing poverty. Up to $4 trillion of annual investment is needed for developing countries to achieve the Sustainable Development Goals (SDGs) by 2030. Capital markets play a key role in the provision of long-term financing for strategic sectors of an economy, and risk-management tools for both financial-sector participants and end users. In this way, capital markets contribute to economic growth, which in turn can have an impact on the reduction of poverty and the creation of shared prosperity. At the same time, well-developed capital markets can serve as a "spare tire" for the financial sector, enhancing an economy's financial stability* (World Bank Group, *capital market,* June 28th, 2017).

Aguilera and Jackson (2003), in highlighting cross-national diversities in corporate governance practices, affirm the interconnectivity in the configurations of institutional factors and their interactions within national contexts. In the case of Nigeria, the NSE is relatively less vibrant and central to the Nigerian organisational field.

4.3 The Nigerian institutional logic and corporate governance reforms' agenda

4.3.1 The Nigerian institutional exigencies

A major business case for embracing a dispersed (market-based) ownership structure is usually the availability of an efficient financial market (La Porta et al., 1997, 2000; Aguilera and Cuervo-Cazurra, 2009). However, financial market information about stock prices in a developing country rarely integrates accurate information (Governance Newsletter, 2014). In Nigeria, as a result of noted antecedents of the capital market efficiency, generally, disinterest towards investing in the financial market is commonplace within the Nigerian corporate context. The NSE has historically not provided the required level of protection to investors. An example of such past incidence of the Nigerian stock market failure which substantially exposes the vulnerability of minority shareholders and investors is as Ahunwan (2002) cited thus:

> *"The Nigerian Stock Exchange slammed the stock price down. Unfortunately, however, there was no bid for the shares or takeover. The minority shareholders lost in two ways from the operation of the invisible hand in the Nigerian context. They lost both from the decline in corporate growth resulting from the mismanagement and from the reduction in share prices. Thus, while the market protects widely diverse minority shareholdings in the American system, it does the opposite in Nigeria* (p. 280).

Accordingly, in this study as a respondent stated with respect to this:

> OAG34: "*People lost lots of money in the past through a capital market crash. This has made it difficult to get people interested in investing in the Nigerian capital market again.*"

Also, as an investment analyst stated in this respect:

> OAA08: *"Since the incident of 2008-2009 when people lost most of their investment in the Nigerian capital market as a result of the fall in share prices, private investors and individuals now either save their money in the bank or partner with banks in other business ventures."*

Emergent themes specify the significance of banks and other financial institutions to the Nigerian economy. Even though banks are important to most economies, these financial institutions occupy a more crucial position in developing economies (Arun and Turner, 2004). As a wider implication of the identified lack of affinity for investment in the stock market, the bank has become highly imperative to the Nigerian economy, with respect to funding and investment. Legitimacy rationale has generally been stipulated as a most prevalent motivation for the spread of the global attempts at corporate governance reforms (Cromme, 2005; Nakamura, 2006). However, in institutional reproductions, when confronting legitimacy-related postulations, in the event that organisational decision makers are uncertain of the implication, they might often initiate decoupled actions (George et al., 2006). Evidently, banks constitute a significant part of the corporate governance infrastructures in the developing context of Nigeria. Such integral position of banks in the economic domain has also been highlighted in past studies (*see* Adegbite, 2012a). In extending this finding, this study has specified that the vital position that banks occupy in Nigeria stems from 1) the noted deficiency of the capital market and 2) the relevance to the economic/developmental agendas in this context. As a company chief executive stated:

> CLC12: *"Most businesses are not keen on investing in the Nigerian equity market. Nigerians now entrust their excess funds unto banks (and other financial institutions) to invest such money for them."*

As an audit consultant cited:

> OAC17***:*** *"When the foreign business partners bring their funds, they partner with banks. These banks usually provide the avenue to invest these funds and also monitor the investments."*

In this respect, in Nigeria, the retrogression in the stock market has necessitated the advancement of an alternative source of funding, i.e. the banking institutions. Banks within this context provide a ready source of finance for companies as a result of the underdeveloped nature and attitude to investing in the capital market (affinity to debt). Organisational actors often cope with manifold institutional pressures by adopting both substantive and symbolic measures (Westphal and Zajac, 2001; George et

al., 2006; Cohen et al., 2008). The financial sector in Nigeria thus compensates by augmenting the inefficient capital market. Correspondingly, banks not only fund but also act as an external control for corporate investors, in terms of providing security of funds and monitoring of investments. Thus, the financial sector occupies a pivotal position in the macroeconomic domain of Nigeria. Rather than the stock exchange, corporate activities and performance in Nigeria now naturally evolve around the financial sector.

With her (economic) vision 2020[30], Nigeria also joined the group of economies aiming for substantial economic development by 2020. Being a central economy in Sub-Saharan Africa (IMF, 2014), Nigeria no doubt represents a focal point for developing countries, especially in this region. As the promotion of the Nigerian developmental agenda and the GDP growth are noted to be strongly linked to the ability to increase investment (Osinubi and Amaghionyeodiwe, 2010), Foreign Private Investment, Domestic Investment Growth, and Net Export Growth, thus, statistically correlate to significant variations in Nigeria's economic growth (Osinubi and Amaghionyeodiwe, 2010). Nevertheless, past economy policies of the country constitute one of the key challenges to this growth agenda, as they have not adequately addressed the economic development requisites (Ajogwu, 2016)[31]. Differences in value creation and in value capture often result from institutional pluralism and complexity, and this can generate opportunities for strategic choices (*see* Durand, 2012; Ocasio and Radoynovska, 2016). Thus, along these inclinations, motivations towards investment security become pivotal. As noted in this study, this serves as one of the bases for the financial sector maintaining a central and strategic position within the Nigerian economy i.e. in meeting the investment goals. For instance, as the then Governor of the CBN, Prof. Charles Chukwuma SOLUDO, stated in the preface of the address to the special meeting of the Bankers' Committee, held on July 6, 2004, regarding the major formal bank reforms of the (2006) – ***"CONSOLIDATING THE NIGERIAN BANKING INDUSTRY TO MEET THE DEVELOPMENT CHALLENGES OF THE 21ST CENTURY"***:

> *"We strongly believe that the ultimate three beneficiaries of this policy shift would be the Nigerian economy ---- the ordinary men and women who can put their deposits in the banks and have a restful sleep; the entrepreneurial Nigerians who can now have a stronger financial system to finance their businesses; and Nigerian economy which will benefit from*

[30] "The Vision 2020 which is essentially the actualization of a 7-point Agenda focusing on power and energy, food security, wealth creation, transportation, security, land reform and education is closely related to the UN MDGs." (Professor Fabian Ajogwu, SAN). A lecture on **"Nigeria Vision 2020 and a Challenging Economic Situation: Is Good Governance a Panacea?"** delivered at the 2016 Annual Conference of the Institute of Chartered Secretaries and Administrators of Nigeria at the Nigerian Institute of International Affairs, Lagos, April 27, 2016. **<**http://icsan.org/wp-content/uploads/2016/04/Nigeria-Vision-2020-Good-Governance-as-a-Panacea-180416.pdf**>** Accessed on 26/03/2017.

[31] Professor Fabian Ajogwu, SAN, has prepared this lecture on **"Nigeria Vision 2020 and a Challenging Economic Situation: Is Good Governance a Panacea?"** delivered at the 2016 Annual Conference of the Institute of Chartered Secretaries and Administrators of Nigeria at the Nigerian Institute of International Affairs, Lagos, April 27, 2016. **<**http://icsan.org/wp-content/uploads/2016/04/Nigeria-Vision-2020-Good-Governance-as-a-Panacea-180416.pdf**>**Accessed online 22-09-2017.

internationally connected and competitive banks that would also mobilize international capital for Nigerian development. This measure is about the Nigerian people. It is about meeting their ***NEEDS.*** *"* (pp. 2-3)[32].

Admittedly, the banking corporate governance reform agenda has been motivated mainly by the ***needs*** within the Nigerian context. In this respect, such direction of the corporate governance reforms in Nigeria reveals a disposition towards incorporating these demands. Ocasio and Radoynovska (2016) posit that strategic organisational choices are shaped by available institutional logics and theorise that greater institutional pluralism leads to increased heterogeneity—rather than isomorphism—in business models and governance strategies. Nonetheless, little is known about the rationale for varying corporate governance legitimacy perceptions across nations (Judge et al., 2008). One indication of this is that internal situations within the Nigerian nation have largely directed the drive for good governance.

4.3.2 Instituting corporate governance reforms in Nigeria

Institutional logics provide vocabularies of practice and historically contingent organising principles that shape individual and organisational values, beliefs and behaviour (Thornton et al., 2012; Joseph et al., 2014)**.** These institutional logics are described as '*resilient social prescriptions usually taken-for-granted and sometimes encoded in laws specifying the boundaries of a field, its rules of membership, the role identities and appropriate organizational forms of its constituent communities*.' (Friedland and Alford, 1991; Lawrence, 1999; Rao et al., 2003; Thornton, 2004; Greenwood and Suddaby, 2006). It is without question that logics interact. The literature has noted relationships between logics and organisational functions. For instance, (Besharov and Smith, 2014) propose variations in logic multiplicity within organisations as a major indication of logic compatibility (or otherwise, incompatibility). From this study, some of the interdependence between the institutional elements in Nigeria and the corporate governance advancements are likewise highlighted. In Nigeria, the institution of best practices in corporate governance is reflective of the institutional ambience, in the form of the prevailing institutional logics (such as the corporate structure, attitude and perception of owners of companies, and state of the corporate mechanisms) and the exigencies. These preconditions, evidently, shape corporate governance reforms within the developing Nigerian domain. As cited by a policy maker:

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[32] CONSOLIDATING THE NIGERIAN BANKING INDUSTRY TO MEET THE DEVELOPMENT CHALLENGES OF THE 21ST CENTURY. Address by Mr Charles Chukwuma Soludo, Governor of the CBN, at the Special Meeting of the Bankers' Committee, Abuja, 6 July 2004. <https://www.bis.org/review/r040727g.pdf> Accessed online 16-10-2017.

RCI14: *"I find that the Nigerian corporate governance reforms are being targeted at the peculiarities and priorities in our context. For instance, they are to help us attract investments and promote development. I think these are our major needs at this time. Obviously, the reforms are largely being informed from the issues within Nigeria and are not just keeping up with the global trend."*

Accordingly, another respondent also corroborated this statement thus:

CLB11: **"***If your standard is poor, the imported product will beat you, you will go out of business, you will lose your money. We have to make it work, so that we can even have good standards and business here in an environment where the infrastructures/ institutions are not developed."*

For instance, in the corporate governance reforms scheme in Nigeria, as a compensation for the identified deficiency in the corporate governance infrastructure as the capital market, the financial sector has emerged more prominent. As Giddens (1993) posits, the structuration of institutional processes often represents an interplay of meanings, norms and power. In Nigeria, the financial sector (banks and other financial institutions) has the most robust corporate governance reforms procedure. Against these priorities, the banks and other financial sector have inevitably incited the corporate governance reforms agenda in Nigeria. Specifically, the Banks, the Pension Fund Administrators, insurance companies and other similar institutions drive corporate governance reforms in Nigeria and have remarkably encouraged the scheme.[33] As a respondent (corporate governance consultant) reinforced:

OAA08: *So, in the financial services, issues of corporate governance seem to have taken root quite longer than for instance other (quoted) companies on the capital market or private companies. So, if you look at the financial services industry you can say that corporate governance has been a major issue*."

Consequently, the evolution of vibrant corporate governance reforms in Nigeria has been traced to the financial sector. In this regard, a company executive buttressed thus:

CLE18: *"You dare not flout the rules in the (financial) banking sector. It is the most regulated sector in Nigeria."*

[33] These two sectors of the economy presently have the most prominent codes of good governance in Nigeria. The corporate governance administrations are also the most actively regulated. For instance, aside from the general corporate governance code by SEC, the CBN inaugurated a code of corporate governance in Nigeria in 2006, following the nationwide bank consolidation.

The financial sector in Nigeria has also normally been involved in a constant review of its corporate governance practice under the oversight of the CBN. For instance, following the initiation of the SEC code (2003), a banking reform exercise emerged in Nigeria in 2006. This aimed to generate a separate and more detailed code of corporate governance specifically for banks.[34] This provided additional reinforcement to the corporate governance performance of banks in the wake of the mergers in the banking sector at this time. Since then the banking reforms have been perennial. These include requirements such as the mandatory corporate disclosure about corporate mechanisms to the CBN alongside other measures to guarantee the security of investors' funds[35] and effective performance by banks. For instance, also, as stated by a company secretary:

> CLF19: *"Although codes are meant to be persuasive, but even at this, I am sure that no bank will be ready to contravene the provision of the code. They file returns to the Central Bank of Nigeria (CBN) on this consistently. In Nigeria, the financial sector is very particular about corporate governance."*

Corporate governance operations basically reflect the focal position of economic or fiscal pursuits (La Porta et al., 1999, 2000). The trend of corporate governance reforms in Nigeria essentially is illustrative of the national macro-level agenda as a whole. Along this line, the significance of banks to the developing economies is also reflected in the pattern of corporate governance reforms in Nigeria. Notably, this focus arises from the realisation that such prioritisation could enhance economic aspirations. As one corporate executive stated:

> CLA10: "*These rigorous corporate governance reforms in Nigeria can be said to be generally stimulated by the banking sector reforms, in line with our situation. We need funds, we need investments, we require growth and developments. We need to make our practices good enough."*

Also, as stated by another of the respondents:

> CLD16: "*To a large extent, in this respect, the corporate governance reforms agenda, constitutes a reference point for foreign corporations (and their agencies in Nigeria). These procedures are very significant to our domain, as a growing economy. We just have to make things work well."*

Further, as La Porta et al. (1997, 1998) state, a widely-dispersed shareholding structure, such as obtains in the US, usually emerges as a result of the availability of good protection to minority

[34] This code of corporate governance in the aftermath of the bank consolidation exercise is known as the *"Code of corporate governance for banks in Nigeria post consolidation",* 2006.
[35] Among other things, in the regulatory capital requirement, banks are required to maintain a minimum regulatory capital adequacy ratio (CAR) of 10%/15% on an on-going basis.

shareholders. This assertion seems to posit that the form of ownership structure is consequential on the degree of protection available to minority shareholders. In view of the foregoing, the reality in the developing Nigerian corporate governance environment presents an opposing view. As the findings indicate, the major implication of the state of the capital market is the effect on the level of protection of investors and the corporate governance performance in Nigeria. In this respect, the capital market has not usually provided adequate market control in Nigeria, despite the noted significance. As a policy maker stated:

> RCI14: "*The market for corporate control in Nigeria is not effective to compel accountability from company management. So, in this environment, the minority shareholders are mostly at the receiving end. That is why we focus on being mainly responsible to them. The large shareholders are not as vulnerable and they can also protect themselves better."*

Correspondingly, corporate governance reforms in Nigeria are considerably targeted at providing greater levels of protection to minority shareholders and boosting investors' confidence. This study reveals that, on the contrary, the ***prevalent concentrated ownership structure***, in Nigeria, rather ***informs the level of attention that minority shareholders receive.*** As such, the protection of dispersed shareholders, as revealed, becomes necessitated. In institutional theory, a key assumption is that as social actors seek legitimacy, isomorphism, or similarity of structure and action are created through the convergence of constraints and forces within institutional environments (Judge et al., 2010)**.** Sometimes, the pursuit of institutional and organisational change can be propelled by illegitimacy (Tost, 2011: 686). Hence, there arises a need to offer more protection to minority shareholders, which is reflected in the Nigerian corporate governance reforms agenda. Also, as a policy maker stated:

> RCE05: *"There is lack of external control in this environment, there is thus need for the regulators to do more to protect these minority shareholders and investors. Our attention is focused on securing the dispersed shareholders (and investors), the majority shareholders are able to protect themselves to a large degree."*

Also, as stated by one of the directors of the regulatory agencies:

> RCB02: ***"****Protecting the minority shareholders is our major concern. We are going to give you the names of the Independent Directors, so that you as a minority shareholder can see how independent those Directors are. We are looking at the independent directors' qualifications, experience and contact with the company to verify if they are actually independent. What are we trying to do? We are trying to protect the interest of minority shareholders because there is a wide concentration of ownership in most companies, so you need to do more to protect the interest of minority shareholders."*

Against this backdrop, this finding not only indicates the varied institutional arrangements, but also underscores the significance of the interactions among national institutional factors in the Nigerian corporate governance reforms. Field-level dynamics, notably arrangement and relationship among logics, are significant (Martin et al., 2017). Such structuration, decides the repertoires available to different actors, as they help explain how action can both be constrained and enabled within the organisational sphere (Martin et al., 2017). Accordingly, as Besharov and Smith (2014) propose, field, organisational, and individual factors within an organisational context may influence organisational logic centrality – an understanding that seemingly corroborates the significance of structuration of field level logics in organisational reforms. The attention given to the initiation of different logics within an organisational field would, however, differ to reflect the overall pattern of purpose in such a context. Against all propositions, corporate governance reforms in Nigeria are found to be ***prioritised.*** Against this backdrop, such priorities of corporate governance reforms emanate evidently from the cited institutional condition, prevailing logics and practices in relation to the power differential between shareholder groups. These in turn determine the level to which the interests of the minority shareholders are protected vis-à-vis those of the large shareholder. Rather than other principles emphasised in corporate governance reforms in the market-based economies of developed countries, e.g. the UK, US,[36] the corporate governance reforms agenda in Nigeria is observably modified in line with the contextual exigencies. Rather than the drive for efficiency, corporate governance is indicated to have been motivated by the realities within the Nigerian context. With the need to account for the economic agenda, the deficiency of the capital market infrastructure and the protection of the investors/dispersed owners in turn, a **selective approach** is revealed in this regard towards the financial sector.

[36] For instance, some of these universal propositions of corporate governance principles include: Chairman Duality, Internal Control, Board efficiency, etc.

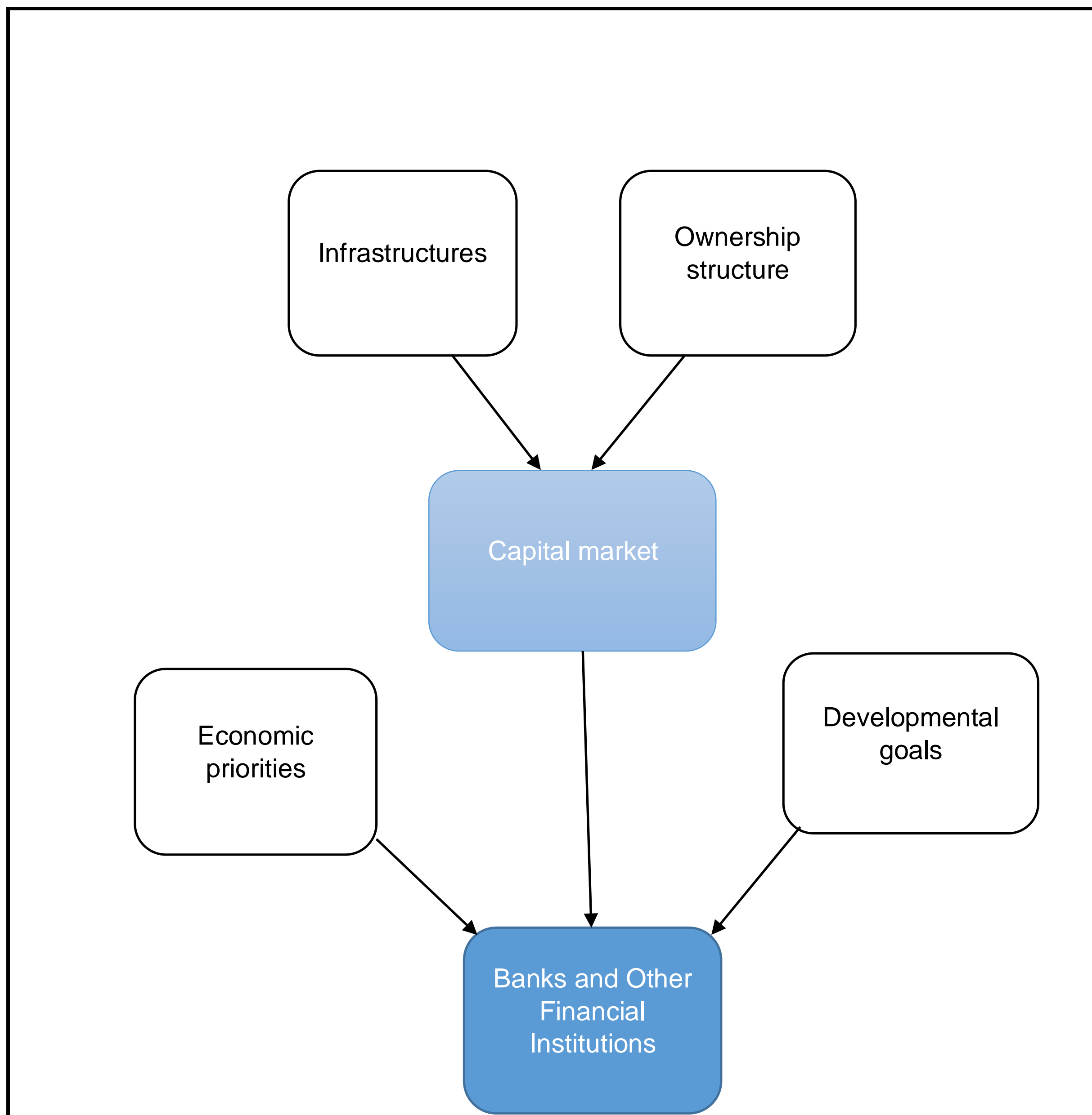

Figure 4.1: A representation of the direction for corporate governance reforms within the Nigerian institutional context

One way or another, the diffusion theory of good governance codes assumes the homogeneity of corporate governance motivations in countries. Nonetheless, with regard to the relevance of the universal best practice to the Nigerian corporate governance situation, the modalities of implementation are, however, found to be directed not only by the logics but rather along the prevailing field alignment. Along this line, although studies have disclosed the major basis for the global diffusion or adoption of corporate governance codes as **legitimation and/or efficiency** reasons (*see* Aguilera and Cuervo-Cazurra, 2004, 2009). As this inquiry suggests, the reform focus is not merely patterned to the global propositions, but the interfaces and hierarchy of the logics in this context

determines such focus. Thus evidently, the attention and direction of the corporate governance reforms agenda in Nigeria are also found to follow the pattern of the demands and priorities within Nigeria. Further, as a respondent reiterated in this regard:

> RCB02: *"If we copy the system from the developed country and it is not working properly here, a reform should be to address the deficiencies in our system."*

Thus, the subject of corporate governance reforms within the context of Nigeria is not merely to acquiesce to the external global pressures towards conformity. Indicatively, the administration of governance reforms within this environment also reflects the distinct pattern of the representation of the varied institutional factors.

Conclusion

Within the neo-institutional debates on the drivers for institutional reproductions, the idea of the generic inclination of organisational reforms has been promoted; however, this study suggests that the Nigerian corporate governance agenda is principally given to contextual pressures. In this regard, and in line with the findings, the focus of the corporate governance reforms in Nigeria is decided by the compelling institutional circumstances (the institutional **structuration** (structure and configurations) and **logics**). **In terms of the structuration of the Nigerian corporate governance context**, the nature, state and ownership structure of the Nigerian organisational field constitutes largely unlisted and thus unregulated corporate entities. The logic is revealed to represent the corporate ownerships' inclinations within this context. The Nigerian corporate structure reveals a hybrid. This is a dichotomy of highly dispersed ownership and concentrated ownership structure, with a prevalence of concentrated owners. Owners are unwilling to dilute their share and thus affect the operation and efficiency of the market control and the infrastructure of the capital market. Thus, Nigeria depicts an unsophisticated and preliminary stage of corporate governance structure. Institutional structures are thus weak in their operations. Consequently, these institutional realities are reflected in the state of corporate governance mechanisms, such as capital, which is weakened. Nonetheless, in Nigeria, as a developing country, there are dominant economic priorities regarding the growth and developmental goals agenda. This reveals a major focus on the macroeconomic agenda and other fiscal policies, such as FDI, Foreign aid and Economic policies. As noted, a weak and grossly inactive capital market emerges in Nigeria. This weak market denotes weak central control for corporate governance regulation in Nigeria, which is unable to provide adequate support for the

corporate governance performance. The foregoing triggers the need to impel corporate governance reforms in line with these goals and limitations.

In this respect, emerging findings reveal the motivation and direction of corporate governance reforms to align with incorporating the institutional complexities towards actualising the economic priorities in Nigeria. Such a focus inevitably arises to cater for the exigencies in the context as a consequence of the structure and logics. This demonstrates some extent of relativism in the approach to the implementation of the corporate governance principles. Thus, in instituting corporate governance reforms in Nigeria, **a focus on banks and other financial institutions** is revealed in the reforms agenda. This centrality, in line with the internal exigencies, emerges as a result of, 1) **Internal demands**: meeting the needs of the Nigerian economic (growth and developmental) agenda regarding funding as an alternative to the capital market, and 2) To make up for **the structural challenges**: i.e. for the investors protection, and laxity in the central monitoring and control in corporate governance resulting from the weak capital market. These constitute critical drivers of observable responses and actions in corporate governance reforms in Nigeria. Against this backdrop, one major contribution in this chapter with respect to the neo-institutional theorisation of institutional reproduction is that the significance of internal pressures to attempts at innovation, is emphasised. While previous studies (*see* Aguilera and Cuervo-Cazurra, 2004; Adegbite et al., 2013) have argued that corporate governance can largely be determined by external aspirations and expectations, this study reveals that, especially within the evolving institutional context of developing countries, such as Nigeria, structural configurations, dominant logics and national priorities, constitute pre-eminence in organisational innovations.

In order to accommodate these factors, the attention to corporate governance reforms in Nigeria is disclosed as not being **(universal) predetermined**, but rather informed by the realities within this context. In this respect, with the concentration on banks and the financial sector, a ***selective approach*** to corporate governance reforms in Nigeria is discovered. This motivation largely relates to the need to improve the standard of governance practices, in selected sectors, in order to attract investments and protect investors in fulfilment of the economic developmental intents. Thus, rather than the ***uniformity or convergence or hybridisation*** of practices, the corporate governance reforms in Nigeria reveal a form of ***standardisation*** of processes, whereby, the standardisation of corporate governance procedures is aligned with the ***institutional and economic exigencies.*** Thus, this suggests that corporate governance reforms in this context follow different levels of ***adaptation*** rather than the spontaneous ***adoption of codes,*** as inferred in previous studies within the diffusion theory. Correspondingly, the findings reveal the codes in the financial institutions – such as banks and other financial institutions – to be the most developed. As a consequence, in contrast to a generalised

approach, the Nigerian corporate governance transformational agenda is indicated to be internally compelled and the innovations, in turn, ***prioritised***. To this end, as this study submits to the neo-institutional literature on diffusion theory, the various attempts at instituting good governance practices in Nigeria are not merely triggered by conformity with the global trends. In essence, beyond the universal efficiency or legitimation of practices, the need to realise the ***institutionally compelled priorities*** is indicated in the Nigerian corporate governance reform scheme. These realities within the Nigerian organisational field, however, are not without their inherent challenges, which the following chapter highlights.

Chapter 5: The Challenges of Corporate governance reforms in a developing institutional field

5.0 Introduction

A core debate in neo-institutionalism is that diverse institutional factors frequently interact, coexist, and compete for dominance, and how these affect organisational practices and individual behaviour (Martin et al., 2017). In highlighting the importance of the differentiation of field logics in organisational reproductions, George et al. (2006) suggest that organisations facing seemingly similar events may respond with isomorphic reaction in some cases, and non-isomorphic in other instances. Such insight indicates the likelihood of contradictions across organisational contexts. Relating this to perspectives on the embeddedness of organisations (Dacin et al., 1999; Aguilera and Jackson, 2003; Lubatkin et al., 2005), pressure towards isomorphism – which in the case of this study is the universal '*best practices'* – is likely to generate dissimilar responses across institutional contexts. However, whether such an outcome is as a result of efficiency seeking, conformity to universal acquiescence to best practice, or mere submission to the restraint of prevailing institutional ambience, is unclear.

The structuration of an organisational field is defined by the prevalent institutional logics which differentiate it from another (Giddens, 1993; Fiss and Zajac, 2004; Thornton and Ocasio, 2008). Likewise, the reproduction of institutional logics is argued to be shaped by multiple ***interactions*** (Sewell, 1992; Misangyi et al., 2008). Logics interact with contingency factors to shape organisations, on the field level (Meyer and Höllerer, 2014). Thus, institutional logics provide particular interpretations of why organisational attributes cluster into distinct configurations or archetypes, across different institutional contexts (Greenwood et al., 2014; Meyer and Höllerer, 2014). As the neo-institutional theorists advocate, the outcome of organisational innovations could be traced to socially desired factors (DiMaggio and Powell, 1983). Here, institutional structures produce the ambience which dictates the established framework within an institutional setting (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Aguilera et al., 2008; Greenwood et al., 2008). Nonetheless, the homogeneity of an organisational system is inferred by the launch of the global corporate governance codes of best practice. Although, the implementation of an innovation by companies could be led by either the need to gain competitive advantage or the aversion to being regarded as outliers (Bhimani et al., 2016), nonetheless, the drive for efficiency and legitimation denotes the acclaimed rationales for the worldwide diffusion of corporate governance principles (Aguilera and Cuervo-Cazurra, 2004).

The universality of approach to corporate governance reforms presents a case for understanding the realities across institutional contexts. Significantly, an indicative dimension is also added by the characteristic nature of developing organisational settings. Mixed forms of societal

pressures – coercive, mimetic and normative (DiMaggio and Powell, 1983) – may be responsible for the adoption of practices by firms in developing economies (Kim, 2016). Along this line, Rwegasira (2000) cited difficulty in specifying a definite categorisation for the corporate governance system of the developing Sub-Saharan Africa countries. In accordance, Adegbite et al. (2013) indicate that the understanding and practice of corporate governance in Sub-Saharan Africa is multi-directional. As Mahadeo and Soobaroyen (2016) discover, corporate governance developments in developing economies do not portray mere response to the professed principal-agent problem. In this regard, Ahunwan (2002) queries whether corporate governance reforms in Nigeria are significant towards fulfilling the political, economic or social aspirations of the Nigerian people. To this extent, the adequacy of the Nigerian governance mechanisms, in comparison with the global corporate scene, is also debated (Okike, 2007). Thus, the need to distinguish the corporate governance structure and its implications for corporate governance reforms in the developing contexts, becomes imperative. Against this backdrop, the chapter highlights the emerging findings and analysis in relation to answering the research question: *What are the challenges (implications) of the Nigerian corporate governance system for the attempts at corporate governance reforms?*

The findings essentially portray the challenges (realities) in the Nigerian corporate governance reforms agenda. In this regard, given the revealed institutional specificities, the study suggests the incongruity of the prevailing corporate governance system in Nigeria with the supposed market-oriented model. The findings indicate that the Nigerian organisational field constitutes a maturing field with its attendant contextual variables, which largely shape the corporate governance structures and reforms thereto. Along this line, the corporate governance performance in Nigeria illustrates path dependency towards the prevailing institutional logics and the existing practice in this context. In essence, with the stakeholder and/or relationship-based system disclosed in Nigeria, the prevalent corporate governance performance indicates a complexity for the arm's length propositions of the universal principles in corporate governance reforms.

The chapter is organised as follows: first the emergent themes highlight the corporate governance system and performance in Nigeria. This represents a framework within which the outlined challenges in the corporate governance reforms in Nigeria are contrasted. The chapter proceeds by discussing the interface of the predominant organisational rubric with the established corporate governance structure, in light of the effect on the practices and proposed innovations. Lastly, the implications of the prevailing institutional logics for the corporate governance reforms' agenda are outlined.

5.1 The Nigerian corporate governance system and corporate governance reforms

5.1.1 *Corporate ownership structure*: *A dominant enclosure*

The reforms of corporate governance in Nigeria are noted to be characterised by similar prescriptions, as in the market-based contexts. The code of corporate governance in Nigeria (SEC code, 2003, 2011) also outlines the best practices in Nigeria to include such provisions as board composition, board committees, executive remuneration, duties of the board, NEDs, independent directors, etc. For instance, specific emphases were placed on the BoD, its duties and responsibilities, similar to the recommendations in the dispersed ownership (shareholder) model of the UK and US economies (Dedman, 2002; Weir et al., 2002; Baums and Scott, 2005; Solomon, 2010). In a similar vein, the system of corporate governance in Nigeria has normally been recognised as a shareholder model (Ahunwan, 2002; Nmehielle and Nwauche, 2004). However, the Nigerian corporate governance system reflects two distinct forms of ownership structure, in the ***dispersed*** and the ***concentrated ownership*** structure. Although, a hybrid form of ownership structure is indicated, nonetheless, as this study stipulates, the Nigerian corporate governance notably proffers more a prevailing concentrated ownership structure. As a corporate consultant stated:

> OAD26: "*Apart from the minority shareholders you will still find large shareholders as main owners in nearly all the listed companies in Nigeria.*"

Also, as stated by a regulator:

> RCL21: "*Listed companies' ownership in Nigeria is not actually dispersed. They consist of highly concentrated shareholdings. This is a primary feature of listed corporations here.*"

Also, as another respondent, a corporate consultant, corroborated:

> OAG34: *"Listed companies here are different from market-based economies such as the USA. They consist mainly of a concentration of shareholders."*

In this respect, although the prevailing corporate governance system in Nigeria reflects a hybrid structure, however, ***large shareholders are predominant in listed companies in Nigeria.*** In this regard, the Nigerian market-based corporate ownership noticeably depicts the existence of block-holdings. Previous analyses have shown different factors that may be responsible for organisational change and/or stability across different institutional contexts (Hatch, 1993; Oliver and Roos, 2005; Shipilov et al., 2010). In the developed countries, in such a market-based system, the separation of ownership and control, typified by the dispersed ownership structure, constitutes major monitoring (or agency) issues in corporate governance (Berle and Means, 1932; Fama and Jensen, 1983a). Similarly, in developing countries ownership structure often presents a concern for corporate governance;

however, this issue emerges from a different dimension. A study in Ghana, an identical Sub-Saharan Africa developing country, shows that managing owners on the board tend to exert extensive control over the activities of corporations (Agyemang and Castellini, 2015). Whilst, this situation is stipulated to have the tendency to address the agency problem (Ntim and Soobaroyen, 2013), it is also found to pose challenges with regard to disproportionate involvement in the decision-making processes (Agyemang and Castellini, 2015). Correspondingly, this study reveals some actualities of corporate governance mechanisms in Nigeria that tend to explain such control within a developing SSA context. Along this line, not only is the corporate ownership in Nigeria specified to be predominantly concentrated, such a structure of governance also presents a distinction. As stated by a corporate governance consultant:

> OAD26: "*There are so many dispersed minority shareholders, but obviously with small holdings, in Nigerian listed companies.*"

Also, as stated by a company independent director**:**

> CLB27: *"We have issue with ownership structure, even among the listed companies here in Nigeria. You can have few individual block-holders having up to 60% or 70% of the total company shareholdings, leaving only 40% or 30% to so many dispersed shareholders."*

An emergent theme from this study shows that while, on the one hand, there are ***very few controlling*** block-holders, on the other hand, there are ***widely-dispersed*** minority owners. Thus, the composition of ownership within the Nigerian corporations does not merely involve concentrated owners but, as indicated above, the distribution of holdings indicates a clear lopsidedness. In this vein, this investigation stipulates two major bases and expressions of this situation (i.e. the causative and effect) in Nigerian corporations:

- First, **wealth disparity** largely exists in Nigeria, with a few individuals dominating the upper echelon of the wealth hierarchy and these equally constitute founders of corporations. This type of situation often occurs, especially in developing economies, where there is no fair distribution of wealth and economic assets (Deere and Doss, 2006). Thus, in Nigeria, large corporate shares are mainly held by these rich individuals or 'elites'[37], whereby the block-holdings are most often spread among this class of persons. As a respondent (consultant) stated:

  OAI37: *"In this environment these large corporations are owned by the few rich people. They constitute the founders and the majority shareholders. Many others have the resources to buy*

[37] Revealed through a review the corporate governance and ownership structure of listed companies, through the analysis of the final accounts and statements of these companies on the listings of the NSE.

small holdings. They can only also acquire the remaining shares and thus they are merely the minority shareowners."

- Second, these few block-holders also embody individuals having the ability to wield a huge influence on the system of rules – formal or informal – in this context. As such, this cluster includes highly influential individuals, with significant economic and political power, and thus inevitably those who also decide corporate positions. As stated by a corporate governance consultant:

  OAE28: *"Although the corporate governance system in Nigeria is being modelled after internationally recognised structure, as in the UK, we still have strong shareholder groupings that will still be manipulating the systems."*

As stated by another respondent - a company official:

CLI24: *"Corporate ownership is clearly for the "well-to-dos" in this environment and it remains like that because wealth is also rotated among these individuals and their families. So, it is really difficult for those other shareholders that are not in that class to have a major influence on businesses here."*

Furthermore, an emerging theme highlights the implication of such conditions, exemplified above, for the practice of corporate governance in Nigeria. Companies represent strong societal actors (Judge et al., 2008); equally, the above manifestations constitute a significant impact on corporate activities in Nigeria. The Nigerian corporate ownership, in the block-holders, embodies significant pressures, not only within the organisational but broadly the institutional contexts. These block-holders significantly inform the corporate governance procedures, thus determining, to a large extent, the ***prevailing institutional logic*** within the corporate governance reforms structure in Nigeria. For instance, as a respondent – regulatory agent noted:

RCC03: *"Corporate governance and the reforms in Nigeria involve very big and influential segment of society, who can operate without much restrictions. Nobody can regulate what they do and how they do it. These people are very strong."*

Likewise, as stated by a company executive:

CLI24: *"In Nigeria, in these corporations, it is easy to retain influence and control among few persons, because the ownership mainly includes highly concentrated holdings."*

Essentially, within the Nigerian organisational environment, these block-owners are not just corporate owners but rather have a far-reaching effect on the sustainability and functionality of companies. Notably, from the perspective of institutional entrepreneurship, (as cited within the literature review

section of this thesis) "*the notion of centre and periphery embraces both the capacity of central actors within a social structure to establish and sustain an institutional logic favourable to their interests, and the relative embeddedness of elites and non-elites"* (Greenwood and Suddaby, 2006: 28). Therefore, corporate governance in Nigeria is identified as the ***'elite's business'*** (Interview, RCG 07). Another respondent (a company Non-Executive Director) stated thus:

> CLJ27: *"Corporate governance is the* ***business of the elite****. The powerful and the mighty occupy this hierarchy in Nigeria; it is not for the common people. These people can influence things and they will normally consider their own interest first."*

Consequently, such individuals have strong networks and lobbying positions within the socio-political domain. Thus, they have influence on policies that affect the company's financial and economic position. For instance, "*they influence the corporate contracting; design and deliverance of contracts beyond only the micro-level governance environment*" (interview OAA08). The extent of this influence is additionally revealed through linkages with a larger network of social actors that enables wider macro and micro dominance. As a policy maker stated:

> RCE13: *"The individuals that own these companies are also the ones in charge of the affairs of the country. They are the financiers of most of these political aspirants. They are highly connected. They use their influence to get contracts for their companies and even control the economy of the country, to a large extent."*

As, Ocasio and Radoynovska (2016), contend:

> "*It is particularly during such transition periods that contradictions among logics are likely to be exposed and to contribute to experiences of complexity. Here, strategic organizational commitments to logics become subject to reinterpretation and (re)framing. In fact, we argue that under conditions of complexity, organizations adopt particular interpretations of the contradictions among logics to which they previously made a commitment."* (p. 290).

Against this backdrop, the study presents a prevailing governance structure and practice in Nigeria. Other than this, such a governance system represents a recognisable pressure which largely shapes the Nigerian organisational framework. As indicated, new practices may emerge and develop without an extensive change in the dominant institutional logics (Zahir-Ul-Hassan, 2017). Thus, while good governance recommendations in Nigeria also target a wide range of other mechanisms, such as improving the BoD, CEO duality etc., as in other market-based contexts (Dedman, 2002; Dewing and Russell, 2004), evidently, concentrated ownership presents a focal institutional logic in the corporate context of Nigeria. Nonetheless, this significance emerges as a direct consequence of the pattern of holdings in these listed companies. In this regard, the composition of such an organisational factor –

i.e., the percentage of the large shares to that of the minority shares, which portrays as a misalignment – rather than the actual factor itself, prompts such distinction.

5.1.2 *Corporate governance model: Issues and realities*

Alongside the identified predominantly concentrated corporate ownership, the Nigerian corporate governance structure reveals a stakeholder model of corporate governance. More importantly, the resultant system of ownership and control replicates the consequence of wealth distribution, influences and power differentials among distinct classes of social and economic players. As emerging themes reveal, the constituents of such a governance model reach beyond the corporate context, encompassing extensive social circles. Besides the corporate block-holders, the Nigerian corporate governance system involves an assemblage of other parties. This constitutes key players in the society, which equally mirrors the stated economic and social stratification. A company executive stated, in this respect thus:

> CLA10: *"It is a collectivist society here. Corporate governance in these listed companies involves a broad circle of influencers. Minority shareholders only constitute a minute portion of this. The influence of society on governance here is substantial. The system here is not at all comparable with what obtains in the more developed countries."*

While stakeholder corporate governance reflects the situations in some other institutional settings (Sarkar and Sarkar, 2000; Berglöf and Claessens, 2006), however, in Nigeria, such a stakeholder governance model encompasses a different configuration. For instance, one typical feature of German corporate governance is the principle of 'codetermination' in company management (Von Rosen, 2007). Codetermination represents the compulsory requirement for the inclusion of employees in participation in decisions at the strategic level of interaction between the management board and the Supervisory Board (Von Rosen, 2007). The majority of large-scale companies have Supervisory Boards made up of equal numbers of members from management and labour; almost all listed companies are subject to codetermination (Von Rosen, 2007). Second, in other contexts (such as Germany), such large ownership also normally constitutes institutional investors (Bordean and Pop, 2012; Von Rosen, 2007). However, in Nigeria, employees and institutional investors are virtually non-existent in such an ownership structure. Analysis of the key components of the Nigerian stakeholder model constitutes a distinction and departure, as outlined:

- First, notably Nigerian corporations mainly involve individuals as block-holders. An analysis of the corporate annual statements of the companies on the NSE listings shows 80% of individual

family founders[38]. Conversely, past study (Ahunwan, 2002) has outlined the categorisation of companies in Nigeria, to additionally include government owned companies, foreign owned and family ownership. However, from this investigation, the corporate ownership in publicly listed companies in Nigeria reveals clusters of family ownership as constituting mainly the noted concentrated ownership. As stated by a company executive:

CLH23: *"Most of these block-holders in the listed companies are mostly the founding family members."*

Aside from the family block-holders, the prevailing stakeholder structure in Nigeria also involves parties such as financiers (banks or other financial institutions), the public sector, central governance or political affiliates, religious groups (churches or mosques), ethnic and social circles, traditional rulers (e.g. Obas, Emirs, Obis), as illustrated in **Fig 5.1.** Within this system, the major compositions and their roles are analysed below.

[38] See Nigeria Stock Exchange Listings <https://www.african-markets.com/en/stock-markets/ngse/listed-companies>

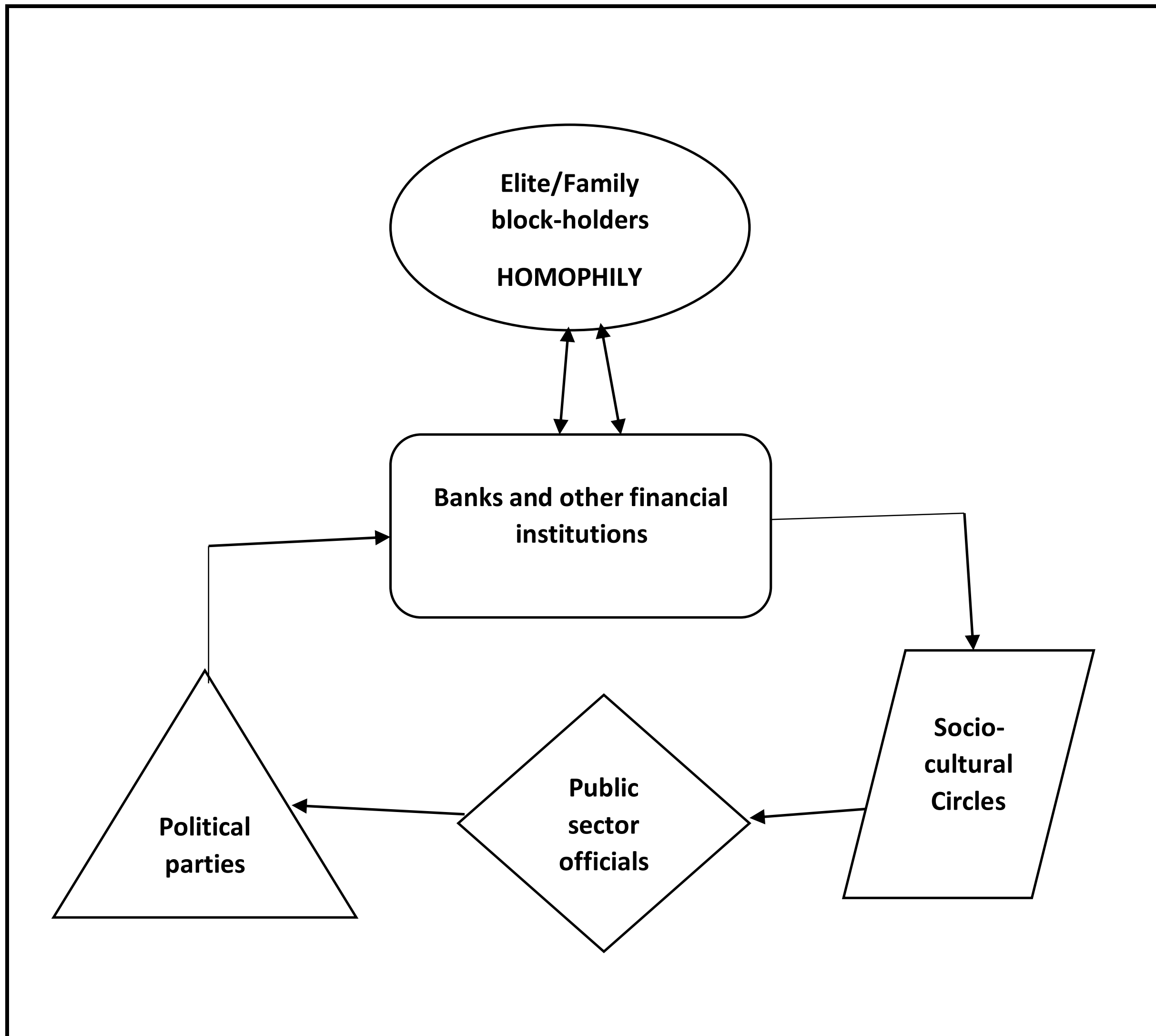

Figure 5.1: An illustrative view of the Nigerian relational stakeholder corporate governance system

- **Banks and other financial institutions:** The influence of banks and other financial institutions have been noted in the corporate context of Nigeria. These constituents of the stakeholder (relationship) structure usually represent the financials. "*They provide and guarantee funds (bank guarantees) and are also involved in the contracts sourcing, joint implementations and monitoring of projects in Nigerian corporations*" (interview RCK20). The identified extant dependence of Nigerian businesses on these institutions (*see the preceding chapter of this thesis for this analysis*), depicts Nigeria more as a prototype of a **bank-based** economy.
- **Political parties:** This group constitutes a recognisable section of the stakeholder structure in the Nigerian corporations. These individuals typically use their influence in facilitating contracting or joint business ventures in agreement with corporate family block-holders in profit sharing. Some of these proceeds are sometimes used for political campaigns, funding

of political engagements and also for other personal interests (interviews RCO33; CLK29; CLJ27).

- **Public sectors or government officials:** This segment of the relationship-based corporate governance structure often involve public sector employees, such as directors, deputy directors, public officials, consultants, other civil servants, etc. 'These organisational actors aid companies with business procurements or other procedures, as liaisons between the private sector and the state. These officials help to foster the smooth running of these companies' activities usually beyond their normal job responsibilities, and often in exchange mainly for agreed reward' (interviews OAF30; CLL31).
- **Socio-cultural Circles:** "These include traditional rulers and social cultural leaders or religious leaders. These individuals usually act as private motivators. They provide advisory services to company owners and normally act as patrons to these corporations. They normally proffer 'moral and spiritual' support, especially the religious leaders. They also act as community gatekeepers in places where access is needed to their local communities. Some of the members of these groups also have shares in these companies, thus constituting part of the block-holders" (Interviews OAH35; CLG22).

In this respect, the study reveals the Nigerian stakeholder's system of corporate governance to exemplify a ***relationship-based*** corporate governance model (*see* Clarke, 2015). This involves organisational structures that provide shared meaning (Selznick, 1949; Scott, 1995). In this respect, as Agyemang and Castellini (2015) affirm:

> "*A high concentration of corporate ownership and control of corporations by families in some emerging countries has led to governance structures that enable the dominant shareholding families to make key decisions on their own."* (p.55).

Also, as cited by a policy maker:

> RCA01: *"Ownership composition is a major issue in the corporate governance reforms and oversight in the listed companies in Nigeria. Because, if we are to describe the corporate environment of Nigeria, it is still majorly family block-holders rather than corporate shareholders."*

As cited in the preceding section, the concentrated ownership in listed companies in Nigeria, could typically involve a percentage of block-holdings ranging from between 60% - 70% of the total company shares. As a respondent stated in this regard: *"Even where you have a ratio of 70% and 30%, they are still counted as public companies."* (OAC17). Although the Nigerian corporate governance provisions

prohibit such a percentage position or percentage of shares to be held by a single[39] individual or family, nonetheless, these founding owners still find a way to circumvent this provision. This is attained through relational ties of the persons involved (ownership). As a regulator cited:

> RCD04: "*These family shareholders obtain the block-holdings through their friends, associates, cohort and extended families, such as cousins, aunts uncles, etc. that do not bear identical names with them. This grouping is lightly referred to here as* ***HOMOPHILY****."*

The above situation exemplifies the governance structure which also depicts the prevailing environment for the reform's agenda in Nigerian listed corporations.

5.1.3 *The prevailing rubric and the inference for corporate governance* reforms

The actualisation of governance practices in Nigeria depicts an interlace of multiple actors' ***interactions*** and ***interpretations***. Within the specified Nigerian corporate governance relational system, families and cohorts are primarily involved in the management of companies. Against this backdrop, management of companies are frequently based on personal understanding, rather than legally binding contracts. Also, as a company auditor states:

> OAI37: *"Oftentimes things get done just because of the long-term associations that corporate executives or managers have with someone or businesses."*

According to a company legal counsel:

> CLG22: *"Generally, we have a lot of business transactions that are consummated merely through mutual trust/agreements among the parties involved."*

Along this line, Hatch (1993) contends:

> *"Within the cultural dynamics framework, I assume that individuals cannot be conceptualized apart from their cultures and that cognition cannot be separated from social processes. In other words, the processes of cultural dynamics are simultaneously cognitive and social (as well as perceptual, emotional, and in some cases aesthetic), and individuals and their interrelationships are not usefully distinguished within this frame* (p. 683)*."*

Organisational fields are described as a set of institutions, both formal and informal (North, 1990). To a large extent in Nigeria, corporate governance performances are more strongly realised through social interfaces than being officially enacted (i.e. a form of ***relational contracting***).

[39] According to the SEC code (2011) section 7.1. "*To safeguard the independence of the Board, not more than two members of the same family should sit on the Board of a public company at the same time." p.12*

Institutions usually modify the basic principal/agent relationship in ways that require specific contextualization (Filatotchev et al., 2013). The Nigerian corporate governance model depicts strong interpersonal linkages. In turn, the organisational field is found to be profoundly shaped by fluid institutional constructions. The practice of corporate governance principally follows a more unofficial approach. As one policy maker states:

> RCH13: *"In Nigerian companies even, many official undertakings are based on verbal agreement and mutual trust."*

Also, as stated by a company secretary:

> CLF19: *"Preferably Memorandums of Understanding (MoUs) are more common among parties in Nigerian companies than legal agreements."*

Thus, within the Nigerian corporate governance structure, the specification of procedures is more inclined towards implicit rules rather than explicit detailing. Evidence from this study shows much dependence on the ***informal rubric of organisational processes*** rather than formal procedures. Consequently, this is recognised as an implication of the cited relational corporate governance system and practice. Institutionalisation is, however, identified as submitting to the existence of formal regulated, routinized and structured factors (Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Greenwood and Suddaby, 2006). In this respect, this study suggests such informal procedures present complexity for corporate governance reforms in Nigeria, resultant from the noted interplay of social subtleties and corporate functionalities. As a respondent noted:

> OAG34: ***"****But in our environment, there is only a face appreciation of these corporate governance principles and the benefits of implementing. They say; 'It's my company, it's my money and it's my loss.'"*

In turn, this largely presents a situation where the development of the corporate governance external control mechanisms is substantially subdued. The emergence of predominant informal rules, as stipulated in Nigeria, results in institutional systems and, in turn, organisational procedures being significantly exploited. Notably, this condition emerged as a reflection of the aforementioned ***relationship governance*** system. For instance, as cited by a regulator;

> RCL21: *"For instance, in many Nigerian family owned firms, the CEO hijacks the Board activities. When the Board of some governing regulatory committee on corporate governance reforms are to be convened, the CEO will be asked to send his representative. That in a way does not seem very transparent, for example."*

To this extent, in Nigeria, formal structures are found to typically involve less substantive techniques. Indicatively, this portrays a high degree of limitation to the formal framework of operations deemed necessary in organisational reproductions (Meyer and Rowan, 1977; Maguire et al., 2004). A strong and reliant institutional base represents a necessary prerequisite for corporate governance reforms internationally promoted on the market-based model of corporate governance (Dore, 2005). In this vein, Oliver (1991) identifies the different strategic responses that organisations enact as a consequence of institutional influences. Depending on the institutional pressures toward conformity (which normally include, normative, coercive and mimetic), organisational responses may vary (Oliver, 1991). Accordingly, in Nigeria institutional logics are largely unstructured in nature, due to the prevalent informal structures. In such instance, the greater likelihood for the potency of institutional pressures (Oliver, 1991) to become undermined, emerges. Likewise, organisational processes within the domain of the developing countries are basically exposed to field-level social influences (Lodh et al., 2014). Consequently, in Nigeria, a major presentation of this scenario is the weakened framework of enforcement among the regulated entities. Organisational agents *(directors of companies, board, top managers, owners)* are more resistance to change and tend to maintain a set approach to organisational reforms, based on established principles. As a regulator stated:

> RCF06: *"They are not going to change overnight because they have what it takes to frustrate the system."*

Also, as another respondent stated, a policy maker:

> RCI14: *"Here, organisations and, generally, people are resistant to change. They don't plan to give up their usual way easily."*

As such, fundamentally, the structuration of corporate governance reforms in Nigeria is identified to not follow a fixed, definitive and/or predetermined format.

5.2 Corporate governance framework of performance in Nigeria

5.2.1 Socio-cultural interfaces in the Nigerian governance model

In the light of the existing relationship-based model, the Nigerian organisational logic reflects a system of meaning defined by the prevalent corporate governance ideology. In this respect, corporate governance is usually characterised by interpersonal factors. In India, Lodh et al. (2014) discover that *'family firms'* in this emerging country, typically have good relationships with the major pillars of the local economy. As asserted by Berglöf and Claessens (2006), "m*any, if not most, corporate governance systems in developing countries and transition economies are heavily tilted in favour of controlling owners"* (p.124). Corporate governance in Nigeria largely adopts a larger socio-cultural ethos. In this vein, in spite of corporate governance reforms envisioned to engender parity, corporate

ownership in Nigeria is still largely characterised by relational ties. As stated by one of the interviewed regulators:

> RCB02: *"Can I separate ownership from management? And where you cannot separate ownership from control it becomes a big problem. I am an owner and I am also management. Am I trying to appropriate value as management or do I depend on what shareholders get? So, there is bound to be an abuse, as there is a problem of conflict of interest."*

Along this line, as stated by a respondent corporate governance consultant:

> OAB09: "*The **Big Man** syndrome is prominent in Nigeria. If not, why are people not obeying the law, why are companies contravening **the law** and no one can bring them to book."*

Evolving organisational fields are characterised by the absence of clearly defined and dominant subject positions (Maguire et al., 2004), whereas formal organisational structures are contested as emergent only in "highly institutionalized" contexts in modern societies (Meyer and Rowan, 1977: 340). As Clarke (2015) asserts "insider relationship-based systems (governance framework) are typified by highly concentrated ownership that is closely connected to managerial control of the enterprise (Clarke, 2015). This governance system, usually, is characterised by a close relationship with other stakeholders who are often represented on the boards of major corporations (Clarke, 2015). In this respect, fields, such as the evolving corporate context of developing countries, usually deter routinized or regimented institutional procedures. As a result of this, a thin boundary exists between institutional techniques and actors' attributes. For instance, it is difficult to separate the organisational practices from the social-cultural tenets and shared principles of dominant shareowners or key stakeholders in Nigeria. Indeed, even though publicly listed, in this environment, organisational cultures reflect largely the owners' and personal preferences. Thus, most institutional transactions are usually built around an individual's system of meanings, ideas and values. As another respondent stated:

> CLF19: *"So, where you have a very strong personality at the helm of affairs, the institution takes on the personality of that individual."*

Also, as a corporate governance rating agent stated:

> OAD26: *"Here in Nigeria, establishments mostly reflect the personnel. There is usually no clear demarcation between a social image and professional status."*

The above indicate the reality of the institutional underpinning of the propagation of corporate governance reforms in Nigeria. Complementarity implies that an action implemented in one aspect of the organisational setting is refereed by the wider configuration of networks and national institutions (Filatotchev and Nakajima, 2014). Such ambience is found to generally stem from the broader inclination towards organisational techniques within the macro-economic level in Nigeria. Consequently, the nature of corporate governance performance and transformations in Nigeria substantially reflects established societal values. In this regard, in the opinion of a listed company executive:

> CLJ27: "*Only very few organisations have a system where persons who are on the board do not have any business relationship in the company.*"

As cited by a regulatory agent:

> RCL21: *"If I am a CEO of an organisation and you asked me to send a representative, I will send the one that is loyal to me, someone that can defend my interest. When he gets to the Board, he might not be able to do anything without referring back to me. This erodes independence. This can elongate the time that is involved in taking decisions. But, this would also improve decisions taking and accountability on an issue, on the other hand."*

Accordingly, a major challenge of this situation is the creation of a culture of dependency and loose structures within the organisational field. In this respect, the study identified the Nigerian corporate governance system to be characterised by the lack of stabilised techniques. Further, this structure also portends the dynamics within the organisational fields in such developing contexts. As Thornton and Ocasio, (1999: 804) posit "*Institutional logics are, the **socially constructed**, historical patterns of material practices, assumptions, values, beliefs and rules by which individuals produce and reproduce their material subsistence, organise time and space and provide meaning to their social reality.*" Accordingly, despite attempts at instituting the global corporate governance principles that proffer arm's length dealings[40], governance of businesses in Nigeria is discovered to be grossly entwined with the contextual elements. Thus, the indicated trend, in pattern of behaviour or structural modifications, suggests a disposition towards established practices (*a similitude of* ***path dependence*** – Bebchuk and Roe, 1999). Such a position depicts the prescribed framework for corporate governance in Nigeria from past study (Adegbite and Nakajima, 2012). This situation is specifically symbolised by the cited prevalence of block-ownership and stakeholder corporate governance framework. As articulated by a respondent regulatory agent:

[40] E.g. Chairman - Chief Executive Officer (CEO) duality, creating board independence etc.

RCP36: "*Generally, Institutions of states* ***have been weakened*** *by this '****Big Man Syndrome'.*** *People at the top will tell people below to do this, bend this or that rule. Once you start compromising the institution, then you lose face, you lose relevance and the people that you regulate can do as they wish. Then, you find companies that you ought to supervise, driving the agenda."*

In this respect, the corporate governance environment of Nigeria is revealed to constitute largely varied actors' interests and interferences as dominant logics. In the instance of Nigeria, such a slack of institutional fundamentals, constitute restraints on the institutionalisation and, in turn, the advancement of corporate governance reform's intents.

5.2.2 A maturing organisational field

Institutions provide the requisite basis for corporate governance reforms (Aoki, 2001). The institutionally-based system of corporate governance is suggested to better align with the context of Africa, as a result of the peculiarity of the socio-economic and political structure (Rwegasira, 2000). *Albeit*, as organisational fields are argued to not be unilaterally assembled (Hoskisson et al., 2002), such modifications might not arise in a definite order. Organisational structures, which arise in institutionalized modern societies, involve rationalized elements that are entrenched, and reflect, widespread social reality (Meyer and Rowan, 1977). To this end, a formal framework constitutes a necessary precursor to organisational improvement, the deterrent of which tends to pose challenges (Pache and Santos, 2013**;** Martin et al., 2017). Similarly, as Gatamah (2002) posits, within the developing organisational field, the weak enforcement of rules and regulations constitutes a continual problem. Nonetheless, the amount of necessary formal structure and the state of the infrastructure in the Nigerian context are disclosed as largely adaptive. As stated by a respondent:

CLK29: *"Everything in Nigeria evolves around the person in charge. When he or she leaves, the institutions lapse and essentially do not have a soul. Institutions should be stronger than an individual. The institution should be* ***self-sustaining and independent****; it has to have its own rules."*

In this regard, while the dearth of institutional infrastructures for corporate governance has been cited in previous studies (Yakasai, 2001; Adekoya, 2011) to characterize the Nigerian corporate governance context, broadly, there is a consensus within this inquiry suggesting that the corporate context of Nigeria is not depleted of institutions (interviews CLK19; RCA01); however, the available institutions are cited as not self-propelling. Also, in relation to reinforcing best practices in Nigeria, they are still largely emergent. Thus, the Nigerian institutional framework is recognised as not offering the

necessary support for corporate governance reforms. This view is reiterated by a regulatory agent as thus:

> RCC03: "*Do we have the functional infrastructures to know if someone has paid tax or has paid the correct amount? A company will evade tax and there are no consequences. Why are companies not paying the correct tax?"*

Also, as a corporate governance official in a listed company cited:

> CLH23: *"In a developed country, there are strong Institutions, to support regulation and make one comply. Therefore, they have a supportive environment so they don't force anyone."*

In advanced economies, where the governance codes are initiated**,** internally the duty of company directors is to ensure that adequate financial controls are exercised, while companies are disciplined by a combination of market controls (Clarke, 2015). Some of these external controls include the following: strong capital market; hostile takeover; near perfect trading information (Bhagat et al., 1990; Cuervo, 2002). However, such controls are either non-existent or relatively weak in the bank-based economies. Thus, often internal mechanisms, such as board and managerial functions, and external structures, such as regulatory or legal frameworks, replace these structures in these contexts (Claessens et al., 1999a).

However, unlike other advanced market-based or bank-based economies, the Nigerian corporate governance context embodies structures that present challenges in terms of regulations, not only externally but also in relation to internal organisation mechanisms. As a respondent stated:

> OAH35: *"The Nigerian corporate governance environment consists of many other companies such as partnerships and family private businesses. These are largely not monitored."*

As another corporate governance regulator stated:

> RCP36: **"***In corporate governance, what you are saying is that you want to manage these institutions in the best interest of all stakeholders, to deter people cheating or cutting corners. But in Nigeria there is a challenge in complementing the external regulations with the internal control in companies."*

In Nigeria, the stage of development of the institutional field constitutes a major basis for corporate governance reforms. A mature field has a strong common recognition of the organisation positions within the organisational field, while portraying routinized interactions (Scott, 2001; Greenwood and Suddaby, 2006). Institutions serve as necessary antecedents for organisational change. As Meyer and Rowan (1977) assert, "*Institutionalization involves the processes by which social processes, obligations, or actualities come to take on a rule-like status in social thought and action"*

(p.341). Evidently in Nigeria the organisational field depicts the ***institutionalism*** of techniques. This is found to represent preliminary institutional structures that emanate from the lack of an adequate stable institutional structure and large proportion of unregulated entities.[41] Also, in this line, as a respondent noted:

> OAG34: ***"****Some companies, especially the private/small companies, still don't appreciate corporate governance and this affects the whole system. Listed companies do not exist in isolation."*

Accordingly, in Nigeria, as one of the sectoral regulators affirmed:

> RCD04: *"For a private business, to have good governance principles in place, what you say is that they are* ***adopting best practices****. How unlisted businesses decide to run their affairs is mainly up to them."*

In explaining the dynamics of variations within institutional fields, scholars have related, in part, to subject positions, shared system of meaning, diverse contextual ideology and implicit rules (Oliver, 1991**;** Thornton and Ocasio, 2008; Maguire et al., 2004; Scott, 2014; Esharov and Smith, 2014). Essentially, corporate governance context and performance in Nigeria is portrayed as emergent. Such a stage of the organisational field normally constitutes less formal structures (see Meyer and Rowan, 1977), uncertainties and a greater likelihood of unanticipated outcomes (*see* Selznick, 1949). When contexts are highly institutionalised, they could be specified to depict the existence of structures that are self-regulated, formal and regimented (*see* Meyer and Rowan, 1977; Maguire et al., 2004; Pache and Santos, 2013; Greenwood et al., 2014). In this respect, unlike the context of the developed countries that exemplify a mature organisational field, Nigeria depicts a ***maturing field***. Subsequently, this complexity impacts on the prevailing corporate governance performance in Nigeria. In this light, the corporate governance framework in Nigeria is identified as representing a range of organisational structures that could ***'impede the spread of institutional consensus and conformity'*** as noted by Oliver (1991: 171). As a corporate executive cited in this respect:

> CLC12: "*In Nigeria, do we actually function within that corporate governance ecosystem? You will ask yourself, do we have the framework? We have so many private companies but what is the level of governance appreciation in these private companies?"*

5.2.3 *Skills and infrastructure accompaniments to governance reforms*

Corporate governance performance in Nigeria, as identified, embodies infrastructural challenges, however, besides this, human resources also constitute a related concern. Emerging data

[41] The number of listed companies in Nigeria compared with the incorporate entities is about a ratio of **0.045:1** (i.e. 275/6000).

indicate a shortfall in complementary skills and manpower, in line with the administration of best practices.

In this respect, as contested by a company executive:

> CLL31: "*I think the regulators lack the required coverage. They have limited resources in terms of* ***personnel and infrastructures****. They don't have sufficient mechanisms compared with the number of companies that they need to oversee, so they have to* ***prioritise."***

For instance, as a respondent stated:

> RCK20: *"Weak institutions are contributory to weak corporate governance oversight and vice versa."*

This study partly agrees with previous findings indicating that most developing countries suffer from a lack of skilled human resources, so companies thus encounter difficulties in securing the right skills (Bokpin and Isshaq, 2009; Waweru and Riro, 2013; Adegbite, 2015). Although the availability of relevant professionals in the corporate governance sphere is found in Nigeria, nonetheless, obtaining the required level of skills to match the proposed corporate governance reforms is, however, stipulated to be lacking in Nigeria. In line with this, a corporate governance consultant stated thus:

> OAE28: "*However now, the regulators have realised the importance of good governance, that it is essentially the foundation on which institutions rest. But understanding the importance and having the personnel to enforce it, are still different things. With limited personnel, the regulators can't have a sort of impactful oversight. In some cases, there is* ***a skill gap,*** *in others it is* ***personnel constraint."***

Similarly, another respondent (a regulator) cited:

> RCJ15: "*Because of weak institutions, enforcement is a big problem. And mainly because our enforcement institutions are weak. The functional systems, do we have these? The government institutions can raise an army of staff, but the* ***capacity to enforce is not there****.*"

In this respect, there is a general agreement that there is no satisfactory amount of manpower, specifically among key regulators. The ratio of the regulatory agencies to the size of the regulated entities is disproportionate for efficient monitoring of compliance. As indicated, the understanding of the institutional framework in which organisations operate will provide an explanation of the rationale and consequences of specific corporate governance models, as well as the likelihood for such to be adopted and effective (Globerman et al., 2011; Filatochev et al., 2013). By implication, "corporations in Nigeria are basically better empowered and equipped, specifically regarding manpower development, technological development and other corporate governance 'state of the art' than most of the regulators" (interview RCB02). These include for instance: ICT infrastructures, authentic

database system, a sturdy framework to provide checks and balances, among others (interview OAC17). Accordingly, attendant macro-level complexities for corporate governance reforms are also indicated. Thus, the regulators are somewhat disadvantaged in the fulfilment of their oversight functions. These systemic issues are disclosed as constituting major drawbacks to the pursuance and fulfilment of the expectations of corporate governance recommendations in Nigeria. This situation is in part viewed to be consequent upon the maturing nature of the Nigerian organisational field. As an evolving corporate governance environment, the nature of the organisational field as disclosed, precipitates a corresponding emergent phase of preparedness. This constitutes an impediment to proper surveillance and thus results in a selective approach in the corporate governance transformational pursuit. As noted by a director of a regulatory agency, in this respect:

> RCA01: *"Corporate governance regulation in Nigeria does not apply evenly. If you look at some sectors of the Nigerian economy, the* ***corporate governance administration is not so strong. But,*** *in some other areas,* ***it is strong.*** *This sometimes* ***depends on the capacity of the regulators****."*

As expressed in a view of another respondent on this:

> RCN32: ***"****To monitor and track people and see what they are doing is challenging. Even rating agents are lacking here. For instance, the FIRS cannot adequately enforce the tax code, when it does not have the personnel and infrastructure."*

In less evolved institutional contexts, the economy itself is likely to be undergoing more rapid change than in developed countries (Clarke, 2015). Thus, enforcement of contracts is more problematic due to the inexperience of regulators, information asymmetries being more severe and a general underdevelopment of standard practices (Clarke, 2015). The Nigerian infrastructural scenario instantiates the typical circumstances prevalent in the developing context, whereby the institutional structures are relatively underdeveloped, and as such, categorised by ***dysfunctional*** elements (Reed, 2002; Rossouw, 2005). In this regard, as a regulator cited:

> RCF06: **"***Issues relating to weak institutions and enforcement, all hinder corporate governance in Nigeria."*

For instance, a situation where the local Nigerian unit of Cadbury Nigeria Plc was involved in a major account falsification, was ongoing for four years from 2002 to 2005 before it was detected in 2006. Scholars have linked this occurrence principally to corporate governance oversight laxity in Nigeria (*see* Amao and Amaeshi, 2008). Nonetheless, this problem is also identified as reflective of the overall

situation of corporate governance mechanisms and performance in Nigeria. According to a report with respect to the Cadbury fraud, *Reuters, April 11 2008* reports: In a statement issued by SEC Nigeria,

> *"The company's former managing director, in concert with the company's board since year 2002 used stock buyback, cost deferrals, trade loading and false suppliers stock certificates to manipulate its financial reports that were issued to the public and filed with the commission. The Managing Director who was fired shortly after the fraud was discovered, doctored the account books with the connivance of external auditors and the company registrars, the SEC added."*[42]

The attempts at corporate governance reforms, notwithstanding, in Nigerian corporations, frauds and other malpractices among corporate executives are found to have mainly been made possible through noted inherent weakened and relational corporate governance structures. This also undermined the ability of even the regulators and other oversight agencies to detect and control such occurrences. Societal-level institutional logics often manifest within an organisation in a variety of ways that usually reflect the geographic, historical, and cultural context (Greenwood et al., 2010; Besharov and Smith, 2014). Underlying such corporate governance circumstance is identified as the systemic implication of the subtleties within the relational corporate governance system in Nigeria.

5.3 Realising corporate governance reforms in Nigeria

5.3.1 *Shareholder activism in the maturing context*

Shareholder activism is considered an effective way of holding the corporate executive and management accountable. Especially in the developing context, this represents an integral part of corporate governance and governance reforms (Amao and Amaeshi, 2008). In the Nigerian corporate sphere, a previous study by Adegbite (2015) has specified an unprecedented emergence of shareholder groups within the Nigerian corporate governance sphere, in the past two decades.[43] Thus, an increase in the level of shareholders' activism in Nigeria is specified. In this same vein, as specifically noted by Amao and Amaeshi (2008), the shareholders of Nigerian firms can have the ability to positively influence corporate governance behaviour, only if they are able to exercise ***'meaningful control'*** over management (p. 120), although, similarly to Adegbite (2015), their study reveals shareholders' groups to be more participatory in relation to corporate governance reforms. Also,

[42] **Nigeria fines Cadbury unit for false accounting, April 11 (2008)** <https://www.reuters.com/article/cadbury-nigeria-sec/nigeria-fines-cadbury-unit-for-false-accounting-idUSL1181158820080411>

[43] 1) The emergent middle class (mainly young and middle-aged professionals), who do not necessarily belong to any shareholder association. This group is quite informed and ask important questions on several issues ranging from financials to employees' relations (Adegbite, 2015: 6-7).
2) The second classification is found to include the high-calibre reputable individuals. This group is stated to constitute a voice and is able to scrutinise the board and management during AGMs (Adegbite, 2015: 6-7).

particularly from this study, 'shareholders' associations have become predisposed to interrogating managements and boards more on governance matters' (interview, RCH13); however, with respect to enforcing accountability, the evidence indicates a converse dimension to the earlier study (Adegbite, 2015). In spite of the stipulated vibrancy, shareholders' associations in Nigeria still basically constitute the 'poodles' of corporate executives or management. As one of the company regulators described:

> RCD04: *"Ideally, shareholders' associations, in Nigeria, should influence good governance, spurring companies to behave well, ensuring better disclosures, transparency and accountability, because they know exactly what is going on. For instance, they know there are related party transactions in companies and they could challenge this. But what tends to happen is that some of them are gradually becoming extortionists, whereby they only harass company secretaries and CEOs for gratifications as a means of keeping their mouth shut."*

Thus, the above issues depict inherent attitudinal problems, in shareholder activism in Nigeria. Similarly, such concerns are identified in form of greed, self-interest etc. among the shareholder's associations, in earlier studies (*see* Amao and Amaeshi, 2008; Adegbite et al., 2012). However, evidence from this study indicates, that such challenges alongside the suggested attitudinal issues, principally stem from a noted ***right disparity*** between the large and minority shareholders, rather than the direct side-line of the minority group. For instance, in relation to the shareholder groups' activities in Nigeria, according to a regulator who is also a minority shareholder in some of these listed companies:

> RCC03: *They talk, they embarrass but do they have the power to enforce? The answer is NO. Because if they disagree with any issue and they are to have a poll, they will never win, because their shareholding is very very small. So, if there is a disagreement on any issue and a vote is required at the AGM, the majority shareholder will normally win."*

Similar observations provide further support to the above view thus:

> RCL21: "*There is real shareholder activism where you have a group of people saying we want this to be done. They might have representatives on the board, but as a group, there is no serious activism. The significant shares are owned by small individual block-holders, who have more influence on the board and determine corporate governance to a large extent."*

From these positions, whereas the shareholder groups only represent minority shareholders, they do not have much influence in relation to corporate governance. Unlike in developed countries, where shareholder groups are composed of institutional shareholders that can hold board/executives to comply with their demands by threatening, for instance, to withdraw their investment, there is no

such thing in Nigeria, making shareholder activism weak in influencing corporate governance. In Nigeria, shareholder groups may merely ask for management to do one thing or the other, but are generally unable to enforce such demand. In other words, minority shareholder groups are rather at the mercy of the few dominant owners. In this regard, this further strengthens the influence that concentrated owners have on corporate governance in Nigeria. Therefore, the stipulated disparity in shareholdings is found to prevent the minority shareholders from having significant participation in corporate decisions. Although, as discovered, this does not represent the expropriation of minority interests – as postulated in extant studies in the contexts of developing countries (*see* Claessens et al., 1999a; La Porta et al., 2000) – it does leave corporate decisions predominantly to the large shareholders. By inference, corporate governance reforms are primarily controlled by these dominant shareowners, thus leading to indirect marginalisation of the minority shareholders – a challenge that this investigation reveals to stem from the prevailing practice or the established corporate governance system. Also, as a contributor who is also a minority shareholder in a listed company stated:

> OAA 08**:** "*Corporate governance is about who has the highest vote. The minority shareholders are rather incapacitated by the large volume of shares these majority shareholders have. They control decisions."*

5.3.2 *The Nigerian Boards: appointment, role and responsibilities*

The improvement to the BoD of corporations constitutes a core focus of corporate governance improvement (OECD, 1999, 2004; SEC code, 2003, 2011; Aguilera, 2005). One of the explanations for this is the promotion of arms' length dealings in companies (Peng, 2003), in order to promote accountability to shareholders (Aguilera, 2005), which is identified as an overall intent of the universal principles of corporate governance (OECD, 1999, 2004). To this end, the BoD serves as a valuable mechanism in regulating corporate management (Baysinger and Hoskisson, 1990; Aguilera, 2005). More so, as a result of the highly dispersed constituent of the corporate ownership in the market-based economies, such a mechanism as the board becomes imperative (Blair and Stout, 2001). Such propositions are also similarly requested to be applied in Nigeria. For instance, with respect to the SEC Code (2011) regarding the **'**Appointment to the Board', section 13 includes these principles, among others:

Sub-section 13.1. "*The Board should develop a written, clearly defined, formal and transparent procedure for appointment to the Board of directors."*

Sub-section 13.2. *"The criteria for the selection of directors should be written and defined to reflect the existing Board's strengths and weaknesses, required skill and experience, its current age range and gender composition."*

To further emphasise such propositions in the Nigerian corporate governance reforms agenda, the provision of the Nigerian corporate governance code (SEC code, 2011), Section 4 (composition and structure of the Board) sub-section 4.3 states categorically thus:

> "*The Board should comprise a mix of executive and non-executive directors, headed by a chairman. The majority of Board members* ***should be non-executive directors****, at least one of whom should be an* ***independent director****".*

Also, as noted by a respondent:

> CLA10: *"The board is responsible for* ***directing and controlling*** *corporate governance. Management lives by the guideline set by the board. So, if you don't have the right board compositions or if you don't have the right calibre of people on the board, you will have problems, and it will affect corporate governance."*

However, the prevailing corporate governance system and performance in Nigeria reveal a challenge to this. Osemeke and Osemeke (2017) discover that cultural inclinations affect corporate governance practices in Nigeria. Their study finds that such proclivity is demonstrated in the form of abuse of power by top management and poor recruitment policies, among others, in Nigerian companies (Osemeke and Osemeke, 2017). Equally, in a survey of family-controlled businesses in Indonesia by Tsamenyi et al. (2008), corporate decisions such as recruitment, performance evaluation, and resource allocations are discovered to often replicate social and cultural values. The situation arguably counters the philosophy of the global governance transformation agenda, which is a departure from the promotion of transparency and effectiveness in a board. Viewed generally, such manifestations have typically been attributable to the evolving nature of the developing organisational context (Ahunwan, 2002; Reed, 2002). Organisational fields are postulated to mature (Scott, 2001; Maguire et al., 2004; Greenwood and Suddaby, 2006). This then evidently depicts the existence of different stages of advancement of the institutional structures. The phase of the organisational field basically shapes the level of development vis-à-vis, the prevailing practice (Garud et al., 2002; Marquis and Lounsbury, 2007). Despite this perception, however, there are other sides to this phenomenon from this research. The implications of the prevailing relational and concentrated (family) corporate ownership for the board and management of Nigerian companies present in two major ways; the **selection or appointment** and the **functionality** of the board. As a respondent (auditor) asserted:

> OAF30: *"When it comes to appointing directors, the chairman says I want so and so persons and that is it. There is no formal nomination process, which states for instance the blueprint*

for the board; like we have got some people who are retiring, we have to do some sort of searching, here are the criteria for selecting these people, etc."

Also, as stated by a consultant:

> OAC17: "*The transparency of appointment is not there. If the chairman is having shares, then he is technically a shareholder, even if it is the majority shares. So, in board appointment, most shareholders are in actual fact rubber stamps. It is mainly on personal relationship than the right candidate is being chosen."*

Thus, mostly the selection of the board members (especially NEDs) in Nigerian listed companies adopts a less structured approach. Management roles are normally considered as transferrable (heritable) among the family members of the majority owners, in the Nigerian context. The independent directors' appointments are fundamentally determined by the majority shareholders, who basically influence the appointments, *albeit*, through their significant influences. Consequently, this inclination is also cited to impact on the performance of the BoD, as the ***independence*** of the Board emerges as questionable, as regards these realities. As stated by one of the company regulators:

> RCM25: *"A strong board is a reflection of the strength of its committees, because the committees are the workers of the board. However, the person that is having the majority share is also the one that will appoint the independent Directors; what is the effect on the independence of these directors?"*

Also, in this line, a policy maker affirmed thus:

> RCK20***:*** *"But in Nigeria, apart from the fact that you should not be a contractor, you should have no interest in the company, etc…. However, even more critical is the modality for the appointment of these Directors. I give you an example, where the majority shareholders are the ones that nominate the independent director, how independent can that person be? And this is not on the personal integrity of the independent director. But the fact is that, if you recommended me it will be difficult for me to confront you. Rather, I may think of a way to help you deal with that issue."*

Invariably, the NEDs tend to be less independent than obligatory, as they most often pay allegiance to these majority shareholders. Whilst it is understood that prevailing logics affect the corporate governance system (Rao et al., 2003), clearly not only the logics but the social exchanges matter in articulating any scheme of organisational modifications in the developing context. As scholars contend, rather than being automatic, the propagation of institutional logics is shaped by social interactions (Sewell, 1992; Misangyi et al., 2008)**.** According to insights from this study, such social

interactions are suggested to be even more pronounced in the weak infrastructural environment of the developing context. As Greenwood and Suddaby (2006) cite "*The potency of institutional processes, in other words, whether normative or coercive, is a function not simply of their recurring strength but also of the receptivity of recipients*" (p. 38). Specifically, in Nigeria, within the organisational sphere, such instance is indicated to largely reflect not merely interactions, but social influences. This lopsidedness in ownership and control is found to tilt major corporate decisions in the Nigerian corporations in favour of the controlling block-holders.

Berle and Means (1932) posit that, when ownership is separated from control, some problems are bound to arise. According to agency theorists, such problems – the ***'agency conflict'*** – will usually result from managerial opportunism (Fama and Jensen, 1983b). Consequently, agency conflicts prevail in the Anglo-American market-based economies, with the characteristic dispersed shareholdings. However, in the Nigerian corporate governance practice, the major issue emerges from the predominant, large shareholdings. "*In the Nigerian context, majority shareholders have the votes to remove local management without much resistance"* (Ahunwan, 2002: 274). This also aligns with the position of concentrated ownership in other developing contexts (Ntim and Soobaroyen, 2013). Equally from this investigation, large shareholders are often directly involved in monitoring company management, thus the ability to control corporate decisions and mitigate agency problems emerges. According to a regulator:

> RCF06: *"The major advantage from these controlling share-holdings is that they help address the issue of mismanagement. Since the owners or their families are also involved in decision and monitoring of the company executives."*

Accordingly, corporate decisions within these companies including, by extension, actions on corporate governance reforms usually represent the interests of the *controlling* shareholders. Nonetheless, with the characteristic dispersed shareholding and few block-holdings in public companies, the Nigerian corporate governance environment is portrayed to be beleaguered by the mix of two governance conflicts. On the one hand, a concentrated ownership structure presents an advantage in subduing ***agency conflict***; on the other hand, in relation to the state of the board, it presents concerns regarding their answerability to outside owners in Nigerian corporations.

5.3.3 Minority shareholders in Nigerian corporate governance reforms

As the preceding section of this chapter stipulates, concentrated owners exert much control on corporate management and, as a result, impact on corporate governance reforms. Despite the attempts at reforms, corporate governance in Nigeria still reflects the overarching influence of the

controlling shareholders. As highlighted, a family concentrated ownership structure causes significant influence on corporate governance practice in Nigeria. As one of the directors of the regulatory agencies stated:

> RCF06: ***"Ownership structure** is a major issue for us in the corporations, because you see in Nigeria, the tendency really is that whoever is in control will have to dictate".*

From this study, the practicalities of corporate governance reforms regarding the right of minority shareholders in the Nigerian context, is indicated. One of the key considerations of the universal corporate governance principle (e.g. the OECD) is to align the interests of the managers with those of the investors (or minority shareholders). Evidently, within these realities, the dominant logics (infrastructure and interpersonal) present noticeable implications for the practice of corporate governance in Nigeria. Claessens et al. (1999a) discover that the expropriation of minority shareholders by large shareholders constitutes a major challenge in the developing East Asian countries. Thus, in this respect, many studies have indicated that in a weak institutional context, minority shareholders are usually subjugated and consequentially expropriated (Claessens et al., 1999a, b). Also, as La Porta et al. (1998) assert, exploitation of minority shareholders constitutes a fundamental problem in corporate governance, in countries with concentrated ownership. However, this study suggests the susceptibility of minority shareholders in Nigerian corporations. Thus, evidence from the study indicates that minority shareholders are technically accorded the necessary privileges, based on the holdings. For instance, minority shareholders are found to have the right to vote at the Annual General Meeting (AGM) and/or to participate in corporate decision making. Within the Nigerian organisational context, proportionately, the equity of each of these minority stockholders is small and immaterial.[44] Even where voting is undertaken at AGMs, the very small proportion of the minority rights count for little towards the overall outcomes. Hence, this is found to result in relatively trivial influence on corporate management and decision making, with respect to the outside shareholders. As cited by a corporate legal counsel:

> CLH23: *You find that when you get to an Annual General Meeting (AGM) and there are contentious issues, the majority shareholder can demand a poll, which automatically tilts the balance of the voting in favour of whatever position of the majority shareholders.*

[44] Whilst some of these block-holders are found to own over 70% of a company's equity, held by few individuals, the remaining 30% are widely distributed amongst hundreds of thousands of other individuals.

This is also confirmed by a minority shareholder among the independent observer class of interviewees, who noted:

> OAB09: *"The minority shareholders are actually allowed to vote in meetings and free to participate in any other corporate governance activities, but unfortunately our votes don't usually have a significant effect."*

Minority shareholders, in Nigerian listed companies are also, by no means, found to be directly exempted from decisions on corporate governance reforms, by inference, although controlling shareholders are disclosed to deploy corporate decisions to their benefit, *albeit,* this is within set regulatory or legal boundaries. In this respect, a condition which signifies ***right disparities,*** rather than direct exploitation, is disclosed. Although emerging themes indicate corporate governance to be directed by the large shareholders, such influence is largely due to the disparity of control between the two groups of shareholders (controlling block-holders and the dispersed minority shareholders).

Accordingly, as a result of their insignificant shareholdings, on the other hand, attitudinally, there is a marked lack of considerable interest on the part of outside (minority) shareholders, with respect to corporate governance matters in Nigerian corporations. This inclination further compounds the stated vulnerability of the minority shareholders. In essence, such disposition leaves decisions on corporate governance reforms largely to the majority controlling block-holders. According to a respondent's observation of this scenario:

> OAC17: **"***How will they know their right as shareholders? How will they understand corporate governance principles? How will they know that if one is a shareholder in this company one is entitled to his dividend? And this dividend is a debt for the company for X number of years, that is why we have such a huge amount of unclaimed dividends problem. Some don't even remember that they bought shares and are entitled to a dividend."*

Against this backdrop, in contrast to the popular agency conflict, as a result of the dominant ownership structure, another type *of* conflicts emerges. As Young et al. (2008) affirm, this nature of conflict, called the ***Principal-Principal (PP)*** conflict, usually involves large owners and dispersed minority (Young et al., 2008). As stipulated, the study indicates that these minority shareholders are generally insignificant to corporate decision making and corporate governance reforms. Nonetheless, this is not explicitly accounted for as the noted ***principal-principal conflict*** in Nigeria, but as a result of the stated differences in ownerships and rights. In light of the foregoing, this study also reveals such peculiarities of the ***concentrated ownership structure*** in the Nigerian corporate governance performance.

Consequently, recognising such a condition emerges as a significant prelude to fostering corporate governance improvements in Nigeria. As a respondent corporate legal counsel stated:

> CLB11: *"The Nigerian listed companies' corporations consist of a lot of concentrated owners. It is very important that our corporate governance system substantially recognises and incorporates this matter, among other things."*

Accordingly, as Besharov and Smith (2014) contend, the centrality of logics is also a reflection of the organisational form and not only determined at the field level. Thus, within the Nigerian corporate governance domain, the corporate ownership structure represents a noticeably dominant organisational factor. As a result of the concentrated/relational corporate governance system and the attendant institutional framework, issues specific to the Nigerian corporate governance performance are indicated. Equally, the need to account for these contextually impelled challenges, becomes more pivotal in designing a tailored resolve towards corporate governance advancement.

Conclusion

The corporate governance system in Nigeria is identified as representing a **hybrid system**. This includes a combination of ***the shareholder (market-based)*** and ***the stakeholder (bank-based) structure***. Hence, distinctly presented in this context, are ***two different orientations*** in corporate governance, indicating a dualism of the corporate governance system. Also, the dominance of the concentrated ownership structure and a resultant stakeholder corporate governance system are disclosed in Nigeria. Essentially, the corporate governance environment of Nigeria (and arguably other similar developing African contexts) portrays a ***stakeholder system rather than a shareholder system.*** Although, such large ownership structures exist in other corporate governance contexts, such as Germany, however, in Nigeria, the concentrated ownership consists mainly of family owners and individuals with relational status. This grouping also represents the elites that constitute significant socio-economic influences within the Nigerian corporate governance context. Consequently, the mixed/hybrid model, in Nigeria, exhibits distinct attendant features. Also, the Nigerian corporate governance is disclosed as a relationship model of corporate governance, characterised by noted ***relational contracting***. Such relationship based corporate governance structure, epitomises the interlace of family business owners, cohorts and banks with other social influencers (political, cultural or religious).

The preceding chapter (Chapter 4) indicates the impact of the configuration and interface of the Nigerian organisational field and the prevailing institutional logic on the motivation for corporate

governance reforms. In extending these findings, this chapter highlights the repercussions of the noted prevailing corporate governance system – in terms of the noted dominant block-holding in Nigeria. Nonetheless, while in the preceding chapter this structure predominantly directs corporate governance reforms, the intricacies of such condition, in the attempts at corporate governance reforms, are further revealed, in this chapter. Here, from the neo-institutional perspective on organisational transformations, the resultant pronounced relational structure of corporate or organisational processes is found to spell difficulty for the global intentions of corporate governance reforms. The prevalence of an interpersonal framework of performance in Nigeria, significantly dampens the functionality of the shareholder-agency theory-oriented corporate governance recommendations.

Against this backdrop, rather than merely the predominant corporate governance form in the ***principal-agent*** structure, the governance mechanism in the developing context also posits the possibility of another type of conflict in the ***principal-principal*** structure (Young et al., 2008)**.** However, although the presence of such **principal-principal** conflict is not explicitly disclosed in Nigeria, the enclave from the dominant stakeholder system, in conjunction with a lack of advanced mechanisms, makes the dispersed (outside) shareholders largely vulnerable and susceptible. Insights from the neo-institutional perspective through institutional work explains how agents can ***'be actively involved in interpreting, reproducing, tearing down and/or creating new institutions'*** (Dobbins, 2010; Lawrence et al., 2011). Likewise, the findings highlight the inference of such a stakeholder relationship-based governance structure in Nigeria. This includes the centrality of informal rules, infiltrations of social, cultural factors and the action of key social players in Nigeria. Along this line, social interfaces emerge as central to organisational reproduction within this maturing context. The corporate governance practice in Nigeria seemingly portrays a contradiction to such ***arm's length*** propositions of the universal corporate governance reform. These perspectives, thus, reflect profound concerns for the establishment of the "*universal best practices*", in terms of providing the best fit for such hybrid system. With the notion of the universality of codes of conduct, also is the assumption of institutional compatibility. However, as Judge et al. (2008) state, business corporations represent public institutions that are influenced by economic, political, and socio-cultural forces and influences. Emerging fields are found to depict the absence of clearly defined positions and show concentrations of resources associated with leading actors (Maguire et al., 2004). Likewise, as revealed, the Nigerian corporate governance context denotes a maturing organisational field. As within the neo-institutionalisation perspective, organisational reproduction is argued to occur within regimented and formalised organisational structures (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). This

condition thus presents peculiarities that challenge the institution of the universal corporate governance reforms in the context of Nigeria.

Further, in Nigeria, the dominant system and practice in corporate governance in the stakeholder and relational system of governance, as a result of the dominance of the block-holder's structure, are inevitably reflected in the position of the resultant organisational reforms. Illustrative of this is the revealed inclination towards the established governance practices. The realities of institutional reproduction in the space of Nigeria are such that they depict a retention of existing practice – ***path dependency***. In this vein, this result advances the findings of Adegbite and Nakajima (2012) that institutional maintenance is indicated in the Nigerian corporate governance performance, by expatiating the possible underlying factors for such a situation. On the one hand, this indicates a restraint on the drive for organisational innovations; on the other hand, this situation largely reflects the specificities of the Nigerian institutional context and organisational performance. An actor's relative embeddedness can rather be defined as an indication of the awareness of alternatives, openness to alternatives and a motivation to change (Greenwood and Suddaby, 2006: 29)**.** The prevailing internal structure and conditions of the organisational field evidently dictate the direction and attention of corporate governance reforms in Nigeria. Thus, this study suggests that it is imperative to account for these peculiarities in the Nigerian corporate governance system, in organisational reform propositions (agenda).

In light of the preceding discussions, the next chapter of the thesis evaluates how corporate governance reforms are thus rationalised, legitimised and ultimately regulated in Nigeria, in spite of the outlined corporate governance system, practice and noted complexities of the universal proposals.

CHAPTER 6: The Ratification and Regulation of corporate governance reforms in Nigeria

6.0 Introduction

Rather than only organisational power and control, institutional explanations of isomorphism and reproduction emphasise the role of conformity, habit, and convention (e.g., DiMaggio and Powell, 1983; Oliver, 1991). The organisational configurations of national institutional environments have traditionally been significant to corporate governance practice. The extent to which organisational processes are influenced by their institutional forces has long been debated within the organisational studies discourse (Oliver, 1991; Scott, 2001; Garud et al., 2007; Fan and Zietsma, 2017; Martin et al., 2017). Along this line, the literature acknowledges the existence of varying forms of legitimation of organisational innovations (Suchman, 1995; Tost, 2011; Harmon et al., 2015; Imerman, 2018). Legitimacy enhances both the stability and comprehensibility of organisational activities (Suchman, 1995). However, organisational behaviours rarely foster continuity and credibility, persistence and meaning, in equal degrees (Suchman, 1995). For instance, in bank-based stakeholder economies, a key issue in corporate governance is that the focus of bank shareholders to maximize value may conflict with those of regulators, who have their own agendas (Boot and Thakor, 1993; Arun and Turner, 2004). A related study on the adoption of best practices such as the IFRS, also highlights the complexity of the interplay between external pressures and internal pressures on public firms (Kim, 2016). Equally, corporate governance reforms are noted to involve different groups of social actors, which ratify the procedures (OECD *principles of corporate governance*, 1999, 2004). However, as there is no explicit distinction of the realisation of such endorsements, there is thus noted an underlying assumption that these can be achieved simultaneously as the diffusion of these principles. Even in highly matured fields, institutional logics and structures are never frozen (Greenwood and Suddaby, 2006: 28). As Aguilera and Jackson (2003), assert, to conceptualise cross-national diversity in corporate governance and understand the key factors explaining these differences remains problematic, globally. *As such, core concepts of organisational studies—such as institutionalisation, institutional change, and institutional logics—have focused attention on the processes through which large-scale social and economic changes occur, that is, the macro-dynamics of fields"* (Lawrence et al., 2011).

The work of actors and social agents is considered in the emergence of new practices or conforming practices and the implications of these subtleties, drawing on the perspective in neo-institutionalism – for instance, institutional logics and work (Lawrence et al., 2011; Ocasio and Radoynovska, 2016). Institutional work redirects attention to the purposive action of individuals and collective actors, in transforming or reproducing, creating, maintaining and disrupting institutions

(Lawrence and Suddaby, 2006; Lawrence et al., 2011). However, some reciprocity is indicated in the level of control of such collective actions. Institutional logics represent resilient social prescriptions, specifying the boundaries of a field but are usually '*taken for granted*' (Friedland and Alford, 1991; Lawrence, 1999; Rao et al., 2003; Thornton, 2004; Greenwood and Suddaby, 2006). Hence, organisational actors shape and change institutional logics, while institutional logics also shape rational and mindful behaviours and individuals (Thornton, 2004; Zahir-Ul-Hassan, 2017). In the corporate governance reforms in developing countries, the literature has noted variations in the implementations and regulations of corporate governance best practices (Adegbite and Nakajima, 2012; Nakpodia et al., 2016; Osemeke and Adegbite, 2016). Nonetheless, how these phenomena translate within these largely evolving institutional logics is unclear, within the extant discussions on organisational transformations. Understanding the dynamics in institutional transformations across different contexts will allow a nuanced explanation of the diffusion or adoption of corporate governance best practices.

Drawing on this backdrop, this chapter provides the interactions between such institutional logics and the prevailing social actions or influences and consequence on corporate governance innovations, in an evolving organisational field. This attempts to answer the research question: *How are corporate governance reforms ratified and regulated within the Nigerian institutional context?* Thus, within the chapter, the emerging themes from this study highlight the endorsements, mode of implementations and administration of good governance practices in Nigeria. In the main, the findings stipulate that corporate governance reforms, within this institutional context, are inclined towards path dependency by the retention of historical ideology. Consequently, the administration of good governance in Nigeria is found not to align with the prevalent principle-based mode in the '*comply or explain'* form of compliance. Resultantly, a rigid mode of implementation is revealed as a feasible alternative to disengage from the embeddedness in dominant prevailing practice. In this respect, the findings enable the implications for corporate governance reforms, in the light of the rationalisation of good governance principles, to be explained. Theoretically, such a context-defined approach indicates that national institutions might be more significant to organisational innovation processes than preconceived. The emerging themes within the chapter is thus organised in the following way. The emerging themes reveal the antecedents of corporate governance reforms in Nigeria, which sets the tone for understanding the background to such attempts. Following this, the regulatory context of corporate governance reforms depicts the social interface and the inferences of this for the corporate governance transformational agenda in Nigeria. Lastly, the implications of these contextual factors for the mode, approach and administration of corporate governance reforms in Nigeria are disclosed.

6.1 Antecedent of corporate governance reforms in Nigeria

6.1.1 *Institutional pressures and the Nigerian corporate infrastructure*

Institutional pressures within an organisational field refers to those forces that spur organisational processes in line with intended purposes (Judge, 2008). These typically constitute the strategic, normative, mimetic and coercive pressures that should drive organisations towards isomorphism (DiMaggio and Powell, 1983). The Nigerian corporate governance environment has historically been regulated by statutes and laws, primarily (Ahunwan, 2002; Nmehielle and Nwauche, 2004). As the sole corporate Act, the Companies and Allied Matters Act (CAMA) (1990) constitutes the main corporate legal framework in Nigeria. The CAMA (1990) also broadly includes corporate governance principles for companies in Nigeria. For instance, parts A-D and the schedules to this Act, set out the guidelines for directing the activities of businesses incorporated in Nigeria. Specifically, Part A outlines such provisions regarding:

> i) *Corporate Affairs Commission, ii) Incorporation of companies and incidental matters, iii) acts by or on behalf of company, iv) membership of the company, v) share capital, vi) shares, vii) debentures, viii) meetings and proceedings of companies, ix) directors and secretaries of the companies, x) protection of minorities against illegal and oppressive conduct, xi) financial statement of audit, xii) annual returns*, *xiii) dividends and profits, xiv) receivers and managers, xv) winding up of companies, xvi) arrangement and compromise, xvii) dealings in companies securities and xviii) miscellaneous and supplemental.*[45]

Particularly prior to the inauguration of the first Nigerian corporate governance code (The Securities and Exchange Commission (SEC) code, 2003), the CAMA (1990) represented the single regulatory framework for businesses in Nigeria; however, the launch of the SEC code 2003 – and other industry regulatory measures[46] – where the SEC code solely outlines corporate governance matters, the provisions of the CAMA, on the other hand, incorporate all aspects of the corporate functions. Thus, the CAMA remains as a focal reference for corporate affairs in Nigeria. Consequently, the legal regulatory mechanism in Nigeria has, evidently, produced prevalent dependence on statutes.

"The legal system is important for corporate governance not only insofar as it plays a role in the enforcement of company law, but also to the extent that it is charged with enforcing a wide range of contracts that corporations make with various external actors." (Ahunwan, 2002: 276). Boundary

[45] Nigerian Companies and Allied Matters Act (CAMA) 1990: <http://www.nigerialaw.org/CompaniesAndAlliedMattersAct.htm>

[46] In Nigeria, industry's codes of conduct and other industry regulatory frameworks have been significant in providing corporate governance guidance, even following the SEC (2003) ***corporate governance code for listed companies*** – e.g. the Central Bank of Nigeria (CBN) codes of conduct for banks, etc.

definitions in institutional logics normally involve meanings that are described to include elements encoded in law (Friedland and Alford, 1991; Thornton, 2004; Greenwood and Suddaby, 2006). Thus, in Nigeria, the CAMA represents a notable antecedent – as the coercive pressure (DiMaggio and Powell, 1983) – to corporate governance reforms (CAMA, 1990). CAMA was enacted in 1990, from the former Companies and Allied Matters Decree (CAMD). Since the enactment of CAMA, there has not been any major revision to the Act; largely the same provisions have been carried on through the years to the present. Such lack of revision is cited to have historically impeded the advancement of corporate governance in Nigeria (Adegbite, 2012b). In a similar vein, from this investigation, such obsolescence of CAMA is noted to limit its consistency with the current corporate governance propositions in Nigeria. As stated by one of the listed company executives:

> CLB11: *"CAMA is obsolete and cannot support the current corporate governance environment. The legislation that governs companies is CAMA; I tell you there is no provision for Independent Directors, Board audit committee, etc."*

Correspondingly, the specified deterrent of CAMA presents a weak legislative framework for the Nigerian corporate governance performance. Hence, even though CAMA can be regarded as the principal form of legislative pressure, it does not offer the relevant support to the corporate governance reforms scheme in Nigeria. Besides the obsolescence, the lack of consistency between the CAMA and the SEC code also presents a form of regulatory contradiction, with respect to corporate governance reforms. One major indication of this is that the provisions of the CAMA and those of the SEC code differ in different respects. As stated by a policy maker:

> RCG05: *"Currently the corporate governance practice is different from CAMA. For instance, the requirement of the code regarding audit committee membership is not covered in the CAMA."*

The above statement is reinforced by a scrutiny of the parts A-D and the schedules to the CAMA[47]. Equally, as corroborated by one of the auditors/consultants to the listed company:

> OAI37: *"There is something odd in the CAMA. For instance, the statutory audit committee is composed of the shareholders' representative and the board members, so it is not actually a board committee, it is accountable to the shareholders, independently of the board, which I think is weird, because the board is actually accountable to the company's shareholders and the audit committee should be subject to the board. The moment there is another committee sitting up there, then it is not normal. It is a sort of duplication and the statutory audit committee is instituted by CAMA."*

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[47] Ibid. footnote 46

Nonetheless, as the only legal apparatus for corporations in Nigeria, despite the limitations and the launch of various other guidelines for corporate governance[48], CAMA remains pivotal in the corporate environment of Nigeria. As noted by a corporate consultant in this respect:

> OAF30: *"CAMA still provides the only means of providing legal reference for companies' activities and dealings in Nigeria. Whether it is adequately doing that is another question."*

Corporate governance change is argued as not constituting a linear evolution, although involving interactions across firm and institutional levels in response to both internal and external pressures (Yoshikawa et al., 2007). Universally, corporate governance codes are intended to be complementary to legal frameworks across countries. Consequently, one of the stipulated main objectives of corporate governance principles is to ***make up for the deficiency(ies) in corporate legal or regulatory frameworks across countries*** (Aguilera and Cuervo-Cazurra, 2004, 2009; Zattoni and Cuomo, 2008). In this vein, as corporate governance codes are basically meant to complement legal frameworks, the deterrents of CAMA should not have been problematic; however, as the insights specify, in the case of Nigeria, there prevails a high degree of dependence on the legal infrastructure. Evidence from this study indicate that, as a result of such reliance, instead of the corporate governance principles to supplement the Act, they are rather expected to be affirmed (validated) by the provisions of the Act. As stated by a director of a regulatory agency:

> RCK20: *"The lack of reviews of CAMA over the years, has created a gap in implementation. If CAMA had been reviewed, many things could have been straightened. People are still agitating, if CAMA is saying two directors, why are you saying eight. But if CAMA has raised the bar since, then they will not see the gap."*

This view generally represents the perceptions of many organisational actors (respondents) in the study. As another interviewee also cited;

> OAC17: *"In Nigeria, we have the dual audit committees (statutory and Board). People are confused asking; should they do the board audit committee or the statutory board audit? But if you are a public company you need to have the committees, which must have equal representation. These are the issues where the existing legislative framework does not support existing corporate governance principles. There is conflict between the CAMA and the provisions of the code."*

[48] For instance, the SEC code of corporate governance, the banking reforms- *code of corporate governance for banks post consolidation in Nigeria*, (2006) and the proposed FRCN, *National corporate governance code*[48]

To this end, requiring a vibrant legal framework emerges as a core basis for compliance with good governance principles, among corporate entities in Nigeria. In this respect, the absence of such constitutes a major restraint to the attempts at corporate governance reforms in the Nigerian environment (Interviews, CLG22; RCF06*;* OAF30)**.** For instance, as a corporate governance consultant affirmed:

> OAF30: *"----- those companies who wants to delay implementation of these codes will always refer to CAMA."*

From these perspectives, the antecedents and present realities of the corporate governance regulations in Nigeria portray the centrality of the corporate statutes (in CAMA). The process of legitimation sometimes denotes adherence to *taken-for-granted* societal myths and norms (Phillips et al., 2000; Sonpar et al., 2010). Correspondingly, this study indicates acquiescence to laws or statutes to be pivotal to the drive for corporate reforms in the Nigerian corporate environment. In this respect, as the institutional perspective explains, social validity, survival and passive acquiescence, as opposed to strategic adaptation, to the external environment can contribute to determining an organisational behaviour, in the context of external pressure (Oliver, 1991). As corporate actors still primarily refer to the CAMA to engender compliance, thus, the corporate governance reforms in the context of Nigeria suggest inclinations towards institutional antecedents (*see* Adegbite and Nakajima, 2012) as a form of ***'path dependency'***.[49]

6.1.2 Professionalism: A predominant enclosure

With respect to the preceding section, alongside the cited regulatory antecedent of corporate governance practices in Nigeria, the approach to corporate governance regulation is found to mirror the ideology of major organisational actors and entrenched institutional pressures within this environment. As scholars argue, instituting change across institutional fields may require as much of the efforts achieved through the collection of structures and processes, as well as the consideration of the organisational bearings (Greenwood et al., 2014; Meyer and Höllerer, 2014). In this respect, in the Nigerian corporate governance performance, the disclosed reliance on the legal infrastructure (CAMA), is discovered to be a natural course of an identified '***normative pressure'*** (DiMaggio and Powell, 1983) underlying the practice of corporate governance in Nigeria. '***Normative pressure'***, a source of isomorphic organisational change, stems primarily from professionalisation[50] (DiMaggio and

[49] "Path dependence represents a particular type of cause-effect relationship wherein institutions and collective actors find themselves in a temporal inertia-an inertia caused and heavily influenced by crucial decisions in the past" (Allen, 2010:416)
[50] Whereby, **professionalization** is delineated as the collective struggle of members of an occupation to define the conditions and methods of their work and to establish a **cognitive base and legitimation** for their occupational autonomy (DiMaggio and Powell, 1983).

Powell, 1983). The administration of corporate governance reforms in Nigeria reflects a precursor of the dominance of the law professionals (e.g. lawyers, legal counsels). As a corporate governance consultant stated in this respect:

> OAG34: *"Even if you look at the profession of corporate governance in Nigeria it has largely been practised by lawyers. I guess this will have affected the mode of the discipline majorly."*

As Harmon et al. (2015) suggest, social actors can contest or defend certain actions or ideas, depending on the structural level of dynamics within the institutional field. Equally, the cognitive conditions where institutional change is more likely to occur are reflected through the field rhetoric (Harmon et al., 2015). The state of corporate governance reforms in Nigeria thus reveals some level of path dependency towards the historical antecedence of corporate governance. ***Path dependence***, as a major historical institutionalism theory, provides insights into the extent to which prevailing conditions permit outside actors to impose an institutional framework on a given society (Allen, 2010). As Giddens (1993) asserts, "The rationalisation of action is closely bound up with the moral evaluations of `responsibility' (p. 165). Thus, notwithstanding the present situation in corporate governance practice in Nigeria, in the introduction of codes (principle-based approach) in line with the existing normative pressure, the legal performance framework is noted to still dominate corporate governance reforms. As stated by a listed company consultant, in this regard:

> OAI37: *"Mostly corporate governance practice in Nigeria is dominated by legal practitioners, it includes a lot of laws and statutes. This will surely affect the way people think about corporate governance in this environment. Even in companies and company registrations, it is the legal practitioners that handle most of these functions."*

Also, as an independent observer (a corporate governance consultant) cited:

> OAG34: *"I think corporate governance has usually been the business of lawyers in Nigeria and still is, predominantly."*

Also, noticeably, during the course of this investigation, mostly the interviewees (i.e. designated officials in the regulatory agencies and listed companies) are found to either be lawyers or legal counsels. This observed trend is diagrammatically represented in the bar chart below (Figure 6.1).

Tabulation of the Interviewees
(% of corporate governance executives to % legal professional executives)

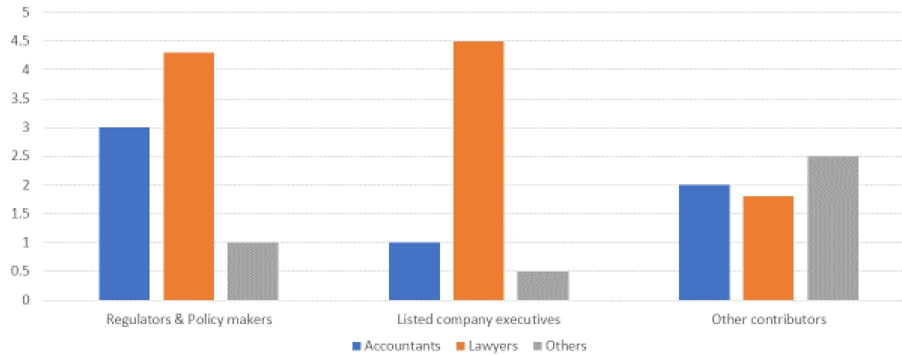

Figure 6.1: Perspective on corporate governance Practice and Professionalism in Nigeria

Institutionalism and Institutional Normative pressure *'Form over Substance'*

The above representation mirrors a procedural approach confirming the general stance on corporate governance within the Nigerian organisational field. As observed, principally, persons in charge of corporate governance responsibilities/issues in organisations or establishments, in Nigeria, are observed to be principally from the legal profession. This draws attention to the effects of ethos, particularly professional (normative) ratification and their implications for corporate governance reforms across different institutional contexts. For instance, this perception is reflected in the general disposition to corporate governance principles and the reforms' procedure, in the case of Nigeria. As revealed in the statement of a regulator reflecting the centrality of CAMA:

> RCG07: *"Corporate governance is not a new thing in Nigeria, if you look at CAMA, CAMA has all the things that the organisations require. CAMA has all that they need to be properly run so that the interest of stakeholders is protected, that is the essence of corporate governance. CAMA gave some hints on how certain things should be done, board appointment, meetings resolutions; I think if CAMA had been reviewed regularly, there probably would not have been codes. Because in some areas, they are not clear, that is why the SEC Investment Protection Act (ISA) came up with their own SEC Codes, just to protect the investors."*

In this light, by implication, in the implementation of the corporate governance codes, the '***legal form***' of recommendations takes pre-eminence over proclivity towards the principled or accounting

'***substance over form***'[51]. Consequently, the practice of corporate governance in Nigeria has followed a more legislative ideology, as a result of the legal antecedent (CAMA). The ***legal form*** of corporate dealings largely informs the adopted approach to corporate governance reforms processes in Nigeria, rather than the accounting ***principle or substance*** basis. In this respect, a stringent and regulated rule-based environment for corporate governance naturally represents the procedure for endorsement, whereby a highly regulated environment and process of reforms emerges.

6.1.3 The framework of control within the Nigerian corporate context

Organisations make commitments, to particular combinations of logics, based on the relatively stable hierarchies (logics) at the field level (Ocasio and Radoynovska, 2016). Emergent themes from this study reveal the hierarchy of control within the Nigerian corporate governance environment, illustrating the regulatory structure. The administration of corporate governance principles and codes of conduct (reforms) in Nigeria embody an array of regulatory agencies. This involves key agencies within the corporate contexts, such as; SEC, CAC, CBN, NSE, NAICOM, PENCOM.[52] Also, in the last decade the FRCN, made the list as the central regulator in the corporate governance reforms scheme in Nigeria, specifically inaugurated to administer the National governance code[53]. In a previous study (Adegbite, 2012b), overlap in the responsibilities and authorities of these key agents, within the regulatory sphere has been reported. However, from this study, the structuration of these authorities is identified to decide the extent of their control within the Nigerian corporate context, and in turn their significance towards corporate governance performance. As an auditor of a listed company cited:

> OAF30: *"Different regulators control corporate governance in Nigeria and the outcome of this reform is a reflection of the degree of their mandates and authorities, within the corporate environment."*

Also, according to a company auditor:

> OAI37: *"There are different levels of control within the corporate governance environment. As an entity, this will be based on the ranking of your regulator, as a result of your industry."*

The key corporate regulators in Nigeria present considerable influences on corporate governance within their industries. Beyond those industries, their influence on corporate governance

[51] The '***substance over form***' is an accounting convention that states that the economic significance, rather than merely the legal implication of transactions, should be considered in reporting the activities of a business.
[52] *See* Osemeke and Adegbite, 2016 for a detailed analysis of codes and corporate governance reforms in Nigeria.
[53] The National code of corporate governance was intended to provide a single framework of corporate governance best practices and oversight in Nigeria. See the FRCN website at <http://www.financialreportingcouncil.gov.ng/>

reforms, however, is broadly dictated by the regulatory hierarchy across the Nigerian organisational field. As such, this is recognised to constitute institutional complexity (Thornton et al., 2012)[54] in regulating corporate governance reforms in Nigeria. Within the Nigerian corporate context, the SEC has usually served as the principal regulator. Although the SEC code (2003) (*Revised in 2011*), is the first formal attempt at instituting corporate governance principles in Nigeria, it only applies to listed companies.[55] However, also noted within the Nigerian corporate governance sphere, are other central regulators of corporations which constitute both listed and unlisted; for instance, within this framing are the CBN regulated entities, which include banks and other financial institutions. The position of the CBN as the apex regulator[56] of the financial sector in Nigeria, has endowed it with considerable authority, given the centrality of the financial sector in Nigeria (*see* Chapter 4 of this thesis) (Arun and Turner, 2004). The influence of the CBN is thus inevitably prominent within the Nigerian corporate governance performance. Indeed, proactive measures in corporate governance reforms in the financial sector, by the CBN, such as the inauguration of the, *"code of corporate governance for banks in Nigeria post consolidation"* in 2006, has triggered considerable ripple effects, within the corporate governance context of Nigeria. As a company secretary and legal/corporate governance adviser stated:

> CLF19: **"***The CBN has been at the forefront of corporate governance since 2003."*

Also, as a policy maker cited:

> RCI14: *"The CBN bank reforms have pushed the limit in corporate governance in Nigeria; many companies now use this as a benchmark."*

Also, the FRCN was established by the Financial Reporting Council Act (2011) to serve as the Nigerian counterpart to the UK's FRC. Among other financial responsibilities, it represents the only agency legally conferred with the authority to act as a principal administrator of corporate governance matters in Nigeria. As stated by a corporate governance contributor:

> OAD26: *"The FRCN code is to provide basic principles which none of these regulators have the authority for, because the Act (CG reform ACT) does not give them that power. The only regulator that the Act empowers to regulate corporate governance in Nigeria is the FRCN."*

While the FRCN constitutes a central authority, however, as noted, some other agencies have as much, if not greater, authority with regard to corporate governance. The above situation symbolises a

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[54] Institutional complexity is referred to as those situations in which divergent prescriptions from multiple institutional logics collide (Greenwood et al., 2010, 2011; Thornton et al., 2012; Smets and Jarzabkowski, 2013).

[55] See <http://sec.gov.ng/>

[56] See CBN <https://www.cbn.gov.ng/>

structural hegemony within the corporate governance regulatory framework in Nigeria. In this respect, the centrality of regulators to the Nigerian corporate governance reforms arises, along the divides of their oversight functions, in three major categories:

1) Those regulators that are constitutionally inaugurated (instated through an Act or Bill) as major regulators.
2) Those regulators that regulate listed corporations (these entities are mandated to comply with the corporate governance codes).
3) Those that assume such a position as a result of the economic significance of their regulated entities.

6.2 Regulatory context of corporate governance reforms in Nigeria

6.2.1 *The Nigerian regulatory sphere structuration*

In respect of the foregoing, the Nigerian corporate governance field portrays two major divides. At the one end are ***listed companies*** and at the other end are ***other entities*** that, though not listed companies, constitute major economic giants. For instance, many companies in this category are high turnover companies, such as Telecommunications, Energy (oil and gas), Power generation and distribution, Banks and other financial Institutions, Pension fund managers and Insurance companies, Manufacturing, Freight and shipping and companies.[57] Some of these companies, though unquoted, nonetheless constitute significant drivers of the Nigerian economy. This relates to the scale of their income and the volume of their investment, within the developing organisational context. For instance, within this classification of corporations in Nigeria, Ahunwan (2002) describes this category (D) of companies as follows:

> *"Some of these enterprises, however, are quite large, with a capital base comparable to many listed corporations. Banks, insurance and various industrial corporations come under this category. Both foreign and local entrepreneurs operate in this category."* (p. 272).

Hence, inadvertently, this confers a broadly similar magnitude of authority on their regulators. Correspondingly, the regulatory lines of authorities and influence across the Nigerian corporate sphere follow these differentiations, in accounting for the peculiar structuration. As a respondent stated;

[57] An analysis of the companies on the listing of the NSE.

OAG34: ***"****How many listed companies do we have as against the number of private companies that we have? The telecommunications industry controls about 9% of the GDP of this country, but then they are mostly private companies."*

Organisations are more likely to endorse the values or requirements of an institutional environment when such an environment is highly interconnected (Oliver, 1991: 171). However, in the Nigerian corporate context, as the SEC oversight does not apply broadly, administrations of corporate governance are realised through respective industry regulators. Thus, the configuration of the Nigerian corporate governance context generates disparity, in the attempts at reforms. As such, each sector designs and fulfils its own governance reforms procedure, separately. Different agencies are thus responsible for corporate governance innovations in Nigeria. To this extent, the emergence of a different strategic position arises, which correspondingly promotes a noted degree of institutional contradictions (Friedland and Alford, 1991; Seo and Creed, 2002) within this dispersal of regulatory control. As stated by a director of a regulatory agency:

RCK20: *"CBN is not ready and might not relinquish its authority to the FRCN with respect to corporate governance in the banking sector. CBN serves as a major regulator of the Nigerian economy and it will be impossible for any other agency to try to challenge its authority in this respect."*

As Giddens (1993) states*, "The reproduction of modes of domination, one must emphasize, expresses asymmetries in the forms of meaning and morality that are made to 'count' in interaction"* (p. 165). Similarly, politically inclined environments are argued to portray characteristically less adaptive and often inflexible decision-making procedures (Pfeffer and Salancik, 1978). Evidently, the overlaps in authority result in grey areas and blurred lines of authority within the maturing Nigerian corporate environment. Field-level dynamics, are significant to institutional transformation as they particularly impact on the arrangement and relationship among logics within the institutional field (Martin et al., 2017). Equally, such structuration decides the repertoires available to different actors, as they help explain how action can both be constrained and enabled within the organisational sphere (Martin et al., 2017). Likewise, the tune and pace of transformation within the Nigerian organisational field considerably mirror the regulatory strength of respective sectors.

6.2.2 *Actors' dynamics and power relation*

Most field studies overlook the role of power because one of the consequences of institutionalization is a tendency to 'naturalize' the institutional structures that populate settings, so that power differences become apparent only to outsiders (Zucker, 1991; Fligstein, 1997; Suddaby et al., 2007). This study reveals the existence of power disparity and dynamics among major regulators

as a consequence of the structure of the Nigerian corporate regulatory setting.[58] A hypothetical case involving a company BND Plc within the Nigerian banking industry is cited by a corporate regulator to illustrate this situation thus:

> RCD04: *The company (BND Plc) as a listed company and also within the banking industry needs to comply with;*
>
> *1) SEC regulatory authority (as a key regulator of listed companies),*
>
> *2) As a company within the financial sector, the company is duly regulated by the CBN and is required to comply with the CBN codes of conducts, and*
>
> *3) Company BND is also subjected to the authority of the NSE as a key regulator of the capital market*.

A similar scenario is noted in a past study as having resulted in a multiplicity of codes within the Nigerian corporate governance sphere (Osemeke and Adegbite, 2016). Within this study, from the perspective of the regulators, such a situation produces divergent interferences and interests with respect to corporate governance reforms. As noted by a policy maker:

> RCO33: *"There was a case where a company contravened some of the SEC recommendations; however, the industry regulator stepped in and the company got away with it, whereas it was supposed to be brought to book. These are similar ways regulators interfere with one another's authority."*

Further, as Besharov and Smith (2014) argue, though the prevalence of logic multiplicity tends to be treated as a homogeneous phenomenon, the consequences of logic multiplicity depend on how logics are instantiated. The regulatory context of Nigeria depicts a ***horizontal distribution*** of authority, i.e., the power and influences of key regulators, within the regulatory space, intersect in such a way that a clear distinction in the hierarchy of control is non-existent. Insights from this analysis indicate that, among other things, the need to incorporate the resultant myriad interests, in such a maturing context, presents a major complexity. This study reveals complexity in the interfaces in regulatory authorities in Nigeria. Such interfaces are reflected in the form of power dynamics among the key institutional actors arising from the noted intertwining of their duties and authorities. The corporate governance regulatory environment thus displays considerable subtleties, among the major regulators. For instance, since the investiture of the FRCN, the regulatory body has faced undue power

[58] There are grey areas in the functions of the various regulatory agencies in Nigeria, whereby the FRCN is mainly responsible for the oversight of the financial aspect of corporate financial reporting, while the other corporate regulators are equally responsible for their respective industries.

tussles, resulting in litigations and unresolved conflicts of interest among key stakeholders.[59] This situation arose as a result of the conferred authority, as well as the proposed principles, being opposed by concerned actors. In fact, the FRCN agency has been largely challenged in the discharge of its duties. As this investigation revealed, mainly the existence of other authorities within the corporate governance context of Nigeria also serving as major regulators within their industries, has made the exercise of such central coordination problematic. It is noteworthy that the FRCN proposed national corporate governance code, since instatement in 2011, is however yet to be launched. The process of instatement has been clouded with law suits, diverse public hearings, and conflicts among regulators and different interest groups in Nigeria. The resulting myriad reactions and conflicts are represented by the disparate interests from organisational stakeholders depicted within the Nigerian corporate governance environment, since the investiture of the FRCN as the principal authority. As a respondent, a consultant from an accounting firm stated:

> OAI37: "*They are trying to push through the FRCN code. The FRCN wants to impose it on every industry. They want to create themselves as super regulators that they don't have the capacity for. Some of the elements that they put in the code/recommendations are just not practicable. They are a small agency, but they are saying that they are going to have to regulate everybody including CBN and corporations. The FRCN code as one code is going to be faulted. They have a draft out in July (2015), and there was so much criticism.*"

The above view exemplifies the general dispositions in relation to the relationship among regulatory agencies within the corporate sphere of Nigeria. Such dissension highlights the internal dynamics and power relations within the regulatory context, especially towards the primacy in the administration of corporate governance best practices in Nigeria. This also outlines the hegemony amongst the regulators, as each sectoral regulator wields considerable influence, within its industry and, consequently, the corporate governance context of Nigeria.

6.2.3 The Nigerian corporate governance reforms' procedure

In respect of the dynamism, the regulatory environment of corporate governance reforms in Nigeria replicates a bricolage of control, which is also reflected in the emergent scheme. As stipulated,

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[59] "On Monday 9 January 2017, the federal government suspended the implementation of the Code. The suspension, according to the Nigerian Minister of Industry, Trade and Investment – Okechukwu Enelamah – was necessary in order to carry out a detailed review of its application after extensive consultations with stakeholders." ------- "Several stakeholders, such as the Nigeria Employers' Consultative Association (NECA) backed the decision of the federal government to suspend the Code, saying it was a product of unilateral decision by the FRC, as the organised private sector (OPS) was never consulted or its input sought by the council. NECA, like other key stakeholders, had accused the FRC of failure to secure their buy-in on such an important guideline." Nigerian National Code of Corporate Governance: <https://ethicalboardroom.com/nigerias-national-code-of-corporate-governance/> Accessed on 08-12-2018.

the nature of the Nigerian organisational field largely epitomises detached (unlisted) entities, which makes integrated oversight difficult. In this respect, as a company executive stated:

> CLE18**:** *"You will discover that the only question is that if you are not listed on the stock exchange and you are not trading on the floor of the stock exchange, how will SEC control your affairs?*

Thus, as this investigation further reveals, a unified approach to the administration of corporate governance principles in Nigeria emerges as impracticable, largely as a result of the organisational field structuration. As Besharov and Smith (2014) state: Actors' practices and ways of being can both reinforce and challenge the assumptions, values, beliefs, and rules considered appropriate within a particular realm of social life. Alongside the nature of the Nigerian corporate governance environment, is the noted power dynamic among regulators. In part, the segmented procedure of corporate governance reforms in Nigeria is also induced from the indicated power relations among the key actors. A noted consequence is the emergent attributes of the Nigerian corporate governance reforms scheme, which tend to restrain an integrated approach. For instance, an auditor stated in this regard thus:

> OAF30: *"When it comes to accounting, FRCN has the jurisdiction. When it relates to the financial sector, CBN has what they are requesting the banks to provide. But it is the Financial Reporting Council of Nigeria (FRCN) that will confirm, whether the accounting aspect of the reporting complies with International Financial Reporting Standard (IFRS). But they have normal returns that the bank must send to CBN in that aspect, that is CBN's jurisdiction, they check it and ensure that they comply. The same with NAICOM, PENCOM, etc. So, I think if all the agencies can work together it would be a better environment for corporate governance to thrive in."*

Through the proposed launch of a national code of corporate governance, via the FRCN, a unified code is cited to still be unfeasible. Mainly, the challenge is attributable to such stipulated dispersed framework for corporate governance administration in Nigeria.

Hence, in Nigeria, instead of centralised corporate governance reforms, for instance through the Stock Exchange, a detached regulatory approach is revealed. This reflects a challenge to administration and indicatively the homogenisation of best practices within this institutional context. To this extent, the practicality of implementing a single corporate governance scheme, for instance through the national code in Nigeria, is challenged. Consequently, while the above scenario generates a fractionalised corporate governance reform procedure, on the other hand it equally poses a

challenge to the intended implementation of the universal principles, which predominantly canvass the ***uniformity*** of good governance practices. Thus, rather than an integrated approach in Nigeria, management of corporate governance best practices are sectionalised. As one of the regulators noted:

> RCG07: *"We agree that FRCN cannot have a code that fits all, especially small companies. Thus, each regulator can come up with something more, the national code should be the minimum. So, I feel that is the angle from which FRCN is looking at it. The code is not cumbersome, although we understand that some small companies may find it difficult to implement all, e.g. the issue of Independent Directors."*

While respondents affirmed that a single code or centralised system would be beneficial as a point of reference for the corporate governance reforms scheme in Nigeria, the possibility of a single corporate governance code, given the circumstances of Nigeria, is presently noted as unlikely. As stated by a director in one of the regulatory agencies:

> RCC03: *"----- a single code is not going to work now. CBN is not going to change its code to align with the FRCN. I prefer one code, myself. I think we can have one code, but the way FRCN is going about it, they won't achieve it. I can't see banks wanting to comply with the FRCN code as opposed to the CBN code."*

The wider implication of the cited pattern of best practices implementation in Nigeria, is the lack of a unified framework for good governance. Similarly, the attention and direction of the corporate governance reforms agenda within this environment also follow such an order, tilting towards the resultant power trajectory. Whilst this generates notable ***power play*** among the ***regulators***, on the other hand, a consequential ***power dependency*** from amongst the ***regulated entities*** inevitably arises. As Misangyi et al. (2008) argue, a fragmented social situation engendered by institutional logics of ethnic identity, generates a range of competing authority structures and social network practices. Ultimately, resultant upon the aforementioned backdrop of the regulatory environment, is a prevailing complexity and disjointed corporate governance procedure in Nigeria. Thus, each industry or regulator undertakes and prioritises the implementation and enforcement of its corporate governance best practices within its jurisdiction.

6.3 The administration of corporate governance codes of best practices in Nigeria

6.3.1 *Endogenous variables in corporate governance administration*

The influence of endogenous determinants in corporate governance practices has been noted (Forbes and Milliken, 1999; George et al., 2006; Harmon et al., 2015). Basically, the overall legitimacy of business is cited to be derived from the perceived legitimacy of corporate governance practices

within a nation (Judge et al., 2008). Emerging findings from this study have disclosed that social actors' cognition and perceptions form significant institutional logics in the administration of corporate governance reforms in Nigeria. Evidence from this research reveals that the general appreciation and perception of corporate governance practice among corporate actors and stakeholders in Nigeria impact on governance reforms directly. Although there is a mixed result on the level of illiteracy and its impact on knowledge about corporate governance matters, the level of enlightenment about expectations regarding corporate governance principles are, however, nascent in Nigeria. In this respect, as stated in a corporate regulators' opinion:

> RCP36: *"Many of the regulated entities are yet to come to terms with the recommendations and how to go about the fulfilment."*

Equally, as another respondent noted:

> RCE05: ***"**One of the major constraints is that the companies could not understand what we are doing. They think we are overdoing things."*

However, the above situation is discovered to result basically from the general perception of the key players within the Nigerian institutional context. Institutions, though perceived as a possible pattern of social actors' actions, are nonetheless considered as fundamentally the representation of human cognition (Giddens, 1984; Misangyi et al., 2008). One major illustration of such a perspective on corporate governance reforms, from this research, is the lack of understanding of the voluntary disclosure recommendations, through the ***comply or explain*** principle. As a listed company secretary stated:

> CLK29: *"Companies still don't appreciate these principles, they see them as cumbersome and unnecessary. Especially, having to disclose your non-compliance."*

With regard to this, as stated by one of the regulators:

> RCO33: "*Companies have to fully appreciate this corporate governance reforms procedure, for such voluntary compliance to work in Nigeria.*"

Consequently, there is no **'*comply or explain*'** approach to corporate governance best practices by companies in Nigeria. As a result of the stated lack of understanding among the companies, the execution of voluntary compliance becomes problematic. In Nigeria, the approach to corporate governance reforms, as well as the level of progression is noted to be affected by the level of awareness among the corporate stakeholders of the significance of governance best practices (or requirement of accountability).

Against this backdrop, in Nigeria the imposition of codes, rather than a voluntary approach through understanding, appreciation or self-regulation, in light of '***comply or explain',*** typifies the approach to implementation. Though past studies have stipulated the level of compliance with corporate governance recommendations among listed companies in Nigeria as increasing (*see* Adewuyi and Olowookere, 2013; Akinkoye and Olasanmi, 2014), this inquiry discovers that this compliance is rather more of **'a *box ticking'*** exercise. This position is attributed, in essence, to the mandatory (compulsion) approach to compliance with these recommendations. As this study reveals, organisational actors are yet to be attuned to the 'comply or explain' voluntary approach to compliance, as a result of their cognition or rationality of this subject matter. As ***'explaining'*** in instances of non-compliance is argued to be less appreciated, a mandatory approach thus avails a practicable approach to implementation. As corroborated by an interviewee (a consultant):

> OAF30: *"Comply or explain is not any easier. Explaining why you did not comply is not easy; people need to understand what explain means, that it is not just to tell any story that one likes, but that the explanation must make sense and that any reasonable company must have done the same thing or directors in that situation must have taken the same decision. Then it might not work in this context."*

Furthermore, such disposition to governance principles is nonetheless indicated to stem from the noted antecedent of corporate governance practice in Nigeria; this is mirrored mainly in the cited reliance on the legal performance framework. As a corporate board chairman stated:

> CLJ27: *"CAMA will always be a convenient excuse for some people not to comply with the corporate governance code. They usually state that, the law says this, so what is corporate governance code. If you really have a sincere appreciation of corporate governance, you will know that corporate governance is meant to enhance the legal position. It's meant to make the company much more efficient, i.e. the elements that will ensure sustainability in the long-term are there."*

However, despite the dependence on the legal tenets of corporate governance, as affirmed earlier, the main legal framework in Nigeria (CAMA), does not provide adequate reference for the propositions of corporate governance reforms. Thus, in actuality, the Nigerian corporate governance environment presents a heightened ***normative pressure*** with regard to the prevalence of legal professionals in the practice of corporate governance in Nigeria. Such inclination is reflected through the perception of corporate actors on corporate governance practices, in Nigeria, as revealed above. A weakened ***coercive pressure*** (legal structure) in the obsolescence of CAMA, however prevails. The willingness and ability of organisations to conform to the institutional environment, is reinforced by

the theoretical rationale underlying conformity or resistance to institutional rules and expectations (Oliver, 1991). Another, illustrative example of the importance of corporate governance by corporate actors is also highlighted in the corporate reporting. Although there is indicated an increase in disclosures by Nigerian companies in the last decade, in relation to their corporate governance engagements (Akinkoye and Olasanmi, 2014), this study finds that the actual true and fair views of such corporate disclosures are questionable. The lack of adequate comprehension of the significance of governance best practices among companies generally results in the mere duplication of these disclosures requirements from one year to the next. For example, a regulatory agent stated in this regard:

> RCN32*: "In 2009 when we started the department in enforcing corporate governance reporting, then, we had about 29% compliance in filing returns – making information available to the public. If you open the Investment Security Act (ISA) there are provisions from sections 60 to 66 that talk about filing returns so we evoke that provision and the penalty. So, what we have over the years is an increase in filing of financial statements to about 92%. Then we did an impact assessment and asked How does this filing impact on the market? That is the head point. Then we started going back to look again at the quality of their filing, that is why the issue of the scorecard came about, because people were duplicating things in the same question. But no two situations were usually the same."*

Essentially, such behaviour reinforces the rationality of corporate actors, in relation to corporate governance best practices, i.e., this mirrors the impact of the prevailing or established practice in Nigeria, in terms of the legislative route to corporate governance, which historically obtains. The capacity for engaging in particular practices and sustaining the corresponding identities is sustained within the roles, schemas, and practices occurring within the institutional logic (Misangyi et al., 2008). Such stipulated attitudes of actors to corporate governance issues are largely demonstrated in the paucity of a corporate culture of governance principles in many Nigerian corporations. Consequently, the lack of expected complementarity among these institutional logics, thus, presents complexities. For instance, a regulator cited thus:

> RCK20: *"You see in an ideal situation; it should be '**comply or explain'**. But in this part of the world, it is not working. **Comply or explain** is working in developed countries, such as the UK, because the market has a way to deal with any company/board that fails to do things the way they should be done. But here we have **concentrated ownership.** But where they have a widely dispersed ownership structure, it is easy for people to come together and say let's discipline this board; they can come together and remove the board when they are not doing what they*

are supposed to do. But here, X owner for example has 75%, the other 25%, which is lubricating the market, is owned by thousands of people. That is the challenge, that is why comply or explain may not work here, for now – in the future it may."

Social systems include forces that guide or constrain legitimacy and these forces usually create isomorphism, when they converge, within institutional environments (Judge et al., 2008). Thus, as a consultant stated in this respect:

OAA08: *"Many people in Nigeria do not have any idea what a corporate governance principle really is. I guess this is also the reason why a lot of people don't invest in it."*

Ultimately, in cushioning the implication of the diverse influences on corporate governance reforms, audiences or evaluators often play significant parts in proffering legitimacy judgments, which borders on the role of cognition in the legitimation processes (Bitektine and Haack, 2015; Tost, 2011; Hoefer and Green, 2016). For instance, as Parsons (1951) contends;

"A system of action was said to be institutionalised to the extent that actors in an ongoing relation oriented their action to a common set of normative standards and the value patterns. As such a normative system becomes internalised; conformity with it becomes a needdisposition in the actor's own personality structure. In this sense, institutionalised action is motivated by moral rather than by instrumental concerns." (Parsons 1951: 37).

These insights reveal endogenous indications for the prevailing corporate governance performance in Nigeria. Societies can emerge through the active constituting skills of their members, drawing upon resources and conditions which they are unaware of or perceive dimly (Giddens, 1993). From this view, in Nigeria, the general level of perception or appreciation of the corporate governance practice basically informs the state of the institutionalised rationalisation of the performance, within the Nigerian corporate context. This situation also shapes the actualisation of the compliance method.

6.3.2 *Mode of application of best practices*

A code of corporate governance is usually adjudged as a non-binding attempt at the implementation of good governance principles (Weir et al., 2002; Aguilera and Cuervo-Cazurra, 2004, 2009). Except in contexts such as the US, most codes of corporate governance are meant to be adopted on a self-regulatory basis (*see* Aguilera and Cuervo-Cazurra, 2009). Likewise, in Nigeria the implementation of the codes was meant to follow a voluntary pattern (SEC code 2003, revised in 2011). In this vein, equally, corporate governance code in Nigeria was originally meant to be *persuasive rather than mandatory.* As the introductory paragraph of the 2003 SEC code states; ***"The***

code is just a rule of practice." It further states that ***"this code is not intended to be a rigid rule."*** *(SEC code, 2003, 2011: 1).* As a regulatory agent stated:

> RCC03: *"Because it is a code of conduct, it is meant to be persuasive. That is why it has been in question whether the code could be made compulsory or mandatory."*

Also, as one policy maker noted:

> RCG07: *"These codes are supposed to be like minimal standards set to aid some of the extant provision governing the institutions that are involved in corporate governance in Nigeria."*

More importantly, the global attempt at corporate governance reforms principally supports an intent for a ***voluntary approach***, as most of the codes are intended to be freely complied with (Aguilera and Cuervo-Cazurra, 2009). The central ideology of the global good governance principles can thus be basically considered to promote ***self-regulation***. In particular are the OECD principles, the Cadbury report and other UK engendered recommendations that form the basis of the developing countries' (and Nigeria) codes of corporate governance (*see* Krambia-Kapardis and Psaros, 2006). Even though there is a consensus in Nigeria regarding the voluntary approach to corporate governance reforms, nonetheless the administration of corporate governance best practices is in direct conformity with the configuration and logics within the organisational field. Along this line, a respondent (a corporate legal counsel) stated thus:

> CLB11: "*If you want to know how each industry in Nigeria is doing regarding corporate governance reforms, check the level of authority of the regulator and how strategically placed it is."*

As cited in the earlier section, the corporate governance reforms and codes of best practice are fractionalised and mirror social subtleties, based on sectorial divisions within the Nigerian corporate context. Likewise, the approach to corporate governance emerges in consonant with this position. As Greenwood and Suddaby (2006) posit,

> "*Central to our model is that fields are not homogeneously structured, and they do not necessarily mature toward stability and equilibrium. Instead, they become stratified into specialized organizational communities, each with distinct network locations that result in differential exposure to field level contradictions resulting in different and unfolding levels of embeddedness*." (p. 42).

In accordance with the aforementioned, and as stated earlier, one of the major peculiarities of corporate governance reforms in Nigeria is the highly differentiated[60] regulatory environment. This issue is seen to present itself through these main formats:

- First is the ambiguity among listed and multiple-interest ***companies*** (*regulated*) about the primacy of the regulatory authority and the relevant line of authority.
- Second is the need to define the power relation between the ***enforcers*** *(regulators)* about 'who regulates who', i.e., the limit of each regulator's authority and the embodiment.

As a result of these, a lack of clarity arises within the corporate environment regarding the implementation and compliance with corporate governance recommendations. As one of the company executives stated:

> CLG22: *"There are a lot of similarities among the codes. The question here is which of these codes should you adhere to, is it the SEC code or your individual code? You as the regulated entity, who are you going to listen to? Obviously, your regulator."*

Along this line, the regulatory environment of corporate governance in Nigeria follows the pattern that essentially mirrors the power and influence of the regulators in their respective sector. Each regulator defines the strength, compliance and approach to such compliance in its corporate governance reform scheme. As a corporate executive in one of the listed companies stated:

> CLE18: *"The strength of corporate governance reforms in companies in Nigeria, essentially, is a reflection of the influence of the respective regulator."*

Hence, equally guided, by means of their individual codes, the vibrancy of sectoral regulation dictates the robustness and corporate acquaintance with governance best practices. For instance, while some sections of the economy have very vibrant and well-developed corporate governance reforms, others are just developing and still at a rudimentary stage of corporate governance reforms. Many major industries such as the Manufacturing, Construction and Telecommunication, Health, Fast Moving Consumer Goods (FMCG), sectors of the economy, are still largely without sturdy corporate governance guiding principles. Where such companies are not listed, they are thus mainly regulated by their respective industry regulators or professional associations. For instance, in the case of the manufacturing industry, as a respondent cited regarding the Manufacturers Association of Nigeria (MAN):

[60] Visibly there is a lack of collaboration amongst the main regulators in the corporate governance environment of Nigeria.

RCK20: "*Manufacturing companies do not really have tough regulators; the main body overseeing the sector, i.e. MAN (Manufacturers Association of Nigeria) is an association and not a regulatory body. So, there is a limit to what that one can do, unlike the ones that have tough regulators, such as PENCOM, Banks and other financial sectors etc. These can monitor the Board composition etc. As in the banking sector, their board is mainly constituted of non-executive or independent directors."*

Unlike other regulators (such as the financial sector regulators) these bodies do not exercise a profound corporate governance reforms scheme, and this in turn reflects the level of advancement of good governance within their sector. This is portrayed in the expression of a respondent, as such:

OAD26: "*The banks and other financial institutions have no problems with compliance. The **non-banks** can be largely ignorant regarding some of the requirements. There are certain things that the bank does, but elsewhere you don't see much of it. They ask why we need it – for instance, risk management."*

In this instance, whereas CBN regulates both listed and unlisted companies, yet the financial sector's codes of best practices are well complied with by both categories of companies, as a result of the approach and commitment of CBN to such endeavour. As a corporate executive stated:

CLD16: ***"****And I believe this is why most of these sectoral codes are mandatory and it also gives some level of authority to the regulators to enforce these codes. Unlike a '**comply or explain'**, however, because the regulators know the environment within which they are operating."*

Similarly, this indicates the case of other regulators such as the PENCOM and NIACOM, etc. In this respect, a ***rule-based*** approach tends to be a more feasible and applicable regulatory mode for corporate governance reforms in Nigeria. This finding suggests a contradiction to the universal approach **(*self-regulation*)** to corporate governance reforms. As stipulated, the arrangement and likewise relationship among logics helps to explain how action can be both 'constrained and enabled' within organisational fields (Martin et al., 2017). Even though, generally, good governance codes are not meant to be legally enforceable (Aguilera and Cuervo-Cazurra, 2009), the prevailing antecedents of corporate governance in Nigeria seem to accede more to statutory regulation. As a result, a high level of compliance is recorded among companies with tougher regulators, whereas defaulters are subjected to higher penalties.

6.3.3 *Establishing good corporate governance practices*

The resultant lack of a homogenised implementation process, presents as a major form of the challenges to corporate governance reforms in Nigeria. As stipulated, rather than a form of central listing requirements, such as applies to the UK and South Africa, corporate governance best practices in Nigeria are unilaterally assigned. A respondent expressed, along this line, thus:

> RCH13: "*The CBN, PENCOM, NICOM, codes are made mandatory. It is easy for these regulators to make the code mandatory, because they are primary regulators and they licence the companies to function, and they can withdraw the company licence if they don't comply. They monitor their governance and make them comply. But if you look at the Nigerian economy, how many banks and insurance companies do we have? We have several other companies. If you look at the stock exchange, about 200 companies, banks are about 10%. So, there is a huge gap. So, that is why the government deemed it fitting that the FRCN should come up with a harmonised national code***.** *But, it has faced a lot of challenges."*

In the first instance, at the onset of the launch of the corporate governance code in Nigeria through the SEC code, the mandatory approach to implementation was restricted. Such approach only applied to large-sized companies that are not entirely listed and thus require alternative means of compliance. For instance, some of the entities mandated to comply initially include only companies under sectoral regulators such as CBN, PENCOM, NAICOM, etc. While originally the SEC regulated entities adopted voluntary compliance, following the universal trend, however, presently **mandatory compliance** is the general approach to implementation of corporate governance in the context of Nigeria. Based on the commitment of regulators, the stipulated *tough* regulators, withhold or refuse companies a ***'licence to operate'*** to engender compliance. As such, companies comply mandatorily in order to remain operative or gain entrance into the respective industry. As a company secretary and legal consultant stated**:**

> CLF19: "*But if you recall the SEC code was* ***voluntary*** *until a couple of years ago, when SEC then made it* ***mandatory****. The PENCOM code and CBN code* ***were mandatory*** *and I think they have some of the strongest guidelines and oversight procedures."*

This position is also supported by an auditor as thus:

> OAF30: "*I think there is need for more sanctions, in companies. There is no real consequence for being a good or bad director in Nigeria, so people are not motivated*."

As Bitektine and Haack, (2015: 63) posit**,**

> "*Under conditions of stability, evaluators are strongly influenced by the established validity, and judgment suppression factors are sufficiently effective to deter deviant judgment expression, which helps maintain the illusion of unanimity and isomorphism. In contrast, under conditions of institutional change, validity is eroded by the public presence of competing judgments, suppression factors are weakened or removed, and agency and strategic behaviours of individuals and collective actors play a prominent role in the legitimacy process"*.

Evidently, the analysis reveals the imposition of recommendations to be a more feasible and realistic basis for realising corporate governance improvements in Nigeria. While a previous study (Nakpodia et al., 2016) has advocated a mix of both soft and hard regulations in the Nigerian corporate governance environment, this study reveals only a rule-based approach currently applies in Nigeria. Although the Nigerian corporate governance reform scheme was originally implemented from the inception of the SEC code in 2003, on a voluntary basis, however from 2014, the administration of codes of best practice has adopted a more mandatory approach and, in most cases, such mandatory means are exercised through **'*licensing*'**. In this regard, as affirmed by a respondent, a listed company (corporate governance) official:

> CLK29: *"Where you find that there is a tough regulator involved, such as CBN, NIACOM, PENCOM etc., these codes tend to be well complied with. These companies tend to pay a lot of attention to these recommendations because it will affect their licensing."*

In this regard, in order to engender compliance, these best practices are hinged on each industry's licensing requirements. This is found to form a means of ensuring good governance practices are adhered to by companies within the respective industry. As companies are left with no alternative but compliance, the level of compliance with these best practices is at its highest. As stated by a legal counsel:

> OAE28: *"They really have no option, because this is coming from the regulator, they just have to comply. They just have to play by the rules."*

A schedule revealing the trend in the mode of compliance with the sectoral codes of best practices in Nigeria, is shown below;

Table 6.1: A comparative analysis of the (past and present) modes of implementation of corporate governance best practices in Nigeria

Corporate governance best practices (codes)	Sector/Industry/ Regulator	Year of Establishment	Mode of Implementation Before 2014 (Nakpodia et al., 2016)	Mode of Implementation From 2014 (This Investigation)
Securities and Exchange commission (SEC code)	Securities and Exchange Commission (SEC)	2003 (revised in 2011)	Voluntary	Mandatory
Code of corporate governance for Banks and Discount Houses[61]	Central Bank of Nigeria (CBN)	2006 (revised in 2014)	Mandatory	Mandatory and Licence to operate
PENCOM code	National Pension Commission	2008	Voluntary	Licence to operate
NAICOM code	National Insurance Commission	2009	Voluntary	Licence to operate

For instance, as a regulator also buttressed:

> RCH13: "*These are our processes of approval; if you don't have an independent director, we will not approve your board composition. So, they have no option but to comply. We must show directors that there is a* ***personal benefit****, beyond compliance with regulatory requirement. As far as Nigeria is concerned, until you (first) make it* ***compulsory, when it is compulsory and they do it and see the benefit then it can now become part of them.***"

From the view above, the mandatory mode of application is deemed necessary in order to compel the appreciation of corporate governance principles. As noted in an earlier section, there is a lack of rationalisation of the principles of corporate governance. Such disposition motivates the rigid approach to governance reforms, which in turn is expected to forge the targeted appreciation of

[61] This code was formally the CBN code for banks post consolidation.

corporate governance principles and possibly promote ***self-regulation***, subsequently. As a corporate governance regulator, stated:

> RC114: "*For us there are* ***checks and balances****. Before we licence you, it is compulsory that you send the names of your directors and this must have attached the names of the independent directors. You must attach their Curriculum Vitae. We must evaluate them, to know whether they are independent or not. That is one. Number two, every year, every* ***board is expected to conduct an evaluation of its activities, and e****valuate the conduct of each member of the board and send it to us with its corporate governance report. That corporate governance report will tell us all the material issues that have been discussed and reflect what the directors have an interest in."*

In this respect, regulators viewed the mandatory approach as a more effective means of achieving compliance. This stringent approach also includes heavy sanctions. Fines and fees are levied on defaulters to coerce companies to align their practices with the expected requirements of good governance. Consequently, regulators and policy makers view the stringent (rule-based) approach that presently prevails in Nigeria as also having helped to address noted institutionalised corruption (Adegbite, 2015; Amaeshi et al., 2016), incidents of corporate frauds and collapses (Amao and Amaeshi, 2008) in Nigeria. As noted by a director (policy maker):

> RCM25: *"Since we started, (the reforms) we have not had any main situation where standards have been compromised. Some companies have collapsed in the past because of poor corporate governance, but in our sector, we have not had any corporate collapses. We want to attribute some of these to the* ***stringent requirements.****"*

Equally, another regulator stated:

> RCB02: *"We have always applied our code mandatorily**.** There is a very high level of compliance with our industry code and cases of fraud have been limited. None of our companies has gone down because of financial impropriety."*

Depending on the institutionalized nature of the organisational fields, organisations can either retain, adopt or discard templates for organising their actions (Greenwood and Hinings, 1996). Thus, unlike the ***principle-based*** corporate governance environment, as in the UK, the analysis reveals a more statutory mode of regulation in the corporate context of Nigeria. As a noted consequence of the nature and inclination of the organisational field, the Nigerian corporate governance reforms predominantly encompass a ***rule-based*** approach.

Conclusion

The antecedents of corporate governance reforms in Nigeria reveal that the Nigerian corporate sphere has historically been regulated by laws and statutes (*see* Ahunwan, 2002; Nmehielle and Nwauche, 2004). To this extent, in Nigeria, the obsolescence of CAMA (1990) has constrained the corporate governance practice, as the sole legal reference for companies – CAMA is indicated not to provide the required accompaniment to the current propositions in corporate governance reforms in Nigeria. Nonetheless, this study reveals the prevalent dependence of corporate governance, in this context, on the legal framework (in terms of CAMA). Also, the dominance of the legal profession in Nigeria provides a legislative framing for corporate governance appreciation and rationalisation. Thus, corporate governance practice in Nigeria adopts a legislative perspective. With respect to the neo-institutional perspective on the legitimation of transformations, as a result of the noted antecedent and dependence on legal precedence, there is basically a lack of appreciation of the principle-based approach in Nigeria, with organisational actors largely attuned to a legal normative framework. This scenario, nonetheless, presents a contradiction in the efforts at corporate governance reforms, as the obsolescence of the principal legal infrastructure (CAMA), presents a weak and conflicting referent with the code. A misalignment results between the legal framework and the codes of corporate governance (e.g. the SEC code) which results in complexities in compliance and administration.

Further, the Nigerian organisational field depicts a fragmented structuration and segregated regulation of corporate governance and the reforms. Such disconnections result in the isolation of functions and responsibilities, overlaps in authorities and consequently power dynamics, among key regulators. In this regard, a resultant disparate institutional framework for corporate governance best practice inevitably emerges within the Nigerian organisational field. Such fragmentation is revealed as a consequence of the developing nature of the corporate governance context. In this regard, as an evolving context, there are few listed companies in relation to the total number of incorporated companies in Nigeria. As a result of this, the employment of **a centralised approach** to corporate governance reform application is impracticable. Consequently, industry driven implementation and administration of codes and approaches to good governance have characterised corporate governance innovations in Nigeria. Thus, rather than an ***all-inclusive*** approach, unlike in other settings such as the UK and other developing countries such as South Africa, corporate governance reforms in Nigeria follow a fractionalised mode. Hence, essentially, in Nigeria, corporate governance reforms fall under the jurisdiction of the regulatory bodies, with responsibility to ensure implementation and engender compliance. As such, industry regulators are entrusted with oversight function and control, specifically within their respective organisational sphere.

The above situations constitute some profound implications for the corporate governance reforms' agenda in Nigeria. Subsequently, against the foregoing, rather than a ***principle-based*** corporate governance approach, a more ***stringent*** environment is found to have emerged in Nigeria. First, given the complexities in the regulatory structure (as noted in Chapter 5), this provides the only realistic basis for the administration of governance reforms in Nigeria. Second, as there is no centralised approach to corporate governance reforms, this equally provides an avenue (power) for respective regulators to compel compliance. Thus, within the corporate governance environment of Nigeria, as a result of the resultant structure and logics, corporate governance best principles adopt **mandatory rather than the acclaimed voluntary or principle-based approach**. In this respect, in place of the more popularised ***comply or explain*** mode, the imposition of guiding principles applies in corporate governance reforms in Nigeria. In turn, this defies self-regulation and consequently compliance is enforced through such means as a requirement of the ***licence to operate*** from companies within respective industries. Such an adopted stringent approach also indicates a feasible means of mitigating the entrenchments of organisational actors, in the noted antecedence and path dependency, in the Nigerian corporate governance reforms scheme.

The neo-institutional perspective on corporate governance reforms has generally de-emphasised the significance of localised influences on corporate governance best practices. In this regard, the symbolic inclination of good governance has been promoted as a major driver of organisational transformations (Zattoni and Cuomo, 2008; Okike and Adegbite, 2012; Baig and Godley, 2016). However, this study extends the discourse on the institutional transformation by arguing for the pre-eminence of interpersonal factors, such as endogenous variables and social dynamism, as against symbolic alliances, in the scheme of organisational reforms in a developing context. Thus, resultant upon the relational corporate governance structure in Nigeria noted in the earlier chapter, the findings in this section reveal the prevalence of the informal rule. Within the Nigerian corporate governance performance, in this regard, similarly to the noted interpersonal and social structure, power relations, cognitive rationality and actors' perceptions primarily underscored the legitimation of corporate governance reforms. From the neo-institutional viewpoint, the impact of social actors' efforts and intentionality in institutional reproductions have been reported in the literature (Rao et al., 2000; Lawrence et al., 2011; Hoefer and Green, 2016). In this vein, the situation in Nigeria reveals that formal organisational procedures are mandated mainly by the subtler and less promoted pressures conferred through a noted informal or social framework.

The study indicates that corporate governance performance and, by implication, the reforms, are disposed to and embedded in historical propositions, within the existing framework of performance, illustrative of **path dependency.** This stipulates the direction, mode and approach to

actualising the intended transformation agenda, which adopts a notably ***customised resolve***. The insights from the study suggest that, other than the institutional factors themselves, more importantly their order, interfaces and interplays shape the derivatives and attendant outcomes of organisational reforms in Nigeria. To this end, the cited approach to good governance administration in Nigeria, prominently reflects the peculiarities of such a maturing organisational field. The controlling internal features, which constitute centralities to corporate governance reforms in Nigeria, broadly present as:

1) The institutional antecedents and historical inclinations of the organisational processes.
2) The nature and structure of the corporate governance context.
3) Organisational actors' interplays, perceptions and rationalisation of organisational processes.

In essence, corporate governance reforms in Nigeria notably follow a context-defined procedure, evident in the cited specialised mode of administration. In sum, this situation is indicative of the local influences towards the legitimation, ratification and regulation of proposed organisational transformations. In this regard, as stated in earlier studies (Aguilera and Cuervo-Cazurra, 2004; Zattoni and Cuomo, 2008), within the neo-institutional theorisation of organisational reproductions, corporate governance principles are adopted for legitimation purposes in civil or non-market-based economies. However, the insights from this study portend that contextual mandates in this developing organisational field largely determine the mode, approach and pattern of reforms, even though there are clear resemblances to such civil (stakeholder) systems in Nigeria. In light of the foregoing, the significance of the noted peculiarities in Nigeria, to the achievement of a tailored, institutionally driven reform scheme, is outlined in the next chapter.

Chapter 7: Implementing an institutionally driven Corporate Governance reform in Nigeria

7.0 Introduction

Attempts at corporate governance reforms in Nigeria have ignored a fair challenge in terms of the right fit. As Filatotchev and Boyd (2009) argued, there is a need to 'move from a "one-size-fits-all" template in corporate governance reforms' into taking into account 'organisational, institutional and national contexts. Equally, the role of social actors is highlighted to embody both physical and mental effort targeted at affecting an institution or set of institutions (Lawrence et al., 2011). On the country level, the corporate governance environment of Nigeria encapsulates the peculiarities of structuration, especially in depicting an evolving organisational field, lack of supportive institutional framework, etc. Scholars have suggested the description of this 'fit' requires providing the understanding of national peculiarities and how they align with corporate governance innovations. For instance, **s**pecifically, Adegbite (2015) outlined the *antecedents and propositions of good corporate governance* in Nigeria to include:

> '*Board independence, Board heterogeneity, board reputations, foreign institutional shareholders, effective shareholder activism, board evaluation, performance related compensation, independent audit committees, Transparent information disclosure'* (pp. 6-7).

Within the frame of the research objective, the study does not repeat the features of good corporate governance (GCG) which the stipulated previous study (Adegbite, 2015) has investigated, rather it promotes the actualisation of such propositions in the light of the central aim of the institutionalisation of corporate governance reforms in Nigeria. Sometimes central organisations do act as institutional entrepreneurs for change (e.g. Phillips and Zuckerman, 2001; Sherer and Lee, 2002; Greenwood and Suddaby, 2006). Although good governance replicates what is contextually acceptable, as well as achievable, the definitive role of organisational reformers (actors) towards institutional prescriptions largely remains elusive. Institutional entrepreneurship emphasises the linkage between interests, agency, and institutions (Maguire et al., 2004; Greenwood and Suddaby, 2006; Garud et al., 2007). Thus, drawing on the perspective of institutional entrepreneurs, the findings highlight the way institutional entrepreneurship can affect the issues within institutional contexts to promote effectiveness in corporate governance reforms.

Institutionalisation of any innovations is acknowledged to be profoundly political and reflects the relative power of organised interests and the actors who mobilize around them (DiMaggio, 1988; Misangyi et al., 2008). The '*projective agency*' view of institutional work (Emirbayer and Mische, 1998), acknowledges the place of future-oriented intentionality in consciously and strategically reshaping social situations (Lawrence et al., 2011). In this regard, examining the dynamics of institutional

entrepreneurship, Maguire et al. (2004) address three specific aspects – subject positions, theorisation and institutionalisation. They find that, in emerging markets, the subject position of institutional entrepreneurs, with respect to diverse stakeholders, (1) provides these entrepreneurs with legitimacy and (2) offers them access to dispersed sets of resources, by enabling them to bridge those varied stakeholders (Maguire et al., 2004). Nonetheless, the specific place for economic actors in good governance, has historically been de-emphasised within the developing context of the Nigerian corporate governance reforms. The findings outlined in this chapter of the thesis, provide an understanding in bridging the gap, in an attempt to answer the research question within this investigation: *How can an institutionally driven corporate governance reform be achieved in Nigeria*?

In this regard, the findings emphasise the resonant themes towards actualising efficiency in corporate governance reforms performance through the central institutional agents (**reformers, recipients and influencers)**, within the Nigerian corporate context. In essence, emerging themes advocate the prospects of instigating institutionalised corporate governance reforms in Nigeria, through an *'actor defined'* framework, particularly, by affecting the **perception and patronage of key players**, and consequently the interface of the **institutional logics**. The findings within the chapter are structured as follows: the first section highlights the propositions for promoting best practices in Nigeria through emerging macro-economic development themes. These include advancement of the institutional investment and capital market, promoting institutional investment, shareholder activism, and legal and regulatory reforms agenda. In the next section, insights from the study advance improving identified pivotal endogenous variables, through the education and enlightenment of key organisational actors, for attaining micro level reforms in Nigeria. Further, the chapter outlines the process by which organisational reforms can be refocused. Against this goal, the study offers an ***inclusive framework for salient actors***, towards a related corporate governance reforms agenda, in the developing context of Nigeria.

7.1 Macro-level reforms: promoting best practices through economic development agenda

7.1.1 *Institutional investment and capital market advancement*

Organised actors can spur the reproduction, reinforcement or change in institutional contexts when they determine and are able to foster their interest (DiMaggio, 1988). As the findings from this study indicate, such collective efforts are vital to corporate governance improvement in Nigeria, in light of the peculiarities in the Nigerian corporate governance context. First, the study proposes that the development of institutional investment, which induces large scale investment in Nigerian companies, will promote the emergence of institutional ownership. Such undertaking is expected to

check, among other things, the prevalence of a concentration of family owners and their overbearing influence. As represented in the opinion of a policy maker:

> RCO33: "*Attracting investment means diluting the ownership structure. So, the concept of '**I want to own everything' is disappearin**g. You can own everything in a cookie or own 20% of a big cake. So, with others coming in you can have the slice of a big cake and the slice of a big cake is far bigger than that of a small biscuit."*

As stipulated, the level of corporate governance advancement depends, *inter alia*, on the corporate governance structures, such as the capital market development. For example, previous studies (Arun and Turner, 2004; Tsamenyi et al., 2008) find that the underdeveloped capital market is responsible for the ownership structure prevalent in the corporate governance environment in developing countries. However, this study finds that, on the contrary, the concentrated ownership structure rather constitutes a major challenge to the development of the capital market in Nigeria. For example, as stated by a corporate regulator:

> RCB02: *"If large corporate investors such as the pension fund administrators are on company boards, this could help to rectify, to a large extent, governance processes*".

To this extent, rather than undue family founders' influence and conflicts of interest, engendering arm's length transactions/contracts, as recommended in the principles, would moderate the predominant *relationship-based* corporate governance and the contending implications. This however, can mainly be achieved if the institutional supports such as the capital market are developed. In this regard, institutional investors are envisaged to constitute one of such ***agents of change***. Similarly, as Maguire et al. (2004) professed, within an institutional field, actors that do not occupy dominant positions can nonetheless affect the advancement of such a field by acting as institutional entrepreneurs in ways that are advantageous to them. Accordingly, such advancement in corporate governance infrastructures is anticipated to inexorably foster the intended corporate governance reforms and vice versa. As a respondent cited in this regard:

> CLB11: "*What drives the financial market? Trust and speculation. Fortunately, they have come up with an innovation. There is a rating scheme in place now. They are trying to rate companies according to their corporate governance structure. So hopefully it is for investors to see those companies that are well rated as good investment options."*

The need to create a viable institutional environment for investors or investment has been central to corporate governance reforms in Nigeria. In this vein (as identified in Chapter 4), one of the major themes emerging from the data as a motive for corporate governance reforms in Nigeria, is economic

growth and development and thus the resultant attention, for instance, on the financial institutions. For example, as a consultant stated:

> OAD26: *"The corporate governance in Nigeria should be targeting reinforcing investors' confidence and risk management. What I would like to see is that the level of governance equates to investors' confidence. The better the level of governance the better the investors' confidence and this gives a reason for investment to come in,* which is in line with our **economic objectives of growth and development**.*"*

Also, as a company regulator cited:

> RCJ15: "*Because these banks also have investors from outside and most of the funds that are coming into the country come from earnings of the banks, they have to be sure that the governance structure of the bank is also fine for them (investors) to do business with."*

In this regard, respondents' views relate the rationale for the emergence of the codes of good governance in Nigeria to the development of a functional business environment. Especially, this is considered as an integral antecedent to the promotion of an atmosphere to investment. Thus, as implied, good governance principles in Nigeria are viewed as tantamount to basically embracing best practices, in order to realise such intended developmental goals. However, to achieve this good governance objective, the development of institutional structures, such as the capital market, is advocated as a necessary precondition. In this respect, boosting internal investments and revenue, with a view to relaxing the over-dependence on external funding, is equally suggested. This way, as anticipated, the concomitant advancement of the capital market, as the medium of exchange, should emerge. As a regulator stated:

> RCN32: "*Because for you to have a strong capital market, you must* ***start by pulling funds domestically****. When you are telling people to bring funds from abroad, it is also proportional to the* ***domestic fund*** *you can raise internally. That is why we spend a lot of energy in targeting and protecting minority shareholders/investors."*

Aside from the internally generated revenues, developing Nigerian public companies is expected to stimulate the promotion of a more regulated and standardised corporate governance structure. This, on the other hand, will in turn, stimulate more compliance with good governance recommendations. In this respect, although the stipulated drive is for FDI in Nigeria, the promotion of indigenous investment is nonetheless intended to catalyse economic growth and development in this developing context. Such ventures as the need for the expansion of the Small and Medium Enterprises (SMEs), and an increase in the number of publicly listed/quoted companies, are considered as necessary

precursors for improvements to corporate governance performance. For instance, as a regulator stated:

> RCH13: *"Maybe 10 years down the line, as times goes on, when the economy improves, we will have a lot of SMEs. These SMEs will find **that they are competing for capital, then they will be forced to improve the level of transparency and contro**l in their company. That is when corporate governance comes into place. It is **not something you can force.**"*

Also, as indicated by another respondent, in this respect:

> OAB09: *"**The level of awareness** has gone up; people now realise that there is a need for good practices. Secondly, companies are aspiring to **grow and even operate outside** Nigeria. For them to operate outside Nigeria, they have to have some basic standard of corporate governance, because they are going into other countries. It will affect you business-wise, if investors bringing their money also specify that, 'for me to invest in your company, you must have a good governance structure."*

7.1.2 *Promoting efficiency in shareholders group activism*

Shareholder activism has generally been noted as an integral part of corporate governance and accountability (Sarkar and Sarkar, 2000; Solomon, 2013). However, the corporate governance practice in Nigeria constitutes a significant effect on such mechanism, in line with the prevailing block-holding. In this light, by implication, the minority shareholders exhibit dormant impact on corporate governance in Nigeria. Nonetheless, aside from the stipulated prevalence of the concentrated shareholders and other influences, such circumstance also relates in part to the cognition of the related actors. Sound cognition is stipulated as an imperative in corporate governance performance by engendering rationality in social actors (Forbes and Milliken, 1999). For instance, shareholders' groups are indicated as not having sufficient appreciation of their roles or their implication towards good governance in Nigerian listed corporations. Though there is recorded a seeming improvement in shareholder group activism (Amao and Amaeshi, 2008; Adegbite et al., 2012), this study, however, reveals that the execution of their duty and diligence is inadequate. Given the prevailing framework of performance in Nigerian corporations[62], such stated improvement is yet to correspond with the ability to stimulate an effective corporate accountability, appropriate for the universal reforms agenda. As stipulated by a regulator:

> RCL21: "*Though it is meant to be, but there has not been anything to show that there is a positive impact on firms, as a result of the shareholders' activism in Nigeria. The reason is that*

[62] *See* the chapter 5 of the thesis for the detailed insights regarding the prevailing organisational procedures, as a consequence of the corporate governance system in Nigeria.

*most of **the shareholders' association**s that we have, because of **the lack of understanding** of their role, are **not effectively carrying out what they are expected to do to enhance corporate governance.**"*

In this regard, as emerging themes indicate, **education** is advocated as a vital technique in addressing this shortfall. As a respondent stipulated in this respect:

RCE05: "*The SEC tries to train them **on their role**, i.e. the impact they should have on companies. They are supposed to influence the company executives and not the other way around, but I feel they need to be **informed. Lack of enlightenment and education are major issues affecting shareholders' activism in Nigeria.**"*

On the other hand, the effect of the overbearing position of concentrated owners is also intended to be moderated through this avenue. According to a policy maker (member of the corporate governance reforms steering committee):

RCH13; *"So we are trying to educate the shareholder groups that if they are actually representing the interest of minority shareholders – because that is what they stated they are representing – then they must ensure that the proper questions are asked at the AGM, not coming **to ask doctored** questions, which is not improving the health and wellbeing of the companies. We set objectives for the AGM, stating the to SEC and the stock exchange to ensure that it is conducted in the most ideal way."*

In this regard, education and enlightenment of key players in the Nigerian corporate governance environment emerged as vital towards demanding and instituting enduring best practices. As mentioned by respondents, ***education*** in this respect, involves employing the use of direct training, seminars, meetings, instructional bulletins and public information systems (e.g. TV advertisement and radio jingles). ***Enlightenment*** on the other hand involves ensuring that the shareholders, especially minority, are made aware of other powers/mechanisms of control in companies, other than ***merely their voting right*** (Interviews RCK20; CLK29; CLE18). In this regard, if the key players, as shareholders, are knowledgeable about their role, then they can effectively deploy other alternatives, to request answerability, for instance, by creating bad publicity for companies that are badly governed. In the opinion of a respondent with respect to this:

CLD27: *"So if they want to be active, one way of doing this is, if they can impact on the reputation of the organisation. Where the organisation feels that **bad publicity** is detrimental to them, in terms of attracting investment, i.e. this can affect the image of the organisation, even the share price, they will do things rightly."*

7.1.3 *Legal and Regulatory reforms*

Scholars have specified the significance of the institutional determinants on the performance of organisational processes. In Nigeria, past studies such as Amaeshi et al. (2006) and Adegbite and Nakajima (2012), highlight the prominence of culture and the belief system on corporate governance practice. Within this study one of such institutional determinants is the Nigerian corporate legal framework. The Nigerian corporate governance structure has been dependent on the legal framework (Company and Allied Matters Act, (CAMA)).[63] Along this line, the proposed corporate governance reforms in Nigeria are noted to have been largely directed by this prevailing legal infrastructure. As stipulated in an earlier chapter of the thesis, through the dependence on the legal framework (CAMA), however, infrastructural challenges from the obsolescence of the legal framework are disclosed. Indicatively, this impact is demonstrated as a resultant incoherence between the coercive and normative pressures (DiMaggio and Powell, 1983), in the current corporate governance reforms scheme in Nigeria. For instance, as a corporate director suggested:

> RCC03: *"There is need to amend the CAMA. If you look at the provision of the corporate law, there is a lot of lacuna that need to be filled in terms of penalty. For instance, 50k penalty for the breach of some provisions. Such penalty is inappropriate and outdated and cannot serve as a deterrent."*

The above situation, among other things, militates the consistency of institutional logics within this context, hence, the dependence on the ***rule-based*** structure, as the feasible or realistic alternative, in this respect, as cited in an earlier section (Chapter 6) of the thesis. Nonetheless, although the present stringent approach to the implementation of corporate governance best practices, however, respondents view it as a temporary measure.

Scott (1994) asserts that the increasing acknowledgement and significance of '*meaning systems, symbolic elements, regulatory processes, and governance systems*' have increasingly depicted convergence across organisational research. Similarly, the implications of institutional substances and archetypes for organisational reproduction have come to be recognised and acknowledged (Suddaby et al., 2010). As Meyer and Rowan (1977) assert, the components of any organisational structure reflect the infusion of the values, myths and mores in such an environment. Developing countries clearly embody some distinct differentiations from their developed counterparts – as outlined in an earlier chapter of this thesis. As contended by respondents in this inquiry, 'in order

[63] CAMA is the main and sole legal structure in Nigeria <http://www.nigeria-law.org/CompaniesAndAlliedMattersActPartI-V.htm>

to institute a more regulatory (rather than the prevailing legislative) system for the Nigerian corporate governance practice, such distinctions need to be accounted for in corporate governance reforms' approach (interviews RCP36; CLE18; OAA08). Thus, not only is the revision of the CAMA recommended, but also the need to make the key organisational actors, such as corporate governance officials, appreciate corporate governance principles is mostly advocated (interviews RCP36; CLE18; OAA08; OAC17). As stated by a company accountant:

> OAC17: *"If corporate governance reform is going to be widely embraced, it has to start from the approach to these reforms. It will be helpful to allow entrepreneurs/companies to appreciate why self-regulation is needed."*

Second, with respect to regulatory reforms, the study proposes that the procedure for the administration of the corporate governance reforms needs to be more formalised and explicit, rather than implicit. The prevalent rigid procedural approach is stipulated as an inevitable outcome of the lack of structured framework for best practices in corporate governance in Nigeria (interviews CLA10; OAB09). A stable structure is cited as imperative to provide the consistency required in the implementation of similar best practices across industries and sectors (interviews OAG34; CLH23). This ideally recognises such as necessary precursors to the institutionalisation of organisational reproduction or change (Meyer and Rowan, 1977). Essentially, this investigation reveals that the establishment of a more regimented or standardised procedure in Nigeria, in fostering an effective ***institutionalisation*** of corporate governance reforms, is imperative. As respondents argued, a lack of articulated procedures for corporate governance reforms in Nigeria impedes a lucid direction (interviews OAI37; OAE28; CLD16).

Although this study recognises that there could be continuous interference of socio-cultural artefacts on organisational activities within such a maturing field, nonetheless, ***the standardisation of these institutional prescriptions*** is proposed. In this case, the advocacy for a stabilised structure in Nigeria is, however, stated as not requiring interpolated measures from other countries, but rather, the regimented procedures for the implementation of context-specific recommendations, whereby*,* ***structured internalisations of the institutional peculiarities within the Nigerian context, are considered necessary to actualise unequivocal institutionalisation procedures for organisational reforms.*** Specifically, such procedures are expected to leverage on and incorporate the cultural and social variations in this setting, by designing a tailored framework. In addition, the explicit formalisation of such procedures is equally advised. This should provide an adapted referent regulatory basis across the Nigerian organisational field. It may also require documenting such

precepts in order to be incorporated as organisational guidelines. For instance, as stated by a company executive, in this regard:

> CLL31: *"And mostly the challenge is that there is no formal structure. It is important for the cultural influences to be controlled. To a large extent, we can introduce some of the cultural practices, but we must have* ***them documented and formalised.*** *So that people will know that oh in my culture, for instance, it is acceptable to collect gifts but only up to a* ***certain amount****. Also, maybe it is acceptable to take clients out, but stating the limits. If it is normal to do it, then it will not mean you are compromised, as long as you acknowledge it, and due* ***process and transparency*** *are followed."*

Notably, in the light of the foregoing, the role of government in Nigeria is contested as pivotal in fostering a centralised framework for the administration of best practices, by providing necessary order, direction and control (interviews RCE05; RCP36; CLF19). This intervention is expected to foster coordination through, for instance, policy development targeted at such central mechanisms as the capital market (interviews CLL31; CLE18). For instance, as a corporate governance consultant noted:

> OAG34: *"The capital market has grown over the years due to government intervention. When you look at indigenisation for instance, boosted our capital market, when they said banks should capitalise, it boosted our capital market. So, you see that it is mainly the policy of government that boosts the capital market. Government has to put on its front burner, incentives. For instance, if I tell company xyz, these are the incentives you will get, but before you get a certain volume of contracts, you need to be listed. But government is not doing that. Even companies that are listed, if not that they seek cheap loans abroad, they might not be listed."*

In this light, in Nigeria the intervention for advancing corporate governance mechanisms is cited as a precursory base for such coordination. This could be in the form of giving incentives to be **invested in the capital market**. As the private sector is seen to be largely dependent on the public sector, promoting public sector reforms should thus create a more promotional interdependence. For instance, as one respondent posits in this respect:

> OAC17: "*Government itself is going to be forced to look at the capital market. When there is a budget deficit, either they go to* ***euro bond to raise funds or they go to borrow from multinational agencies****. The government itself needs to be able to look at the capital market and develop it, because the government itself seems to have little interest in the capital market."*

Thus, in Nigeria, the place of central government in instigating acquiescence to best practices by proactive advancement of corporate governance structures, is emphasised. Such a mechanism for centralised regulation, as in the capital market, is identified to be imperative if a coordinated corporate governance administration and its improvement are to be realised.

7.2 Micro-level reforms: Improving rationalisation in organisational reforms

7.2.1 Engendering Boards' independence, roles and responsibilities

As La Porta et al. (1997, 1999) posit, in corporate environments characterised by low protection of minority interest – such as indicated in Nigeria[64] – the expropriation of minority shareholders is considered to be eminent. However, in Nigeria, rather than the typical **agent-principal** relationship, the **principal-principal** relationship (Young et al., 2008) is prevalent, due to the characteristic concentrated ownership structure. Nonetheless, this study finds that due to their small shareholdings, minority shareholders in Nigerian listed companies are largely marginalised, rather than expropriated. In addition, this issue is particularly compounded by the prevailing strain on the efficiency of the board of directors (BoD) in Nigerian corporations (*see* Chapter 5 of this thesis). In market-based economies, where there are highly dispersed shareowners, the BoD serves as the intermediary between the shareholders and company executives (Baysinger and Hoskisson, 1990; Blair and Stout, 2001). Nonetheless, in Nigeria, the appointment and selection of the BoD, as revealed, is hugely influenced by the controlling block-owners. Evidently, their independence is, in turn, impaired (*see* Chapter 5 of this thesis), whereby, the board tends to pay more allegiance to the controlling shareholders. To this end, their ability to perform effectively their role in protecting the dispersed/minority shareholder is impacted. Subsequently, as the study reveals, a bid to promote a more ***externally focused*** corporate governance mechanism, stimulating the awareness of the BoD to its responsibilities, is considered a priority (interviews CLG22; CLC12; OAF30). In this respect, in Nigeria, training the board to be more aware of its significance in corporate governance is advocated as an integral part of corporate governance advancement. It is believed that such training could foster a better understanding of the board's role and responsibilities. For instance, as suggested by one of the directors of the regulatory body that was interviewed, *"there is need for the Nigerian Institute of Directors (NIoD) to take up this challenge in organising direct training for directors*" (RCK20).

To this extent, a ***'Board Evaluation'*** scheme has evolved as one of the main resolves introduced into the corporate governance reforms in Nigeria in the last decades. The ***'Board evaluation'*** involves an annual assessment of the efficiency and effectiveness of each targeted (listed or public interest) company. This exercise is meant to allow an overall appraisal of the state of the

[64] Such as in Nigeria - with the evolving or almost non-existent level of external corporate governance mechanisms

Board, its committees and the company's general internal control system. Regarding this initiative, respondents in the study stated their views thus:

> CLI24: *"One of the things that the Financial Reporting Council of Nigeria (FRCN) advocates is an **annual corporate governance evaluation**, which hopefully should throw up most of these corporate governance issues, that is, things that **are red flags** that are underlying the **numbers**. Because a **routine audit** doesn't throw up corporate governance issues, it just focuses more on the financials. It is not only numbers that tell the story of a healthy organisation. When companies go to the stock exchange and give the facts behind the figures, corporate governance is one of those facts. **Corporate governance evaluators** will highlight those issues where there are concerns and also highlight the positives as well. The **strength and weakness** and areas for improvement."*

> RCE05*: "The companies have come to realise that it helps to focus on the board to **improve the processes**. They contracted this out to **PWC, KPMG**, etc. and are ready to pay, so that they can give them an independent assessment."*

Along this line, as Martin et al. (2017) argue, the ability to selectively enact logics derives primarily from the organisational level and depends particularly on the way the logics are represented in organisational processes and personnel. In this regard, apart from the stated assessment, the board evaluation initiative also highlights the role of independent evaluators. From this perspective, the independent evaluators thus also emerge as central actors in the transformation agenda. Thus, these evaluators, alongside other key actors, transpire to be ***'institutional reformers'***, fostering organisational transformation/change, in this context. In this respect, concerning the impact, with respect to the composition of NEDs, a director from one of the listed company stated:

> CLF12: *"If you look at the non-executive directors, there is diversity on the board now. Gender, ethnic, etc. The whole idea is to improve corporate governance*."

7.2.2 *Legitimacy through information disclosure*

Lack of necessary infrastructures in Nigeria, has been stipulated as one of the major impediments to corporate governance advancement (Yakasai, 2001). This weak infrastructural base has also affected the protection of minority interest, somewhat. For instance, the lack of an updated national database is noted as a major setback to the Board's performance, to some extent. Especially, such situations are specified to have affected the recruitment or selection of qualified personnel for the Board, in the capacity of NEDs, to some extent. For instance, as stated by a regulator:

RCP 36: *"We don't actually have a database. In developed countries like the UK, USA, they have the required databases through agencies such as the Institute of Directors (ID) and the ID also have the additional role of screening people, who need to meet certain requirements, before they can serve on the boards of corporations."*

As a way around such complexities, emerging findings reveal an advocacy for corporate governance reforms in Nigeria to follow a fairly unconventional approach in this respect, unlike universal prescriptions. Information asymmetry between the executives and the outside shareholders has normally accounted for a form of agency problem (Berle and Means, 1932). As a noted hybrid system,[65] corporate governance in Nigeria also, consequently, involves the outside dispersed owners and the company managers and/or controlling owners. Thus, as a result of the separation, corporate governance performance is also prone to some standard ***agency*** conflict (although minimally).[66] Consequently, the need to assuage these issues arises. As this emergent theme reveals, improving key actors' (reformers) rationality represents a key emerging proposition in this regard. A major suggestion about the protection of the interest of minority stockholders, aside from the popularised approach[67], is improving their general cognition about governance performance. For instance, as stated by an official of a regulatory agency:

RCB02*: "We are going to download the name, qualification and years of experience of the Board members. We are going to bring out the composition of the Board committees, the audit committee, the governance and nomination committee and risk management committee. We are going to give their names and the years of experience and the years they have gained in those committees. We are going to give you the names of the Independent Directors, so that you (minority shareholder) can see how independent those 'independent' directors are. They will look at the different criteria of the independent directors; the qualification, experience and contact with the company, if they are actually independent. What are we trying to do? We are trying to protect the interest of minority shareholders because there is a wide concentration of ownership in most companies, so you need to do more to protect the interest of the minority shareholder."*

This therefore suggests that the sound comprehension of good practices, by outside owners will engender a better appreciation of their rights, resulting in active participations.

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[65] See Chapter 4 of this thesis.
[66] See the earlier findings in Chapter, 5, for a detailed discussion of these issues.
[67] Standard global corporate governance propositions, such as the OECD principles, the Cadbury Report etc., have normally eulogised the importance of the inclusion or increase of Non-Executive Director (NEDs) on the board of public corporations in order to foster accountability.

As this investigation reveals, one means of mitigating this problem of apprehension of governance practice is by bridging the information gap between the executives and the outside owners in Nigerian corporations. Enhancing the availability of credible information, is stated as imperative in this respect. Also, such access to necessary corporate disclosures is anticipated to help mitigate the resonant disinterest in corporate governance matters, especially among the outside (minority owners). As the study affirms, having reliable information at the disposal of the minority shareholders or investors enables adequate awareness about the activities of the company (interview RCB02). From this viewpoint, disclosures are considered as vital in promoting the exercise of their rights and other powers to hold corporate managements accountable. According to another opinion of a respondent, regarding this:

> RCN32: *"What are we trying to do? We are trying to ensure that the information that is released via companies gets to the market quickly in order to enable investors to take informed decisions."*

Therefore, this pursuit of disclosure is anticipated as requisite to generally improve the cognitive rationality and backing of targeted parties, by expanding their perception of corporate governance. Along this line, as a developing country, with a revealed prioritised agenda for growth and development, this is adjudged to be a major way of fostering transparency, accountability and consequently, investment. Correspondingly, this undertaking to provide credible information is also intended to enable outside shareholders access the viability of their representations across different companies and demand answerability. In the bid to attain one of the targeted objectives of governance reforms in Nigeria, this is eventually expected to secure the protection of the vulnerable dispersed minority shareholders. As credible and timely disclosures should reduce information asymmetry, it is implied to also additionally promote a perfect market condition (Healy and Palepu, 2001). This analysis equally suggests that such a drive for the presentation of reliable and accessible information in Nigeria, presents a way forward in the provision of internally generated revenues and economic growth, consequent upon the expected advancement of the capital market. Alongside this, the view of a respondent (policy maker) was:

> RCI14: "*How are we doing this? When we first looked at the website of all the public companies in Nigeria, we discovered that about 40% of them are not functional, which means that investors going to the site of these companies cannot get information. So, we now want the market to determine the quality of information it has. What we have started this year is to start downloading on our platform, information that will enable the different stakeholders get an overview of how their companies are run. The first information we are giving you is basic*

information about your company. We are also giving you all the information you need about the Board and its committees."

In essence, ***'transparency'***, as signified by the increase in the level of disclosures of companies' engagements, is considered salient in aiding development. Consequently, as inferred, this expectedly will show (investors) and/or shareholders, at the very least, that the Nigerian corporate governance processes are fair and open enough.

7.2.3 *Organisational actors: cognition and corporate governance reforms*

As highlighted in the preceding findings chapters, among other issues, there is disclosed the dominant influence of concentrated ownership structure on the corporate governance system in Nigeria. One core reflection of their controlling interest is in the Board appointments in listed companies. As Maguire et al. (2004) argue, institutional entrepreneurship can help stabilise activity in a field by taking it from an emerging to a more developed state, thus connecting actors in more formalized, stable relationships, through the production of shared norms and understandings. By broader implication, the general perception about good governance practices in Nigeria tends to be just evolving and thus relatively nascent. Indicatively, this poses a challenge to the administration of corporate governance reforms. This circumstance is in turn found to inform the general approach to implementation. As Harmon et al. (2015) specify, communicative and cognitive mechanisms are fundamentals of institutional maintenance and/or reproductions. In line with the nature of the organisation field, as discovered, an imposition of principles through the ***rule-based*** approach applies in the administration of corporate governance reforms in Nigeria. As a company regulator argued:

RCG07: *"What they do in the UK is different. The comply or explain works in the UK. But, our people don't understand the comply and explain. This is the aspect we need to work on. Ultimately, it is important to improve people's orientation in applying acceptable principles in their organisations."*

In this respect, ultimately, despite the present approach, a principle-based corporate governance reforms approach is considered to be optimal. In line with this, improving the cognitive abilities of relevant economic actors emerges as an imperative. Accordingly, a company respondent cited:

CLK29: *"**The general awareness,** is more important, as opposed to literacy. You know there is something that is called being street smart. As for me, I would be more interested in how **knowledgeable directors and managers** are in terms of their responsibilities and background, not qualifications."*

Along these lines, findings disclose efforts to redirect these ideologies in line with achieving efficiency in governance practices in Nigeria.

Thus, as opposed to the prevailing rules and regulations, the need for education and enlightenment of business owners (managers) is promoted as a logical means of attaining significant appreciation of corporate governance principles in fostering a more voluntary approach. A regulator cited in his view, thus:

> RCF06: "*SEC and CBN are always training the major stakeholders, like business owners. If there is no issue with funding, wherever we have opportunity in the world we are always going for training. The* ***training is a continuous thing****; we invited Dr King of South Africa sometimes.* ***What are we doing? We are exchanging ideas*** *and recent happenings within and outside our jurisdiction, to improve knowledge."*

In this light, one key theme emerging with respect to creating a wholesome business environment is the need to re-orientate business owners, elites and other key organisational actors regarding the significance of good corporate governance (GCG) and its implications. This is expected to refocus key agents' (reformers) perceptions, in this respect, derived as essentials within this maturing setting. As a regulator stated in this regard:

> RCL21: *"****Education and enlightenment*** *are important. We need some form of* ***coordination*** *and* ***standardisation*** *of corporate governance practice across the board. Managers of companies must know that it is in their interest. It does not only help stakeholders, but also their companies. Owners of business should know that it is in their interest to have a better run organisation. Business should be at* ***arm's length****.* ***Conflicts of interest*** *should be eliminated. We have so many codes, so we need to standardise."*

Also, another regulator stated, thus:

> RCD04: *"But we've seen that in order to change the existing culture there is need for people to be able to see and understand the cost-benefit analysis. There must be principles and good practices. No matter what happens you must follow the principles and best practices and that is the step we are taking now."*

7.3 Rethinking corporate governance reforms in Nigeria

7.3.1 Refocusing the approach to reforms

As revealed, the Nigerian corporate governance setting is largely encapsulated in informal framing, which represents less adaptive structures, thus, the requiring of more articulate representations of constituent lines of action for the proposed institutional reforms. Rather than organisational power and control, in reproduction and isomorphism, the role of conformity, habit and

convention, in fostering institutional continuity or resilience, is acknowledged (Oliver, 1991). In an earlier section of this thesis,[68] the corporate governance in Nigeria is highlighted to reflect a high reliance on historical procedures (elaborated along the path dependence theorisation). In this sense, this study reveals the inclination towards existing structures, in the form of prevailing institutional logics and perspectives of organisational actors in Nigeria. This discovery suggests that the Nigerian corporate governance reforms efforts are reflective of the effects of ingrained conventionalities or traditions. From these perspectives, the adoption of the ***rule-based approach*** to the administration of reforms is evidently indicated to offer a resolve towards the intended restructuring. As a company regulator cited:

> RCL21: ***"****If you* ***tighten/strengthen*** *the institutions in Nigeria, things will work, enhance better governance performance. Because that is one way of changing behaviour. Because it is not all of us that can think of behavioural change; we still need that* **carrot and stick approach***. We are trying to change behaviour. In the initial instance, the sanctions should be* **tough enough***."*

Essentially, the above evidence could indicate a country level analysis of responses to external pressure for compliance with innovations in Nigeria. The contextualisation of corporate governance practices has been promoted. Scholars have called for a better understanding of the extent of the national characteristics on the effectiveness and legitimation of organisational innovations (see Aguilera et al., 2008; Filatotchev et al., 2013). For instance, Filatotchev et al. (2013) argue the significance of institutions in creating different sets of resources for monitoring, as well as values and normative understandings, across different contexts. In this vein, this investigation reveals that adopting a mandatory approach indicates the preliminary stage in the implementation of corporate governance principles, in a maturing field such as Nigeria. Essentially, at this phase of implementation, as cited, the enforcement of these recommendations emanates as the only practicable option, given the state of the institutional field. As specified by a manager of a listed company who was interviewed:

> CLJ27: *"If we are having such a conversation about corporate governance in Nigeria, our level of development is* **not proper enough to say that it is optional***. Make it* **mandatory initially,** *so that all of us are moving in the same direction. All these, PENCOM, NAICOM, CBN codes are mandatory. As these regulators will state: If you want to operate with my licence, these are my rules."*

Despite the stipulated prevalent governance method of enforcement of rules and recommendations, the establishment of a self-regulated framework is nonetheless advocated as an

[68] *see* the chapter 5 on the challenges of corporate governance reforms in Nigeria

ideal. From this analysis, the implementation of corporate governance in Nigeria stipulates an introductory stage. Alongside, the state of the institutional systems rationalises the adopted stringent approach to implementation, in this instance. Nonetheless, ultimately, respondents assert that the voluntary system of compliance will be more beneficial and preferred. As stated by respondents:

> OAH35: "***With time it should be a voluntary code,*** *investors will like to see companies do this because it is the right thing to do and not because they w****ant to avoid sanctions or as a 'means of securing their licence to operate.' If it is compliance based everybody is going to tick the box. It could result in a 'box- ticking' approach. However, if it is principle-based, people will see the reason why they need and have to comply. In this case investors can say 'I can see that company is better governed than this company'. So, investors*** *can assess companies that are well governed. Like* ***CalPERS, in California****, they take over companies that are badly governed and put their own good governance structure in place.*"
>
> CLG22: *"Everything is very mandatory in Nigeria. In some other countries, it is* ***voluntary****, like moral principles. I think it is the way we are, but in the long run, it might be more flexible. It should be allowed to appeal to people's moral principles."*

Against the foregoing, a principle-based corporate governance framework is supported. This is cited as a means to engender a more fluid approach, necessary to galvanise conversance with imbibing the spirit/moral of corporate governance recommendations, rather than just the letter. The existing mandatory culture is also argued to promote the **box ticking** approach which defers the attainment of a self-motivated best practices framework. As stated, in this respect, by a rating agent and a company executive:

> OAA08: *"I think for governance, you have got to make it a* ***principle-based thing later.*** *If it continues to be a regulatory thing, the companies are going to be ticking the box, as they are going to have fines if they don't comply."*
>
> CLL31: *"If I volunteer to comply, I comply willingly and it becomes part of my spirit and my DNA. It becomes something that I experience, I see the benefit. It becomes something that I want to take ownership of, unlike when I am forced. So, it is the two sides of the coin. Making* ***it compulsory, yes you will get 100% compliance but will they actually comply in the right spirit****?"*

7.3.2 *Instigating local mimetic pressure*

Institutional entrepreneurship refers to the **'activities of actors who leverage resources to create new institutions or to transform existing ones because of an interest in particular institutional arrangements'** (DiMaggio, 1988; Fligstein, 1997; Rao et al., 2000; Maguire et al., 2004). Along this line, research has also identified the possible effort of entrepreneurs (collective actions) in institutional reproductions beyond the proclaimed self-interest. Because they bridge organisational fields, which lowers their embeddedness, central organisations are more likely to come into contact with contradictory logics (Greenwood and Suddaby, 2006). Thus, Greenwood and Suddaby (2006) further argue that, rather than resist change, central agents, as institutional entrepreneurs, are actually more likely to instigate institutional reproductions (or innovations). Accordingly, this study also identifies the salient role of institutional entrepreneurs, in similar respect, particularly in developing countries in inciting best practices. Specifically, in Nigeria, this investigation recognises, among others, the intervention of ***'elite business owners'*** as constituting the dominant institutional action for change. The findings suggest that such institutional pressures can be channelled to propel best practices generally within the Nigerian corporate context. As intimated by a respondent from one of the policy making agencies in this respect:

> RCH13: *"There are some **classes** of people that affect corporate governance. Corporate governance also affects a certain class of people (the elites). If these classes of people come to the conclusion that we have to hold ourselves to high moral and ethical standards in the way we manage the resources of the country and the people, then this will be achievable."*

The above evidence upholds the position pronounced by Oliver (1991: 168) that "*Institutional pressures and expectations may occur not only by legal coercion but also by means of voluntary diffusion."* Accordingly, multiple institutions arguably interact to influence the perceived legitimacy of corporate governance practices within a nation (Judge et al., 2008)**.** Likewise, in examining the reinforcement or reproduction of prevailing institutional logic, scholars suggested that both environmental events and organisational contingencies may galvanise such opportunities for change (Meyer, 1982; Zajac et al., 2000; Thornton et al., 2012; Joseph et al., 2014). Organisations might become isomorphic within their contexts through certain social processes, one of which might involve mimetic actions (DiMaggio and Powell, 1983; Greenwood and Hinings, 1996). Mimetic pressure, which 'results from standard responses to uncertainty' (DiMaggio and Powell, 1983), normally involves the ability of an agent to mimic the attributes of another. "*Organisations tend to model themselves after similar organisations in their field that they perceive to be more legitimate or successful"* (DiMaggio and Powell, 1983: 152). Similarly, emerging themes from this study suggest the significance of mimetic

pressures in Nigeria amongst central organisational agents in stimulating adherence to good governance practices. For instance, as stated by a consultant:

> OAF30: *"In the UK, the FRC mainly regulates listed companies and the codes are part of the listing requirements. However, other sectors/companies that are not listed adopt it because they see that the recommendations are good. This is the type of initiative that the central actors here can bring to bear in the Nigerian context."*

In this line particularly, Misangyi et al. (2008) highlighted the corporate actions in instituting new organisational forms to address societal concerns. Their study illustrates how social actors, within an emerging context, functioning as institutional entrepreneurs, initiate new anticorruption institutional logic by incorporating 'corruption-disabling identities, cognitive schemas, and practices' (Misangyi et al., 2008). In Nigeria, actors or organisations established in strategic positions across the institutional field are found to constitute the ***central players.*** Such institutional actors are exemplifying institutional entrepreneurs, within this context. As they are less disposed towards established normative or coercive pressures (Greenwood and Suddaby, 2006), they are therefore likely to be more capable to precipitate such internal shifts from stipulated conventionalities (embeddedness), where necessary. This, as purported, is instrumental for instigating new practice, by stimulating mimetic pressure. As a regulator stated:

> RCK20: *"Nigerian banks have moved into other countries, if you look at the entire banking industry, and that is why Nigerian banks have grown. They are now doing well and also setting examples for others."*

Key corporate actors recognised as institutional entrepreneurs include multinational companies and foreign organisations, such as foreign subsidiaries/affiliates, banks, and other financial institutions, in Nigeria. These organisations are noted to possess, comparatively, a more developed corporate governance structure. These establishments equally have a more robust governance best practices framework. These companies are equally found to be at the forefront in the implementation of recommended governance reforms. They are therefore discovered to be more cognisant with instituting good governance principles, than their indigenous counterparts. For instance, as stated by a director of a regulatory body:

> RCA01: *"In fact, before you can be a director in any financial services business, they will have to do what is called '**the fit-and-proper-person's-check**' on you. Meaning are you fit, looking at your history or your antecedents. The central bank will circulate your name to an insurance*

regulator or pension regulator or SEC to say, do you know this person? Has he ever managed a company that has gone bankrupt? These are good practices that can be imitated by others."

Indicatively, these corporate actors, acting as central elites within this organisational sphere, are envisioned to be able to foster change and advancement towards the institutionalisation of best practices. According to DiMaggio and Powell (1983), within organisational fields, as well as societal cultural expectations**,** coercive isomorphism also results from both ***formal and informal*** pressures exerted on organisations by other organisations upon which they are dependent. To this extent, as postulated, these actions could form possible motivations for other companies (such as private companies or SMEs) that are lagging in GCG culture, thus constituting mimetic pressure. As stated by the director of one of the financial institutions:

CLI24: *"Our companies instigate others with their corporate governance practices. Some executives of other companies even say that they would like to attend our briefings to know how we are achieving success."*

Further, as network location thesis posits, peripheral organisations are more likely to disengage from established (existing) practices (Greenwood and Suddaby, 2006). Corporate actors such as SMEs, usually constitute these peripheral organisations. As implied, on the other hand, essentially, they could equally stimulate organisational transformations within the Nigerian corporate sphere. With a less established corporate governance structure, these peripheral organisations (SMEs) also tend to be less ingrained in existing practice. Thus, they are found to be more inclined to such mimetic pressure towards best practices, precipitated by the actions of the central corporate bodies. While, on the other hand, the multinational (central) organisations, as institutional entrepreneurs, could act as drivers of change, likewise, ironically, these peripheral organisations. As these are less ingrained in existing practices, they would be disposed to easily disengage. These small companies should equally be more prone to such proposed organisational innovations. As cited by one listed company official:

CLE18: "*You find that all the equity firms that comply, influence the governance structure of their portfolio companies. So, people are now seeing that it is in their own* ***long-term interest,*** *to have good corporate governance, otherwise you stay where you are. And if you stay where you are, your competitors will beat you in the market place."*

Ultimately, within the context of Nigeria, such orientations for change among organisational actors would significantly be impelled by the necessity for conformity. As stipulated, such normative pressures should be motivated by the instrumental/business case – i.e., the need for competitive

advantage and/or sustainability. In this sense, such intent for mimetic pressures is also expected to foster an effective value chain within companies' operations management. In this regard, according to the response of a Board Chairman:

> CLC12: *"A governance issue depends on how the* ***company sees it.*** *For me it's a* ***sustainability issue****. How can your business continue to operate? But, in every organisation, the* ***tune at the top determines*** *the working culture. No organisation will rise above its ownership. How do they live their values? There is no point saying these are our core values and you don't live those values. How do you enforce them? There are companies who say they don't take bribes, if you do they will fine you. Companies have gone to the extent that even in their codes of conduct, the suppliers sign an undertaking, that they cannot bribe the staff. You cannot give them a gift, the day you give them a gift, you are removed as a supplier. If the top is corrupt what will happen to the bottom; if the top is okay, then they can enforce those things. That is why if you have a code of conduct at the Board level, you should also have it at the management level and employee level. So, these are the issues companies are now battling with. So, more and more you find companies who do not have codes of ethics or codes of conduct for their staff, suppliers and Boards, are now creating them."*

7.4 ***Strategic alliances for good governance: harnessing the informal space***

Corporate governance structure and implementation within the context of Nigeria is revealed to depict its own distinctiveness. As Ocasio et al. (2015) propose, 'the collections of communicative events distributed throughout organizations and institutional fields can converge on systems of categories to yield the meaningful and durable principles that constitute institutional logics.' The corporate governance environment in Nigeria operates within a relatively informal space. This includes cognitive rationality, relationship-based (family concentrated ownership) structure, informal institutional structure, organisational actors' dynamics, and social influences, among other things. Against this backdrop, in the canvass for an effective framework for governance reforms, an inclusive stakeholder model is disclosed. Emerging evidence indicates such an archetype, as being a precursor to harnessing and internalising the highlighted contextual specificities towards the institution of corporate governance reforms in such a developing context. For instance, as one of the corporate governance contributors argued:

> OAC17: *"We need to look at all the peculiar factors in our environment. These are the things that we need to fine tune, understand and look at what suits our environment. Our environment is not the same as other (developed) environments. Even though we can either*

use that as an excuse or use it to perform better. However, we should look at the corporate entities and ask what is good for these entities."

As DiMaggio (1988) posits, 'new institutions arise when organized actors with sufficient resources see in them an opportunity to realize interests that they value highly' (p. 14). In light of the foregoing, the analysis propounds an ***inclusive framework for engaging salient actors,*** towards corporate governance reforms pertinent to the specificities of the Nigerian context.

(*A framework for salient actors' inclusion towards institutionalised transformations)*

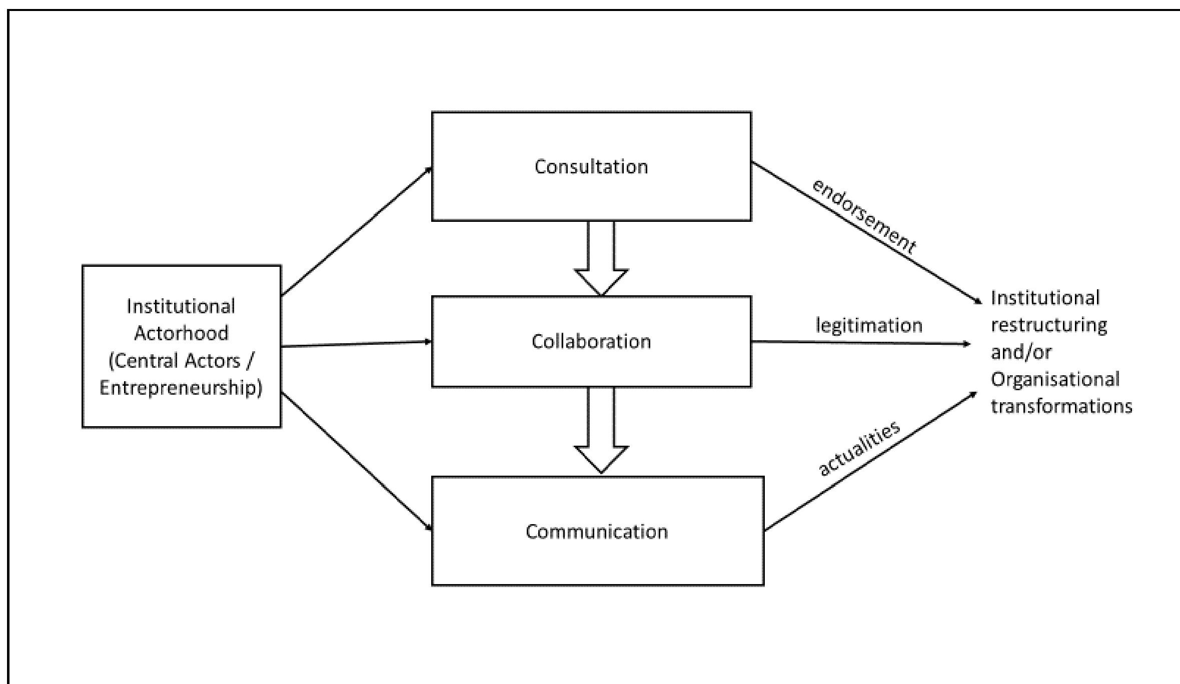

Figure 7.1: Framework for inclusive corporate governance reforms in a maturing organisational field: the *3Cs* of efficient actorhood (*Consultation, Collaboration and Communication)*

This framework, particularised as the **3C's** framework for ***inclusive Corporate governance reforms*** in the maturing (Nigeria) field, is delineated by three major interfaces: **Consultation, Collaboration and Communication.** These social processes are described as the necessary focal points for the homogenisation of innovations within the disparate structures and influences of the Nigerian organisational field, and are outlined below.

7.4.1 Consultation

The environment of corporate governance in Nigeria reflects the evolving nature of its systems. This is depicted in the lack of regimented formal structures (in consequence, the prevalence

of the informal rule), which typifies the institutional context. In particular, the prevalence of informal boundaries of corporate governance in Nigeria is indicated to offer a platform for a viable rationalisation of corporate governance reforms. To this end, the need for consultation among key actors (***reformers, recipients and influencers***) is suggested. Such social process primarily involves prompting deliberation in order to seek endorsements **(*buy-in*)** from the relevant and targeted stakeholders. From this perspective, Cohen et al. (2004) stipulated the usefulness of exploring the links between elements in the corporate governance mosaic. This is declared to synergise both the internal and external interrelationships between the various actors and mechanisms identified to affect governance systems (Cohen et al., 2004, 2008). As a regulator proposed in this respect:

> RCC03: *"The stakeholders that will use the code must be brought in to let them know how the code applies to them. Not for you to copy what we have in the UK. Wide* ***consultation and rule of engagement*** *must be adopted. So that at the end of the day, those that will use the code will not complain."*

Also, creating awareness about the importance and benefits of corporate governance and the understanding of such concepts are suggested as key. As stipulated in the earlier section of this chapter, one of the major themes emerging in the prospects for corporate governance reforms, is the need to attune the cognition of key organisational actors to the appreciation of good governance procedures. This will encompass enlightenment about the long- and short-term effects of the corporate governance reforms. This consultation should also engender understanding about the implication for the sustainability of businesses and the growth of the share/stakeholders' wealth. Nigeria has notably been characterised in the recent past, by some degree of corporate misdemeanour with the resultant impediment to corporate governance advancements (Yakasai, 2001; Okike, 2007; Adekoya, 2011). As Greenwood and Hinings (1996) establish, "a major source of organizational resistance to change derives from the normative embeddedness of an organization within its institutional context" (p. 1023). Accordingly, within the Nigerian corporate governance reforms attempts, the *'consultation'* proposition is additionally considered to be necessary in fostering the cited voluntary self-regulated structure. In such instance, a change in the cognition and expected perception of connected social actors within this institutional setting is foreseen to permit a transformative process in Nigeria. Essentially, the involvement of salient social actors is professed as vital towards the efficiency of the organisational reforms agenda in Nigeria. As a respondent (corporate solicitor) cited:

> OAE28: "*The FRCN is trying because it wants to key us into the global scheme, but we need to have all the companies themselves, everybody* ***having a buy-in*** *and the regulators themselves*

saying that we need to ***raise our game.*** *We also need a buy-in from the companies. The regulators and the regulated have a role to play. Then, we will be able to improve performance. But when you as the regulator and the regulated are showing conflicting figures and books, there is no way it can work. There must be a passionate need from the regulated that they want to improve their level of performance."*

As disclosed in the previous chapter, the corporate governance reforms in the Nigerian context are segmented and sector driven. Even though respondents stated that the initiation of a singular national corporate governance reference would be better, however this is claimed to be unachievable within such a fragmented environment. Due to their intrafield linkages, as a result of being less ingrained into the traditional practices, central actors can be lowly embedded (Greenwood and Suddaby, 2006). As Greenwood and Suddaby (2006) further claim, with the combination of such low embeddedness and an inducement for change, central actors become institutional entrepreneurs. Basically, such an approach is expected to equally resolve the ascendancy issues revealed within the Nigerian regulatory environment and certainly facilitate the institutionalisation of these reforms. As stated within one respondent's opinions:

RCM25: *"Also in terms of enforcing, you must first start by* ***enlightening, orientation or encouragements.*** *Show them why they need to. It is always better when someone volunteers to do something. My level of commitment, whether* ***I voluntarily do something*** *or if I am forced to do it, is different. If I am forced to do something especially if there is risk on the other side, essentially it will become a profit taking exercise."*

Previous research has hypothesized such an approach as being beneficial to engendering impactful institutional reproduction or transformation. As Misangyi et al. (2008) noted, the institutional orders on the cognition and behaviour of social actors must be influenced in any attempt to understand and change a social world characterized, for instance, by corruption. As stated in the evidence above, consultations with key actors/agents in Nigeria are proposed as imperative towards the attainment of the advocated centralised corporate governance reform procedure. Such attempts will incorporate the views of prominent actors who will ultimately endorse such reforms within this environment. This in turn is predicted to promote the aspired growth and development priorities within the macroeconomic level. In line with this a corporate consultant commented thus:

OAF30: *"The current codes are good for now, but it will be better if there is a single code with principles as opposed to regulations. It should be recommended for companies to comply, not that if you don't do it your licence will be withdrawn or you will get a fine. This will be an* ***ideal situation,*** *because investors from principle-based corporate governance environments that*

*want to come and invest in Nigeria are already used to this **principle-based structure** and they might not be comfortable with or be discouraged by too much regulation."*

7.4.2 Collaboration

Aside from the consultation phase in the promotion of a relational organisational reform framework, the study also unveils the advocacy for coordinated efforts within the Nigerian corporate sphere. As revealed in the investigation, the Nigerian institutional environment symbolises a structural hegemony. As such, dominance among social actors within this corporate governance domain is indicated. Organisations, regardless of their formation, remain as political constructs – indicated as socially and legally constructed types of social order (Meyer and Höllerer, 2014). Also, as Oliver (1991) posits, 'organizational response to institutional pressures toward conformity depends on why these pressures are being exerted, who is exerting them, what the pressures are, how or by what means they are being exerted, and where they occur' (p. 159). As the study reveals, the Nigerian corporate governance reforms procedure is sectionally patterned, so also is the administration of best practices codes. Isomorphism involves a constraining process where one unit, under the same set of environmental conditions in a population, is constrained to resemble other units (DiMaggio and Powell, 1983). Nonetheless, powerful forces can emerge to coerce them to become more similar to one another, only when disparate organisations are structured into an actual field (by competition, the state, or the professions) (DiMaggio and Powell, 1983)**.** Regulatory agencies, such as professional associations, play a salient role in conceiving change, endorsing local innovations and shaping their diffusion (Greenwood et al., 2002). As stated by a regulator:

> RCP36: "*Corporate governance generally in Nigeria is for the regulators to come together, collaborate and work together. For me that is the major way I think the corporate governance reforms, can work well. The central agencies, business owners and regulators come together to enforce it. Like I said, doing good thing does not come naturally to us in this part of the world. For any policy to work effectively there must be collaboration among the regulators. All the other stakeholders need to be identified and they also have a part to play. It is necessary to get their endorsement."*

Evidently, this suggests the need for collaboration among key institutional and organisational agents, recognised principally as ***reformers or receptors***.

Within the Nigerian institutional field, the significance of the central authority is identified. An overriding insight emanating from this study is the centrality of the government (and its parastatals) as the driver of such required control and coordination. In this regard, the place of governmental

interventions and involvement in instigating such synchronisation is disclosed as paramount. Along this line a respondent from the regulatory body mentioned:

> RCK20: "*The environment and the scheme for corporate governance best practices implementation are too disconnected, presently, so more coordination is highly required. Government, other central agencies and organisational actors need to come together and develop sound policies. The truth of the matter is that we need to aggregate ideas and value. Wide consultation and engagement is needed to bring all the sectors together. The more people that can give their input into the reform processes in the Nigerian business environment, the smoother the procedure and the better the cooperation that we will get.*"

In this vein, in the Nigerian corporate reforms scheme, the optimum position is suggested as the initiation of a singular or centralised governance reforms scheme, at the minimum, thus the drive for homogeneity. Organisational change is conceived as sometimes a direct response to government mandate, which involves mediating pressures such as force, persuasion, or invitations to join in collusion (DiMaggio and Powell, 1983). However, as the findings from the study further indicate, such pursuit is largely contingent on the level of sustained coordination among major affecting forces in the Nigerian corporate environment.

As emerging themes specify, such major actors within the subject of this research are indicated to include government, corporate governance regulators/policy makers, Banks and other financial institutions, institutional entrepreneurs (multinational companies, listed companies, elite business owners, minority stockholders) (interviews RCP36; CLD16). The neo-institutionalisation perspective has centrally upheld the significance of the collective actions in any effective effort towards institutional change, reproduction or variation of practice. Institutional entrepreneurs "lead efforts to identify political opportunities, frame issues and problems, mobilise constituencies" and "spearhead collective attempts to infuse new beliefs, norms, and values into social structures" (Rao et al., 2000: 240). Indeed, when organisations are highly dependent on the constituent exerting pressures, such organisations are argued to be unlikely to resist institutional demands and expectations (Oliver, 1991). In this regard, as Lawrence et al. (2011) emphasised:

> "*The study of institutional work takes as its point of departure an interest in work—the efforts of individuals and collective actors to cope with, keep up with, shore up, tear down, tinker with, transform, or create anew the institutional structures within which they live, work, and play, and which give them their roles, relationships, resources, and routines.*" (p. 53).

Similarly, these collective efforts or intentions are acknowledged to engender conformity or homogeneity among the institutional substances (Rao et al., 2000; Lawrence et al., 2011; Greenwood

et al., 2014). Institutional entrepreneurship is understood to be closely associated with organisational innovations. DiMaggio (1988) asserts that 'new institutions arise when organized actors with sufficient resources see in them an opportunity to realise interests that they value highly' (p. 14). These institutional entrepreneurs thus enable the linkage of the functioning of disparate sets of institutions, through the creation of a whole new system of meaning (Garud et al., 2002, 2007). This underscores the claim that institutional entrepreneurs, acting as a constellation of purposive actors can stimulate organisational transformation or reproduction. Also, as a company executive stated:

> CL:23**:** *"But the main question is, how are we driving the coordination in this corporate governance reforms agenda? Talking of **SMEs**, how much have we been able to promote their interest and involvement, with respect to corporate governance best practice? This is very significant."*

In relation to this, a regulator cited:

> RCA01: *"There are core issues to focus on in best practices advancement, in Nigeria. I believe It is when such economic players, as the business owners and entrepreneurs are mainly engaged and they agree to collaborate with other actors in this transformation agenda, that things can work properly. In this country, it is not disputable, these entrepreneurs, constitute the major powers."*

7.4.3 Communication

One aspect on which research has acknowledged the significance of communication in organisational studies relates to the provision of the understanding of its implications for the processes of legitimation (Bitektine, 2011; Tost, 2011; Bitektine and Haack, 2015; Harmon et al., 2015)**.** For instance, accordingly, such understanding is also affirmed by Millar et al. (2005) thus:

> "*A common factor determining; the success of a corporate governance structure is the extent to which it is transparent to market forces. Such transparency is more than pure financial transparency; as it can also be based on factors such as governmental, banking and other types of institutional transparency mechanism. There may also be a choice for firms to adopt voluntary corporate disclosure in situations where mandatory disclosure is not established."* (p. 163).

Investigation by Amahaki and Frynas (2016) in the emerging context of Brazil and South Africa provides support for the role of legislation on compliance with corporate governance principles. However, the findings indicate that legislation provides limited direct encouragement to fostering private shareholder engagement. Likewise, in Nigeria, this study reveals the limited role that legislation and

legal statutes have on the engagement of relevant parties or the public in the reforms process. For instance, the specific illustration is indicated in the public hearings organised by the overseeing regulator FRCN with respect to the national corporate governance code exposure draft. In the words of a corporate governance policy maker with respect to the above:

> RCD04: *"I understand that there are public hearings that are being held on the code, but these should be spread. They can be regionalised, hold one in Abuja, Enugu, etc., so that more people can give their inputs. This will also help you as a regulator to understand the level of appreciation, and the level of understanding of corporate governance issues, so that when you are doing your orientation you know the level of understanding of the majority, i.e. at what level, basic, intermediary, or advanced. A lot of where there is contention about the FRCN, National Corporate Governance code, is that a lot of people don't understand the code. 1) Some feel threatened and 2) a lot of people don't have the appreciation of the code."*

As cited earlier on, the study highlights the essence of improving concerned actors' cognition in the advancement of corporate governance reform procedures. Especially, this is indicated as imperative in engendering the understanding of the significance of good governance practices and fostering a self-regulatory approach. Promoting key actors' understanding and perceptions are particularly important in engendering actors' participation in organisational innovations, in Nigeria. Hoefer and Green Jr., (2016) conceptualize presumptions as "the communicative and cognitive mechanism through which institutions organize actors' communicative interactions and limited cognitive resources." (p132).

Communications is an integral part of institutional creation. In particular, the issues of legitimation or endorsement of the reproduction are largely linked to the rhetorics of the system of social actors' meaning making. The dynamics of the field level logics can be altered in the direction of the prescribed pattern of behaviour through the right communication procedure (Scott, 2008b). Accordingly, Oliver (1991) highlights how organisations respond when confronted with diverse pressures exerted on them towards conformity, within institutional fields; organisations usually enact as a consequence of institutional influences, different strategic responses (Oliver, 1991). When multiplicity, for example, is high and dependence, coercion, diffusion, uncertainty, and interconnectedness are low, resistant strategies could be adopted as a potentially effective alternative (Oliver, 1991). However, Hoefer and Green (2016), affirm that, within an institutional context, the communicative practices of decision makers both allow and constrain the way actors manage risk and uncertainty of their judgments and decisions. Emerging themes reflect that, substantially, many of the concerns associated with the compliance and implementation of corporate governance innovations

in Nigeria, are traceable to the disposition to the essentialities of these practices. This investigation suggests the diverse environment of corporate governance, as well as the fragmented contexts, for the proposed good governance reforms in Nigeria. Hence, effective communication among relevant constituents within the organisational space in Nigeria is anticipated to provide a synergistic interface among the variant field-level logics. In this vein, a regulator stated:

> RCI14: *"The **e-dividend effort** that we brought – which they fought – is to ensure that minority shareholders' dividends will be transferred to those who have savings accounts, effortlessly, 24 hours after the dividend is declared. This is all due to lack of understanding and communication. So, we strive to ensure that they have an idea of what is happening in their companies, we have produced leaflets on the capital market which an ordinary investor can have access to."*

Against this background, the guiding insight from the study is that applying the rhetorics of communication within the organisational sphere of Nigeria would improve the cognition and promote a more persuasive approach to the intended reforms. This, as envisaged, will enable a more self-regulatory mode of change, without resort to stringent procedures, such as sanctions or penalties, disclosed to presently characterise the Nigerian reforms agenda. Along this rationalisation, Greenwood et al. (2011), note that, in advancing one logic over the other, the propensity of a voice to be heard is dependent more on the influence of the field-level proponents of such logic. Accordingly, the insights from the study emphasised the significance of communication to the promotion of a self-propelled approach to compliance with good governance principles in Nigeria. In relation to this, the response of an auditor read thus:

> OAI37: "*More and more the governance should make people see that corporate governance is a way of life as opposed to abiding by these **rules and regulations.**"*

However, these disclosures are expected to be at such level of technicality that is commensurate with the cognitive ability of the targeted public/stockholder. Comparably, as suggested, in the developing contexts (such as SSA), specific efforts at enhancing boardroom practices, accounting transparency, and disclosure for shareholders are often pursued along with attempts at addressing the concerns of stakeholders, such as employees, customers, and communities (Ntim and Soobaroyen, 2013). As a listed company's executive stated:

> CLF19: *"One of the driving forces for corporate governance advancement is not literacy but the level of exposure. I think Nigerian businesses should be made more aware of the importance of corporate governance."*

Also, according to a regulator:

> RCN32: *"The shareholders' associations need to go to the grass roots. You need to be innovative when you are in an environment like this. What you can do is to help those shareholders who are not as aware to be aware. Find a way to set out the awareness, even a radio jingle can also help. Even SEC can do this. Absolutely, there is a need for orientation and communication about corporate governance principles. Orientation at the level people can understand. Why can't this be used?" Even explain to them why they should invest in the capital market and make it simple for them to do so."*

In this vein, as stated in the earlier section, the significance of communication is also indicated to include the drive for credible information and corporate disclosures. This is expected to engender transparency and improved perception of actors, with respect to good governance practices. It is suggested that in the event that decision makers face ambiguity in their reading of the environment, they can initiate decoupled substantive and symbolic actions (George et al., 2006). Consequently, Ocasio et al. (2015) identify that within organisations and institutional fields, the collections of communicative events can converge on systems of categories to yield the meaningful and durable principles that constitute institutional logics. Similarly, George et al. (2006) indicate how patterns of institutional persistence and change will depend on decision makers' views of environmental shifts, whether as potential opportunities or threats to legitimacy. For instance, the implication of this proposition for plausible communicative action in Nigeria is reflected through the response of a consultant thus:

> OAD26: "*If you look at the activities in the corporate governance society now, they* ***are educating Nigerians*** *on what is required. So, I think there has been a* ***sizeable appreciation*** *of what* ***governance requires****. The level of awareness of corporate governance is a lot better."*

Conclusion

Frequently, central organisations do act as institutional entrepreneurs for change (e.g. Phillips and Zuckerman, 2001; Sherer and Lee, 2002; Greenwood and Suddaby, 2006). The study identifies corporate governance innovations in Nigeria as ***internally/institutionally*** promoted. The institutionalisation of such good governance performance is upheld to involve businesses or institutional entrepreneurs being recognised as major drivers of change. Thus, this analysis suggests that, principally, elite business owners, along with key organisational actors, such as government and its parastatals, institutional investors, private businesses shareholder associations, evaluators etc.,

constitute major ***institutional reforms*** to drive corporate governance reforms in Nigeria. The propositions embody what needs to be done and how these can be achieved within both the **macro** and **micro level**s. The major areas of consideration towards a contextualised corporate governance reforms agenda are disclosed as: **1) The development of a sustainable/viable business environment, 2) The Protection of minority shareholders' interest and, in turn, boosting investors' confidence, and 3) Fostering key organisational actors' alliances in corporate governance reforms.**

"Institutionalization involves the processes by which social processes, obligations, or actualities come to take on a ***rule-like*** *status in social thought and action"* (Meyer and Rowan, 1977: 341), i.e., the state whereby isomorphism within institutional processes is achieved (DiMaggio and Powell, 1983). However, as opposed to the prevailing ***rule-based approach*** of the imposition of corporate governance recommendations in Nigeria, the analysis contested that a self-regulated best practice is necessary for such establishment of corporate governance innovations. Emerging themes outlined the prospects for such ***realistic*** corporate governance reforms, through some identified means of effecting good governance innovations and practices in Nigeria, i.e. a framework to mitigate the issues and challenges to the institutionalisation of corporate governance reforms, as highlighted within the investigation. Corporate governance in the environment of Nigeria is ascertained to be embroiled in a socio-cultural framework of performance. As a complement, a relational approach to the instituting corporate governance reforms is proposed. Such good practices are advocated through an inclusion/engagement of key economic agents, by using a subtle approach, drawing on the prevailing stakeholder structure. In this respect, the findings within the chapter broadly outline two models regarding the effective accomplishment of a tailored approach to corporate governance reforms in Nigeria. These include **a)** improving the **perception (cognitive ability)** of major stakeholders in relation to the significance of corporate governance, on the one hand, and **b)** engendering effective interactions **(relations)** among the key actors on the other hand, i.e., improving key actors' cognitions and promoting institutional agent's relations**.** The core proposition is that, through such means of engagement, institutional entrepreneurs – which constitute a dominant player in this context – and related actors, will spur institutional change. Subsequently, these dominant organisational agents alongside the key institutional agents will engender tailored **institutional reforms.**

For instance, as Bitektine and Haack (2015) argue, through the process of institutionalisation, legitimacy judgments of evaluators are subjected to social control, which can ensure the persistence of legitimacy judgments and stability of the institutional order, described through an institutional stability loop – a cross-level positive-feedback process. From these insights, in relation to the outlined peculiarities of the context, this research suggests the importance of key institutional actors' strategic alliance, in realising legitimation and effective corporate governance reforms. The broader implication

denotes attaining an encompassing, centralised and stabilised transformational procedure, recognised as a prerequisite for the aspired institutionalisation of best practices.

As Greenwood et al. (2002) posit, "*Legitimation in professional settings, by contrast, is not simply a function of anticipated economic outcomes, but of professional appropriateness. What matters within a professional context is the demonstrated conformity of innovations with the values embedded in traditional beliefs. It is only when ideas are couched in such a way that they are perceived to be consistent with prevailing values that they appear compelling and legitimate for adoption"* (p. 75). In this regard, a transformational agenda for ***education, enlightenment and engagement*** is endorsed in promoting intuitive social actions towards corporate accountability in Nigeria. The findings underscore the reliance on other, atypical means of attaining lasting conformity with the intended innovations. Therefore, a case is made for information dissemination, corporate disclosure and training of identified central actors as the means to have good governance of corporations (e.g. Board improvements), in light of the dominant concentrated (relational) structure. This also mirrors the maturing nature of the organisational boundary, in this context, with respect to orientating organisational actors. Thus, the inclusion of the advocated social processes of ***collaboration, consultation and communication*** has affirmed the implication of the identified overriding informal (interpersonal) performance structure. Essentially, this ***inclusive framework*** revealed how such an informal structure can be leveraged in fostering a more adaptive corporate governance system within Nigeria's institutional field, and as an archetype of other developing institutional contexts.

From the preceding chapters, the informal system in the Nigerian corporate governance practice and performance is pre-eminent. This is disclosed to comprehend the lack of a sturdy formal mechanism in Nigerian organisational performance. In line with this, the advocacy for institutionally driven, corporate governance reforms is notably based on this reality. In this respect, the study suggests that integration and engagement of key institutional actors are central to an efficient organisational reforms scheme in a situation where the organisational structures are largely directed by contextual variables, collective social actions and endogenous factors (as highlighted in Chapter 6). Thus, from the neo-institutional perspective, the findings of this chapter expand the institutional entrepreneurship position (Maguire et al., 2004; Greenwood and Suddaby, 2006; Baig and Godley, 2016; Szabó, 2017). Family block-holders, as powerful organisational actors can instigate mimetic pressures by inculcating good practices that other corporate actors can mimic. These actions, alongside efforts of other corporate actors, present an assemblage of non-formal institutional reformers, towards institutionalising corporate governance advancements in an evolving context such as Nigeria. Thus, as a prevailing institutional logic – outlined in chapter 5 of this thesis – concentrated corporate owners, are identified as core corporate agents of change towards institutional reforms. In

essence, a key contribution of this study to the neo-institutional perspective is the insight that path dependence can still constitute a positive condition, in the transformation of organisational field.

FURTHER DISCUSSIONS

Specifically, the investigation explores the institutionalisation of good governance practices within the boundaries of the Nigerian institutional field. A key proposition of this study relates to the understanding of the procedures of organisational transformations, from the perspective of the developing context. The developing countries embody institutional structures differently from the highly modernised advanced societies (see Meyer and Rowan, 1977; Young et al., 2008). Nonetheless, though developing contexts depict such discrete field-level features, it is notably not reckoned with in the canvass for the universality of corporate governance reforms. Efficiency and/or legitimation are cited as the major motivations for the global diffusions of corporate governance best practices and reforms. Whilst this position has not been outrightly disproven, the **heterogeneity** and **institutional variances** of organisational fields have, however, been indicated. The notion of universality, through the promoted governance principles, is nonetheless pursued.[69] Essentially, the procedures for innovations, from these diffusions, are comparatively disregarded. Thus, an underlying assumption of the diffusion theory is the spontaneity in the realisation of these organisational transformations, across institutional contexts (Tolbert and Zucker, 1983; Westphal et al., 1997; Strang and Soule, 1998; Strang and Macy, 2001). From this viewpoint the inertia notion of the institutional framework, i.e., the adoption of a limited range of socially approved organisational templates and the continuity in organisational behaviour are supposed (Greenwood and Suddaby, 2006). As the emphasis of this perspective is on the conformity of organisational processes to institutional pressures, cited to provide meaning and stability, institutional structures are typically expected to enhance isomorphism (DiMaggio and Powell, 1983**;** Scott, 2003, 2008a). While, legitimacy enhances both the stability and comprehensibility of organisational activities, however, organisational behaviours rarely foster continuity and credibility, persistence and meaning, in equal degrees (Suchman, 1995). As Filatotchev and Nakajima (2014), assert "best practice should be understood in terms of different combinations of practices, rather than as individual good corporate governance 'drivers' that are universally applicable." (p. 598).

In essence, technically the corporate governance mechanisms and practices in developing contexts do bear a resemblance to the conventionalities across the globe; however, in actuality, the

[69] This is reflected in the similarity of codes of corporate governance propagated worldwide (*see* Aguilera and Cuervo-Cazurra, 2009; O'Shea, 2005).

workings of these structures are differentiated. From the detailing of the establishment of corporate governance reforms provided in this study, dimensions on institutional transformations within the evolving organisational fields (specifically Nigeria), are provided. Along this vein, the ***institutional factors, structures, determinants and mandates*** for corporate governance reforms within this sphere are highlighted. As the findings reveal, the developing organisational environment of Nigeria embodies a lack of routinized procedures. As a result, the Nigerian corporate governance is situated within a rather unstudied context. Further, and significantly, the organisational/institutional mechanisms are evolving but dysfunctional. Consequently, a complementing environment for corporate governance performance is lacking within the institutional field. By implication, this unstructured institutional environment represents a ***maturing setting*** (*cf.* Maguire et al., 2004, Greenwood and Suddaby, 2006), whereby the alignment of the organisational functions within the maturing context reflects a more entwined interplay of the artefacts of social processes. Legitimacy represents social constructions that reflect the relation between the behaviours of entities and the shared perception (Suchman, 1995). As noted from this study, the stakeholder- and/or relationship-based corporate governance structure represents the predominant system of governance in the Nigerian context. Accordingly, as a consequence of the existing stakeholder (bank-based) and relationship-based systems, evidently diverse influences prevail on corporate governance within the Nigerian corporate boundary. As argued, in bank-based stakeholder economies, a key issue is that the focus of bank shareholders to maximize value, may conflict with those of regulators, who have their own agendas (Boot and Thakor, 1993; Arun and Turner, 2004). Institutional structures are influenced by interactions, and in turn, are modified by these interactions' (Giddens, 1984; Schwandt and Szabla, 2013).

Against this background, while in practice, social structure and agency are stated to be inseparable, however, such relationships are also mutually reciprocal (Giddens, 1984; Schwandt and Szabla, 2013). Aside from the noted dearth of institutional support for the establishment of best practices, a lack of collaboration amongst the main regulatory bodies is revealed. Also noted are the resultant complexities and overlap in the oversight functions towards corporate governance reforms. As disclosed, the power asymmetry amongst the key reformers (agents) in the corporate environment of Nigeria, constitute a hierarchy of power ascendency/dependency within this institutional space. Consequently, the corporate governance system is characterised by isolated oversight, power differentials, and weak central administration. The implications of this present as the stated fragmented corporate governance processes and an exacting reforms process. In essence, here in this analysis, the evaluation of the good governance practices poses a challenge in terms of administration across Nigeria and the drive for uniformity. To this extent, not only does this situation relate to the

evolving nature of the Nigerian corporate environment, but also as a result of the diverse institutional dynamics. As indicated, this situation largely constrained the implementation of the corporate governance propositions in Nigeria. Thus, the corporate governance environment fundamentally presents a challenge with regard to the advancement of such global corporate governance practice. Further, within the family concentrated ownership environment of developing countries, infiltrations of socio-cultural influences, random interests, and diverse interferences, are found to be instantiated. Basically, the Nigerian corporate governance mechanisms depict and are directed by a higher proportion of informal constituents than regimented elements. A major consequence is that the institutional structures are not self-propelled. The corporate governance environment of Nigeria exhibits a characteristically unstructured organisational field. Organisations operating in high velocity business environments are acknowledged to face the challenge of making quick strategic decisions in the face of rapid change and ambiguity of information (Oliver and Roos, 2005). Connecting the foregoing insights from this investigation, the analysis classified this scenario in the institution of good governance principles within the Nigerian corporate performance, as the ***institutionalism*** (*see* Greenwood et al., 2008) ***phase***. Within this study, ***institutionalism***, is delineated as:

> ***'The way institutional factors interact and respond, towards the achievement of formalised processes, within the interfaces of myriad institutional and social structures.'***

The noted ***institutionalism*** stage, represents a substantive level of transition in organisational actions and it is associated with unintended results. At this stage, informal structure overrides the quest for a formal regulative framework in this context. In the case of Nigeria, these informal rules embody associations or relationships among organisational actors, social interplays, power dynamics and/or relations, perception, and cognitive rationality, among others. These informal rules substantially override the formal structure within the ***maturing field*.** In this vein, the internal endorsement or local legitimation (ratification) of the proposed reform is highly central to the realisation of the corporate transformational agenda in Nigeria. Correspondingly, such legitimation (ratification) stems largely from the specific informal structure. The legitimation of practices within an organisational space will usually involve the affecting logics, i.e., the interaction of both the internal and external actors and mechanisms (Cohen et al., 2004, 2008)**.** Maurer (1971) posits a hierarchical, evaluative narrative, asserting that *"legitimation is the process whereby an organization justifies to a peer or superordinate system its right to exist."* (p. 361). In this light, legitimacy is contended to be both ***vertically and horizontally focused***. Professing from this investigation, legitimation is **horizontally** focused when it is targeted at justifying a wide range of interests that are in context similar, but external to an entity's organisational field. On the other hand, legitimation could be driven by the need to satisfy the expectations at different levels within the organisation's field (internally

inclined), hence, **vertically (hierarchically)** aligned. Nigeria, as a developing country, presents archetypal economic and developmental necessities. In this regard, within the institutional and structuration boundaries, the Nigerian corporate governance reform scheme is reflected as a function of the prevailing institutional exigencies. Along this line, the attraction of Foreign and Domestic Investments (FDI), and correspondingly, the need to protect investors (fund owners) becomes pivotal in the Nigerian corporate governance reforms' agenda. Equally, as a result of the prevailing concentrated ownership, hence, the protection of minority interest emerges central to the reform agenda. Induced by the necessity for the realisation of these expectations, the financial sectors (e.g. banks and other non-bank financial institutions) emerged as a focus. Consequently, the establishment of the best practices are not reflexive (automatic). Nonetheless, as affirmed by the findings, not only are institutional configurations significant in organisational change (or conformity) but equally so is the alignment of the factors.

Further, the organisational environment of Nigeria portrays path dependence towards the existing established practices. As a consequence of the antecedent, corporate governance performance in Nigeria is largely reliant on the legal infrastructure as a major source of *'coercive pressure'* (DiMaggio and Powell, 1983). This consequently underpins the normative framework (DiMaggio and Powell, 1983), in the form of a prevalence of legal professionals (rationalisations) within the corporate governance performance. In this regard, rather than the accounting ***'substance over form',*** a form of legal ***'form over substance'*** mostly describes the perception of actors regarding organisational dealings. This is, in part, accountable for a consequent low appreciation of the conventional ***principle-based approach*** to conformity with best practices. The Nigerian corporate governance context is characterised by fragmented structure and consequent sectionalisation. Both the ascendancy and strength of regulators dictate the robustness of innovations within that segment of the institutional field. Thus, a singularised reforms scheme is inapplicable.[70] As such, in place of a voluntary compliance procedure, acquiescence to the institution of corporate governance innovations in Nigeria takes a more rigid regulatory approach. To this extent, good governance principles are not recommended but enforced by respective company regulators within their corporate governance context. The best practices objective in corporate governance is thus generally achieved by a mandatory prerequisite, such as a requirement for the ***'licence to operate',*** i.e., companies are required to adhere to these principles in order to obtain their operating licence within the respective industry. In this respect, in place of the ***'comply or explain'*** principle-based method, representing the widespread approach, the Nigerian corporate governance reforms follow a ***stringent mandatory***

[70] The Nigerian corporate governance context is discovered to consist of three major regulatory strata, in relation to the institutionalisation of best practices and reforms. These include: 1) Banks and other financial sectors, 2) Listed companies, and 3) Unlisted high turnover companies (telecommunications, oil and gas etc).

procedure of administration. By inference, such stringent rule is discovered to result as a consequence of (1) the nature of the corporate governance sphere, the antecedents of corporate governance practices, and a sectionalised corporate governance setting and performance, (2) the relationship or level of collaboration (or otherwise) of the system, and (3) the cognitive ability (rationality). However, where corporate governance universal best principles are relatively applied, the uniformity of practices could be adjudged to then be compromised. The stipulated legitimation and efficiency of practice notwithstanding, there is identified to be more of a symbolic alignment in the implementation of the global corporate governance practices, in the case of Nigeria. The existing framework across contexts could be indicated to mainly decide the relevance of the governance principle and in turn, inform seemingly **'*best conducts'***.

In the main, **a key insight** is that Nigerian corporate governance reforms are at a transition state **(*the institutionalism phase*)**. This indicates the lack of necessary infrastructural and institutional support for unified corporate governance reforms. At this stage, the need for the ratification and standardisation of procedures emerges as prominent. As such, the internal pressures emerge as more significant towards the intended organisational transformations. Against this backdrop, rather than external pressures, corporate governance reforms in Nigeria, are propelled by institutional mandates. By way of explanation, the focus, priorities and adopted approach to corporate governance reforms, as unveiled, are principally induced by the determinants **(*institutional logics, structuration and the social ratification*)** within the developing context of Nigeria. Even though corporate governance environments of countries are adjudged as different (Young et al., 2008; Filatotchev et al., 2013), similar best practices are nonetheless recommended. This portrays as a canvass for universality and possibly uniformity of recommendations, but could constitute, on the other hand, a misalignment. Thus, where the contextual (or national) factors do not permit a spontaneous alignment, a customised approach to implementation may emerge, as in the case of Nigeria. In a similar vein, Clarke (2016) contested the recognised premium for governance, which is increasingly being considered in the context of a globalising economy. He challenges whether a ***universal*** corporate governance system is practical, necessary or desirable (p. 19). In addition, the stage of advancement within the corporate governance environment is preliminary (i.e., the Nigerian organisational field with respect to the establishment of corporate governance reforms is nascent). An evolving institutional context depicts a significant level of absence of controlled processes. Not only does this reflect superficial disparity but this research goes on to disclose that the outcome of their synergy cannot be entrusted towards the submission to generic conventionality. Within the institutional boundaries, such focus, approaches, and mode of organisational reproductions are less predictive. Specifically, the attempts at the institutionalisation of modifications in the enclave of the maturing organisational field, in the

case of Nigeria, entail a preliminary stage of such procedural engagement. In this regard, the study indicates that despite the external influence on corporate governance, the practice that is ultimately espoused would be that allowed within the institutional contingencies. For instance, this study reveals that, by implication, the functionality of the capital market is affected by the prevalent ownership structure and not the other way around. This condition is also reflected in other corporate governance mechanisms. For instance, the influence of the internal structures is disclosed primarily as the rationale for the lack of hostile takeover, the weakened BoD's control, the inert shareholder activism, the underdeveloped role of the institutional investors, the ineffectual board and board committees, etc. in Nigeria. This can be traced mainly to the controlling block-holding pattern of corporate ownership in this developing context. Consequently, acquiescence with the structuration and internal influences, in line with the priorities, are found to be more pronounced.

Against the foregoing, the framework of organisational reproduction within the context of Nigeria stipulates the importance of key actors that can act as institutional entrepreneurs. These agents are espoused as drivers of change towards the emergence of a new institutional/corporate governance framework, due to their influence within the institutional field. Submission to institutional pressures can take alternative forms, such as habit, imitation, and compliance (Oliver, 1991). As a dominant institutional component, the role of central agents as institutional entrepreneurs in inciting social templates for change, is advocated in Nigeria. In this regard, this is stated as a more relevant basis in the drive for efficiency in corporate governance reforms, within these maturing institutional contexts. From these stances, the mimetic (imitation) promotion of the advancement of corporate governance reforms is specified. That is, the admittance that the action of institutional entrepreneurs (corporate actors) in Nigeria, with a more robust corporate governance reform agenda, elite business owners, and central organisational agents, constituting **institutional reformers,** can form a basis for organisational improvements, as an archetype. Albeit, such motivation towards organisational transformations might not be stimulated by self-interest goals, but by collective gains. In this regard, as the study promotes, the corporate governance transformation agenda incorporates ***atypical*** processes, in the developing context of Nigeria. The study offers insights for the understanding of the corporate governance and broadly organisational change in this maturing field. It thus submits to a global query: ***Does the uniformity of methods, practices and recommendations necessarily mean effectiveness in corporate governance reforms?*** (Aguilera and Cuervo-Cazurra, 2009; Filatotchev et al., 2013; Clarke, 2016). Thus, a perspective on the proposition for a universal corporate reform is provided. Within these insights, an ***inclusive framework for salient institutional actorhood*** towards corporate governance reforms, indicating this suggested synergy, thus emerges in Nigeria. Such ***affective*** framework, acquaints more with the quest for an operational corporate governance reforms'

procedure, in this organisational context, due to the specificities. Hypothetically this should, in essence, advocate the path towards a lasting and relevant reform system for corporate governance practices in any other maturing fields.

CHAPTER 8. CONCLUSION CHAPTER: SUMMARY of THESIS and RESEARCH CONTRIBUTIONs

8.0 Introduction

To provide an overview of the research, the chapter first provides the major insights emerging from the different sections, involving the conceptual/theoretical background, findings, analysis and discussions chapters. This section provides the summary of the key propositions and indications of the study. The chapter then proceeds to highlight the contributions of the study to theory, the literature (corporate governance reforms and developing countries), practice and policy. Following this, the chapter culminates with the limitations of the study and recommendations for further study, in light of the findings and extent of the study.

8.1 Part A: SUMMARY OF THESIS: KEY RESEARCH INSIGHTS

The developing contexts encompass evolving institutional environments, distinct from their developed counterparts (Young et al., 2008). Despite the burgeoning studies in institutional reproductions/change, attention has principally focused on the mature organisational field and/or developed countries. Basically, an understanding of the procedure for institutional reproductions is found to be lacking within the developing countries. However, some studies (*See* Krambia-Kapardis and Psaros, 2006; Adegbite and Nakajima, 2012; Adewuyi and Olowookere, 2013) have investigated the maintenance, implementation and impact of the attempts at corporate governance advancement, specifically in the developing contexts. In this light, this study has taken a different stance, by examining the concept of organisational transformations in the developing institutional field. These corporate governance principles are identified to have principally evolved from the tenets of the shareholder governance system (Soederberg, 2003; Krenn, 2014). Also, the corporate governance in Nigeria reflects the features of the market-based system and equally cited to be modelled after the (outsider) or shareholder model (Ahunwan, 2002). However, the institutional field depicts a dearth of infrastructural support for the functionality of such corporate governance practice. In a previous study, Adegbite and Nakajima (2012) contend that the maintenance of the institutional structures (i.e. the suppressant of institutional change), is a consequence of the challenging context. Essentially, no insight is yet provided ***about how institutional reproductions are effected,*** within the developing contexts. In this respect, the study seeks to promote an understanding of the process of organisational reproductions, within the developing context, which has been unexplored. In this vein, this study offers an elaboration of the institutionalisation of corporate governance reforms, in the developing context of Nigeria. In this regard, the thesis is in fulfilment of the main aim of the research, which is

to ***critically investigate the institutionalisation of corporate governance reforms in the Nigerian institutional environment.***

Against the foregoing, the research investigates the implications of the challenging institutional context of a developing country (Nigeria), for corporate governance best practices and reforms, towards promoting theorisation in line with related organisational studies, such as DiMaggio and Powell (1983), Maguire et al. (2004), Greenwood and Suddaby (2006) and Harmon et al. (2015). The analysis provides that, in the maturing context of the developing nation of Nigeria, the structures are relatively less stable and structured than the developed contexts. Also, corporate governance reforms in this context follow more of a contextual prescription. Ultimately, the result of this transformation agenda is how and what these interactions spell for such attempts at organisational improvement. Within the Nigerian corporate governance system, internal factors (i.e., institutional elements, which consists of social, economic, political, legal, regulatory, etc.) and their interrelationships constitute more affecting determinants of the reforms process. The study indicates that these interplays significantly direct the transformational agenda. For instance, the noted mutual reliance between the concentrated ownership structure and the capital market are demonstrative of such an effect in Nigeria. Emergent findings reveal the prevailing practice and system (stakeholder and/or relational model) to suppress the vibrancy of the available institutional mechanisms in the corporate governance reforms efforts in Nigeria. In this respect, the study argues for dominant institutional logics to compel the outcome of organisational reforms, sometimes for unintended effects. In this regard, corporate governance innovations in Nigeria are noted to be ***adapted*** rather than ***adopted***. Equally, the process of reforms follows a succeeding pattern, rather than being instantaneous. This study thus posits that corporate governance practice is not only embedded in the institutional environment, but the institutional factors are also defined, decided and shaped through this interaction. This means that the prevailing practices affect the predominant institutional arrangements, which in turn encompasses the institutional dynamics that inform the prevailing corporate governance practices (reforms). This position suggests that the interrelationship between the institutional context and the organisational processes, within the Nigerian organisational field, portray a cyclical reciprocity***.***

Here, the key assertion is that the whole institutional structure and its interfaces, mandate the consequence of corporate governance reforms. To this end, as opposed to the generic applicability of the agency theory perspective in corporate governance principles, the outcome of diffusion, in different contexts, could ultimately depend on the outcomes of these varying degrees of interdependence. In this respect, the study advances the perspective on the heterogeneous nature of organisational fields. However, this is not as much to claim the divergence or irreconcilability of

organisational practices, across institutional contexts, but to acknowledge the ascendancy of institutional logics and conferring fields' structuration, vis-à-vis externalities, in organisational transformations. To this end, from this investigation, I identify three conditions that could have a significant impact on the drive for change in an institutional field. These encapsulate a prototype that describes the scenario, in an attempt at institutionalisation of reforms. Specifically, within a maturing institutional context, these represent the institutional dynamics and are identified to include:

1) The external versus the internal structure/system (formal vs. informal logics). – highlights the ability of the propositions to align with, submit to, or override the established system.
2) The degree of internal embeddedness. – the role of habit, cognition, conventionalities and frames of interpretation.
3) The level of local legitimation of the proposed practice or innovations. – collective actions of institutional actors/agents or social interactions and prescriptions.

Within a rudimentary institutional environment, such as Nigeria, the formal institutional structures are predominantly unable to support the corporate governance mechanisms. Thus, in this evolving context, informal rule prevails over formal procedure in determining the course of action, direction and focus of organisation modifications. In this respect, the **resistances or conformities** to innovations mainly rely on the institutional dynamics (relationship among institutional logics). This means that the process of adaptation, implementation and mode of adoption of corporate governance reforms are primarily determined by the outcomes of the above outlined dynamics which constitute the institutional mandates. Corporate governance best practices are, consequently, those practices that are the optimal outcome of these mandates. Against this backdrop, the thesis posits ***that there are no global best practices***. Global bodies may proffer normative recommendations in corporate governance, but the adaptation (or absorption) and utility of these principles will be the consequence of either the institutional challenges, specificities or exigencies. In essence, this thesis holds that, particularly within the largely unregimented structuration of the developing organisational fields, external influences might only drive best practices to the extent that the internal contingencies permit. Therefore, the universality of corporate governance reforms is contested.

8.2 Part B: INSTITUTIONAL VARIANCE AND IMPLICATIONS FOR CORPORATE GOVERNANCE REFORMS: THESIS' CONTRIBUTIONS TO KNOWLEDGE

8.2.1 Contribution to theory

This study contributes, in essence, to the neo-institutional perspective on the institutionalisation of corporate governance reforms, providing insights from a maturing organisational field. In this regard, the research on the whole contributes to the institutional

elaboration of organisational structures (following DiMaggio and Powell, 1983; Greenwood et al., 2002; Chizema and Buck, 2006; Aguilera et al., 2008; Misangyi et al., 2008; Judge et al., 2008; Young et al., 2008; Aguilera and Jackson, 2010; Tost, 2011; Adegbite and Nakajima, 2012; Chizema and Shinozawa, 2012; Ntim and Soobaroyen, 2013; Filatotchev et al., 2013; Esharov and Smith, 2014; Clarke, 2016; Hoefer and Green, 2016). Studies on the institutionalisation of organisational transformations or changes have tended to explain this phenomenon in relation to mature and developed institutional fields (*see* Greenwood and Suddaby, 2006; Suddaby et al., 2007; Greenwood et al., 2011). To this extent, less understanding of the implications of the maturing organisational field of the developing countries, in this respect, abounds. This provides a gap in knowledge, which this research attempts to bridge. In light of the foregoing, an explanation of the institutionalisation of corporate governance reforms in the maturing field of Nigeria (a developing institutional context), which advances the theorisation of corporate governance reforms and diffusion practices, is enabled.

Typical accounts of institutional modification have tended to be considered as a top-down deterministic process in which free-floating social templates become imposed on actors (Ranson et al., 1980; DiMaggio, 1983; Suddaby et al., 2007). As this study indicates, within the maturing organisational fields of Nigeria, the major determinants in organisational transformations include institutional substances such as logics, structures and practices. An evolving institutional context depicts a significant level of less routinized and relatively unestablished logics, which embody preliminary structuration and subsequent lack of stable institutional constituents. ***Thus, institutional change, reproduction, or maintenance, as affirmed, is significantly determined by the resultant synergy(ies) against any externalities***. These in turn primarily dictate the direction and the approach in the attempts at the institutionalisation of corporate governance reforms. At this preliminary stage, processes (or the outcome) of organisational reproductions are *less predictable* and rather prone to higher likelihood of unanticipated consequences. The main propositions of these insights are that institutional fields ***are structured in peculiar forms***. ***This structuration, in turn, assigns the hierarchy of influences and interfaces which produces peculiar synergy(ies) within varying institutional fields***. In essence, the institutionalisation of corporate governance reforms in the enclave of the Nigerian organisational field, posit an acquiescence to the contextual priorities. ***To this extent, the constellation of logics affirms a stronger internal influence towards institutional reproductions. Basically, from this study, the internal frames of meaning mainly decide the focus, direction and priorities of corporate governance reforms.***

Against this backdrop, the institutionalisation of organisational reforms, within such organisational field of the developing context, is indicated to follow a sequence. As indicated by the emerging themes, I hereby **conceptualise this** in a model that articulates the procedure of

organisational translations within the maturing institutional contexts (i.e., how institutional change (transformation) takes place, within this context), as outlined below.

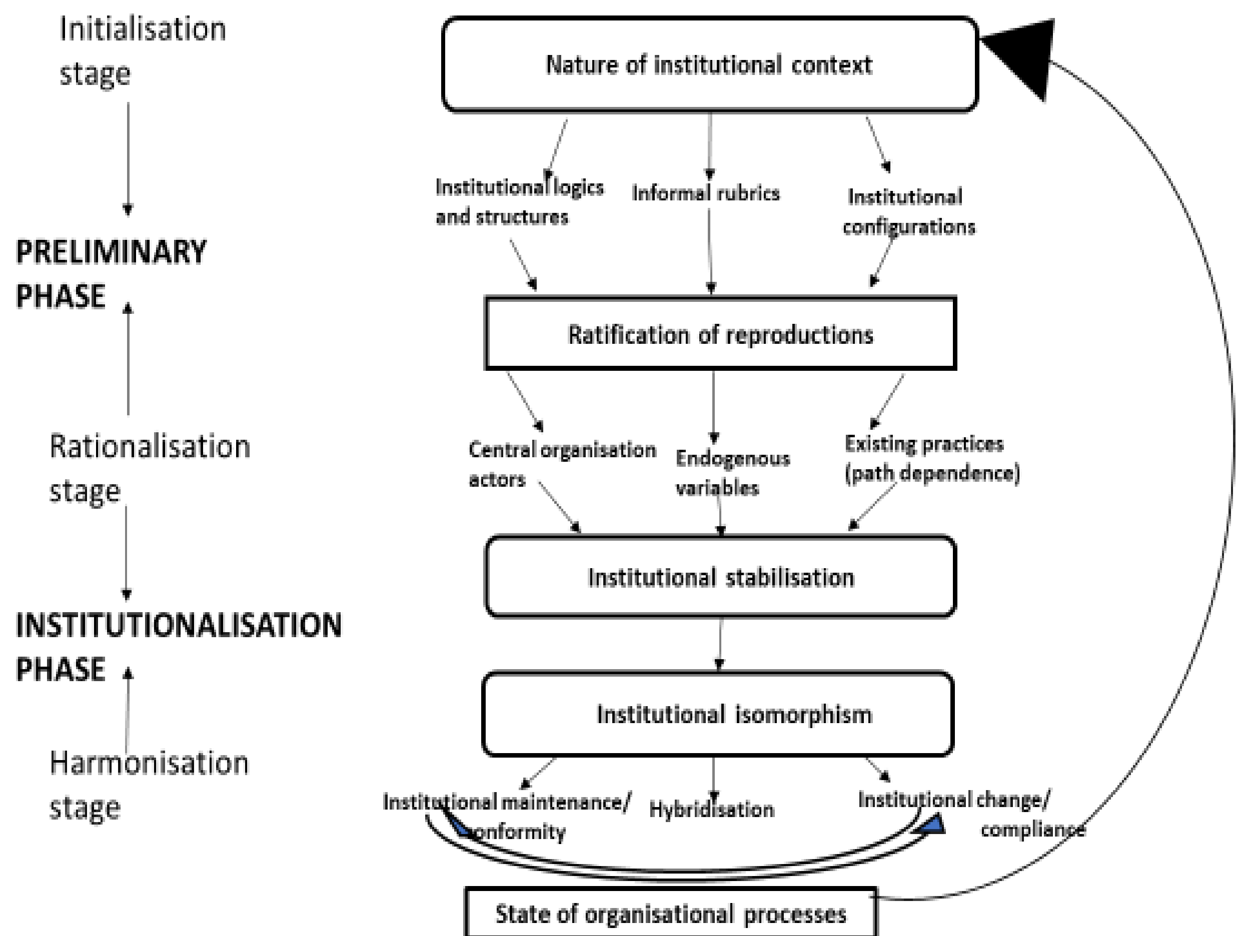

Figure 8.1: Institutionalisation of organisational reforms in a maturing organisational field (Nigeria)

The **three-tier cycle describes the phases that are involved in the institutionalisation of organisational reforms within this maturing field in Nigeria.** The **multi-level** model is elaborated as follows:

1) The first phase of the institutionalisation cycle involves the establishment of the **institutional logic**. This involves the **initialisation** stage where the major focus is the design and arrangement of the institutional elements in the procedures of the organisational reforms. The necessity for this stage of the institutionalisation procedure is determined by the nature of the institutional context (or organisational field). Within the maturing field, in this initial

instance, there arises the need to align the institutional context, to accommodate the proposed changes. Here, the structuration of the institutional logics, within the maturing organisation field becomes imperative. At this stage, rather than direct institutionalisation of innovations for efficiency or legitimation rationale, the configuration of the institutional setting, is pre-eminent. Within the Nigerian institutional context, this phase entails corporate governance reform processes, such as the inauguration of the corporate governance principles, structuration of the regulatory context, the alignment of the legal and regulatory framework (e.g. The Nigerian Company and Allied Matters Act (CAMA) and SEC code), definition of the regulatory lines of authority, instatement of the FRCN, etc.

2) The second phase depicts the confirmation/rationalisation within the maturing field. At this stage, the rationalisation or legitimation of the proposed institutional change occurs. I label this stage the **rationalisation phase**. This stage draws largely on the neo-institutional works perspective, whereby the actions of organisational agents and/or social actors are highly significant in the realisation of organisational reforms. This phase involves the **ratification** of the transformation procedures. It embodies the following variables: path-dependence, interferences/influences – political, social, cultural –, best practices design and realignments, agents' endorsement of the proposed reforms, organisational actors' power dynamics, cognitive rationality, perceptions, skills, etc. Specifically, in Nigeria, some procedures at this stage include the various exposure drafts of the corporate governance national code and attempts at meetings with institutional stakeholders by the FRCN[71], constitution of some committees on corporate governance reforms, and orientation of the shareholders' association with electronic dividend process by SEC, etc.

The findings within this research mainly relate to the above stages. The corporate governance reforms scheme, within the maturing organisational field of Nigeria, presently embodies the above procedures of the institutionalisation model, which are jointly recognised as the ***preliminary (institutionalism) phase.***

3) The final (third) stage – which is identified not to have occurred within Nigeria at the time of this investigation – relates to the idea of **isomorphism** (see DiMaggio and Powell, 1983). I argue that it is during this stage that such proposed homogeneity of practices (local or international) can be expected to occur. This stage is labelled the ***harmonisation*** phase. At this stage, convergence, uniformity, modification, formalisation (see Ramus et al., 2017) and stabilisation of the transformation procedures is expected to arise. Then trend setting and

[71] See Chapter 6 of this thesis.

comparability could be realisable in the scheme of reproductions, within a respective organisational field. Thus, the possibility for institutional change (compliance), maintenance (conformity) or hybridisation occurs. This is the stage at which the procedures are established. This stage then signifies the phase at which the ***actual institutionalisation*** will take place. The notion of isomorphism at this later stage of the institutionalisation process indicates the attainment of the unification of corporate governance codes, practices and reforms. Within the maturing institutional contexts, at this stage, homogeneity of intended innovations can then be expected. In this stage (which is recommended for further investigation in Nigeria) the **stabilisation** of the corporate governance reforms processes should be realised in Nigeria. In this study, this stage is proposed through the advocated **inclusive framework** for salient actors in Nigeria.

The model presents a **cyclical process** of transformation or shift towards the institutionalisation of new practices. At the final phase, a methodised structure of reproduction, is expected to have been attained, thus the **actual institutionalisation**. The transformational loop returns to the initial stage, when further requirement for innovation(s) arises. This cycle continues until a stage is reached where there is no further need for organisational reforms or reproduction. This stage of complete equilibrium might be practically unlikely. Institutional transformation is a continuous process, even in mature fields stability is recognised to be transitory (Hoffman, 1999).

The study highlights the place of institutional dynamics and contextual factors within the maturing organisational field. The developing country of Nigeria is still at the precursory stage of the institutionalisation of organisational transformations, described as the ***institutionalism phase*.** The institutional processes portray a largely unstructured pattern at this ***transitional*** stage. Rather than regimented procedures, a fluid system of meanings and interpretations resultantly embodies corporate governance performance. In this respect, organisational reproductions, within the Nigerian context, reveal profoundly conforming attributes. Whereas, in a more mature context the rationalisation of corporate governance reforms depends on a formal framework (Meyer and Rowan, 1977; Hoffman, 1999; Maguire et al., 2004), however, in such a maturing organisational field, in the absence of a structured system for regulative procedure, an endogenous framework applies. In this respect, instead of an explicit framework, implicit precepts such as interrelationships among actors, cognition rationality, social influences and prevailing practices, constitute key institutional elements towards reproductions.

The actions of agents in informing, retaining, disrupting, or creating the framing of contextual logics have been acknowledged in institutional change (Greenwood and Suddaby, 2006; Lawrence et al., 2011). Factors such as conventionalities, habits, traditions, imitation, etc. have normally explained homogeneity in diffusion theories (Tolbert and Zucker, 1983; Oliver, 1991). However, as this study reveals, institutional mandates (pressures) can also largely involve a social interpretive framework, interplays of institutional logics, actors' ideological position and path dependency. In this regard, organisational functions are discovered to be through primarily unregulated or ***'rule of thumb'*** techniques. This is also indicated as a consequence of the nature and phase of advancement, with dysfunctional, less predictable (volatile) institutional factors. Where there is prevalence of less extrapolative structures, reinforced by high embeddedness of existing practice, the ratification of organisational procedures might be largely contingent upon informal rule, such as cognitive rationality. Even though the outcome of diffusion can tend towards the pattern of existing practices, i.e. in the form of path dependence (Bebchuk and Roe, 1999), the ultimate outcome will reflect the ratification of such innovations. This can largely inform the perception, approach to institutionalisation and the mode of compliance within this maturing field. ***In essence, the ratification, mode or approach to institutional transformations might thus depend on the dynamics or synergies and alignments of the prevailing institutional logics.***

A central proposition of this investigation is that organisational ***reforms are driven more by contextually defined frameworks of procedures, rather than external pressures or prescriptions.*** In advancing previous studies such as DiMaggio and Powell (1983), Djelic and Quack (2003), Fiss and Zajac (2004) and Suddaby et al. (2007), this investigation basically promotes the significance of the national institutional contexts in the attainment of organisational innovations. In contributing to the neo-institutionalisation perspective on the diffusion of corporate governance practices, alongside other studies such as Aguilera et al. (2008), Judge et al. (2008), Young et al. (2008), Aguilera and Jackson (2010), Adegbite and Nakajima (2012), Chizema and Shinozawa (2012), Filatotchev et al. (2013), Ntim and Soobaroyen (2013) and Clarke (2016), the findings from this study emphasise, centrally, the interplay of the institutional determinants, within the Nigerian corporate context, as more salient to such intent. In this vein, this study suggests that the corporate governance transformations – especially regarding the generality of the principles – are more likely to be decided by the internal structures and dynamics within the maturing institutional fields. In terms of the dynamics, the actions and influence of actors, especially family block-holders and their cohorts, are noticeably resonant in Nigerian corporate governance reforms. To this extent, the achievement of the best practices across institutional contexts might not usually follow the generally expected approach, i.e., the likelihood of instances of 'unanticipated outcomes' are recognised from such efforts. One

institutional unit can superficially resemble another and yet maintain its relativity by adopting the practices and/or patterns of reproductions that are best enabled by its circumstance. This research indicates that the corporate governance innovations in maturing fields are not ***spontaneous.*** Specifically, corporate governance reforms in Nigeria occur in a ***gradation*** of procedures. These procedures reflect, in varying degrees, institutional structuration and logics, path-dependence (relativism), actions of collective actors (local legitimation) and symbolic alliance (universality). In accordance with the propounded ***institutionalisation model***, this procedure will be repeated in an iterative format until **formalisation** or **stability** is achieved and then **institutionalisation** can occur. Until that level of formalisation, when homogeneity of organisational processes (see Meyer and Rowan, 1977; DiMaggio and Powell, 1983; Ramus et al., 2017) is attained, institutionalisation of organisational transformations might not be realised. The consequent transformation will present as outright ***conformity*** with internal pressure or outright ***compliance*** with external pressure or a mixed proportion of internal conformity and external compliance **(hybridisation)**.

8.2.2 Contributions to the literature (empirical Contributions)

8.2.2.1 Corporate governance reforms

The Nigerian corporate structure portrays a hybrid that is a combination of a highly dispersed ownership and concentrated ownership structure. Such corporate structure also determines the strength of the external corporate control in the Nigerian organisational field. With a high level of concentrated ownership, the capital market also reveals a system with a high retention ratio with respect to shares that are available for sale, due to the unwillingness of these block-owners to dilute their control. This logic affects the development of the market and consequently dictates the focus of the corporate governance reforms in Nigeria. With the low level of development and efficiency, the market for corporate control (capital market) is impacted upon and this resultantly dictates the need for an alternative source of funds and control. Consequently, the financial sector and minority interests take a pivotal role in corporate governance reforms. Thus, despite the generalised legitimation and efficiency rationales (Aguilera and Cuervo-Cazurra, 2009), as revealed in this study, the Nigerian corporate governance reforms do not acquiesce merely to these motivations. The internal structuration of the organisational field, the prevailing practice and the national exigencies or priorities, all drive corporate governance reforms in Nigeria. By implication, the study reveals that in this organisational field, the institutionalisation of corporate governance is customised. This involves a selective approach to the implementation of best practices. However, these procedures are modified by the priorities and internal dynamics in this environment. Hereby, conventionalities, such as the overwhelming impact of block-holding in Nigeria corporations, have significantly refocused

corporate governance reform schemes. Subsequently, a contextually defined mode and prioritisation of corporate governance practice in the Nigerian maturing setting is emergent, against universal pressures for compliance.

In this vein, the institutional logics and their complementarities (or otherwise) prescribe the processes, patterns and directions for the Nigerian corporate governance transformation agenda, above the alignment with universal good governance propositions. Although the Nigerian corporate governance system combines the features of the market-based and bank-based systems, the practice of corporate governance is, however, not found to reveal such attributes of the market-based economy. The corporate governance system in Nigeria largely portrays the concentrated ownership model. The Nigerian corporate governance system mirrors a stakeholder structure, as the prevailing practice, rather than the supposed shareholder system. Along this line, the practice of corporate governance in Nigeria presents a contradiction to the corporate governance performance that the universal principles reinforce. Besides this, as a result of the family-friends-cohort ownership form within the evolving context of Nigeria, the internal dynamics basically manifest as the prevalent '***relationship based' (relational)*** corporate governance structure. One of the major implications of this, is that corporate governance in Nigeria defies the purposed arm's length contracting. In this maturing organisational field, the structures are relatively weak and less developed, compared with more advanced contexts. Equally, the institutional structures present a noticeably unregimented performance framework. Hence, this results in the noted shift towards the existing practice and a situation which constrains the existence of highly formalised corporate governance mechanisms. Evidently, a complexity for the institutionalisation of corporate governance best practices emerges in Nigeria's governance reform agenda. The ratification of any proposition of change or organisational reproduction, is required to moderate the complexity embodied in multiple institutional logics (Goodrick and Reay, 2011; Thornton et al., 2012). Fundamentally, the varied interests within these categorisations largely define the internal forces and pressures within the institutional context of Nigeria.

Within the corporate governance sphere of Nigeria, besides the institutional structures, agents' dynamics are predominant. This is initiated by institutional factors such as concentrated ownership is underlain by a relationship form of corporate governance dynamics between the regulatory actors. Thus, despite the universal drive for best practices, internal rationalisation of corporate governance innovations, essentially involves accounting for all these variables. In this respect, the study suggests that (1) not only are the prevailing institutional elements important but

(2) the interfaces (alignments) of these elements are significant to innovations within this developing organisational field. In this regard, this ***investigation suggests that the internal complementarities or contradictions among institutional logics are more important in propelling or compelling the scheme for innovations (corporate governance reforms), within an organisational field.*** To this extent, although corporate governance best practices are identified as promoting symbolic representation of efficiency, however they are found to largely relate to internal logics. ***Here, the institutional logics within the Nigerian organisational field impact on the institutional structures, which in turn dictate the configurations and motivations for corporate governance reforms.*** Resulting from the prevalent national pressures, ultimately corporate governance reforms in Nigeria reflect a major reliance on internal dynamics. In this respect, drawing on the notion of institutional entrepreneurship, the study suggests that central actors (Suddaby et al., 2007) acting as ***institutional reformers*** will stimulate change that is tailored to the Nigerian maturing organisational field. These include central economic and institutional players identified as family/elite founders, corporate shareholders, representing institutional and/or private entrepreneurs, central government, government agencies, (regulators, policy makers) and other (economic) actors. As this study advocates, leveraging on such collaborative effort would proffer a more effective means of achieving corporate governance reforms. The findings indicate that these actors are able to stimulate the prerequisite institutional pressures needed to harness the associated advantages towards change. This informal interactive proposition is defined in terms of the interplays of social processes – ***collaboration, coordination and communication*** – through an ***inclusive framework of these salient actors***. Against this backdrop, in the main, this study argues that the universality of corporate governance principles, practices or systems, as against the primacy of national institutional structures, localised mandates or established processes, is debatable.

8.2.2.2 Corporate governance reforms in the developing countries

Institutions are identified to involve both informal and formal rules (North, 1990, Selznick, 1996; DeJordy and Kraatz, 2015). Within the institutional field of Nigeria, the processes of organisational performances are largely unstructured. This is partly due to the evolving nature and partly as a result of a dominant relational (stakeholder) corporate governance system characterising the organisational field. Essentially, the performance framework includes social processes such as cognitive rationality, perception, social relations and interactions (among key organisational actors), regulatory power relations and other socio-political influences and interfaces. In this respect, the maturing organisational field in Nigeria exhibits a prevalence of floating (unregimented) institutional structure (*see* Selznick, 1949; Oliver, 1991). Organisational and corporate governance procedures are largely subjected to ***informal*** mandates than ***formal directives*** in the developing context of Nigeria. Against this background, the transformational scheme for corporate governance in Nigeria embodies

an ***atypical framework*** of performance, whereby, the effective advancement or change (or maintenance) to corporate governance is contingent on the stipulated ***informal structure***. This condition creates a challenging scenario for the generalisability of corporate governance reforms. This situation will be particularly evident in evolving institutional fields where the structures are either ***too weak, or inconsistent or unstable*** to propel uniformity. Consequently, in Nigeria, this compels a shift towards the prevailing practice and structure in corporate governance reforms. At this stage, the implementation of the corporate governance best practices within the developing organisational field of Nigeria reflects ***path dependency***. Consequently, there is still a general lack of appreciation of the principles, as a consequence of the cognition rationality and prevalent perception of organisational actors. Thus, compliance is usually achieved by a mandatory means, such as a prerequisite for a corporate ***'licence to operate'***. To this extent, in Nigeria, an **instrumental motive** emerges as more feasible for the imposition of codes of good governance.

In the main, the mode, approach and priorities of corporate governance reforms are influenced by the resultant institutional dynamics from the informal systems, whereby, instead of a predetermined (efficiency or legitimation) rationale(s), this internal alignment informs ***what, why and how*** these innovations are administered. However, the worldwide diffusion of codes, the system of meanings and internal logics, is revealed to largely define the transformations within the evolving Nigerian organisational field. ***Conversely, corporate governance reforms' procedures are not a priori, within this setting.*** Initially this process involves the ratification, rationalisation and unification of the procedures of implementation, before the institutionalisation is realised. Thus, attempts at corporate governance reforms notably, submit to, align with or override the existing internal logics and dynamics prior to the possibility of efficiency and/or (universal) legitimation action. To this end, the homogeneity of corporate governance codes and reforms presents a case for the consideration of the realities across institutional contexts. From this study, a dimension is added by the nature of the developing nation. A perspective from Nigeria presents a typology for the understanding of the relational positioning of institutional structures, in the quest for homogeneity. This illustrates their implication for the drive for the uniformity of corporate governance reforms, within this context. The result distinguishes the internal ***centripetal pull*** for conformity and the external ***centrifugal drive*** for compliance with uniform best practices.

8.2.3 Contributions to practice (corporate governance and reforms)

The Nigerian corporate governance performance portrays an acquiescence to the informal framework (rubric) of corporate governance. In this regard, the institutionalisation of corporate governance within this environment is found to be determined mainly by such informal boundaries. Although this discovery may depict a challenge to the universal corporate governance agenda, it is on

the other hand considered as reflecting the relativism within disparate institutional contexts. Similarly, the role of organisational actors within this context is composed of significant parts of the institutional logic. Especially, in the developing context such as Nigeria, these determinants differ from the developed contexts and are disclosed to largely include relational structures. Nonetheless, although acknowledging the predominance of a family block-holding corporate governance structure, the study does not find explicit support for the expropriation of minority shareholders. One side to this position is that such an interpersonal framework constitutes a buffer for the deficient corporate governance mechanism in Nigeria. This, in turn, is argued to complement the corporate governance performance within this context. Ultimately, in this respect, a case is made for the relativism of a corporate governance system, within differing contextualities, across organisational fields.

Institutional work describes the practices of individual and collective actors aimed at creating, maintaining and disrupting institutions (Lawrence et al., 2011: 52). The insights from the study indicate that the prevalence of informal rule within the corporate governance context of the maturing field of Nigeria can be leveraged on. Practitioners should take note of this. Based on the prevalent stakeholder- and relationship-based governance structures, corporate governance reforms in Nigeria can benefit from harnessing the synergy between these key agents, through ***an inclusive corporate governance framework***. This is suggested as able to engender a more efficient procedure in enacting an institutionally inclined corporate governance reform. The role of informal rule in institutional reproduction has been suggested in the literature (Selznick, 1949; DiMaggio and Powell, 1983; North, 1990; Scott, 1995; Greenwood and Hinings, 1996). However, the explanation of their implication for organisational change has been ambiguous. In Nigeria, this informal framing notably provides a substitute for the lack of formal or stabilised corporate governance structures in the maturing organisational context. Likewise, professionalism, perception and cognition of actors within this context comprise a significant part of the institutional logic.

Second, the Nigerian institutional field is defined by embryonic structures and the consequent weak institutional environment. This is recognised as the ***institutionalism*** **phase**[72] in the institutionalisation process; this process is propounded to indicatively precede the actual institutionalisation stage. Hence, the corporate governance reforms scheme in Nigeria is noted to be at the preliminary stage. Thus, the structuration, social mandates, and internal dynamics within the context of the maturing field, inform the state of the organisational field more than in the formalised matured societies (cf. Meyer and Rowan, 1977; Bitektine and Haack, 2015). Established corporate governance practices (path dependence) also affect and determine the prevailing institutional arrangements. These variables offer the institutional prescriptions and mandates which result as the

[72] Also see Greenwood et al. (2008). The Sage Handbook of Organisational institutionalism, Sage Publications. London.

outcome of these interactions. In essence the study argues that these contextual and endogenous variables predominantly propel and compel the reforms and practices that become instituted as the **"good or best"**. In this respect, it is noteworthy to recognise that ***'best practices'*** might only be the outcome of the interactions between these factors, within the maturing context.

Furthermore, path dependence (inclination towards historical practices), within diffusion theories (Bebchuk and Roe, 1999), has normally been associated with inertia, maintenance, and conventionality. Rather than these, the quest for relativism within institutional contexts is indicated, whereby insights from this study reveal that good governance principles are prioritised, along the constellation of institutional logics. In the light of these findings, corporate governance reforms in Nigeria follow a rather ***selective*** procedure. To this end, a key insight here is that, rather than the specified opposition to change, path dependence might reflect an inclination to the most applicable or conformable practice(s) within this maturing organisational field. For instance, in Nigeria, the stakeholder (relational) system is advocated to provide a plausible medium, for the procedure for an institutionally driven governance reform, in Nigeria[73] (and arguably this should apply to similar developing contexts – particularly in the Sub-Saharan Africa). Along this line, a major proposition is that internal factors and social influences and in the case of a developing organisational context, such as Nigeria, non-formal rules play very significant role in corporate governance reforms. Thus, rather than convergence, different levels of adaptation and descriptions of the procedures for best practices exist in different contexts. As a result, varying frameworks for the realisation of good governance will represent best fit in different organisational fields. In this regard, it will be beneficial for practitioners to note that effective corporate governance, across national or institutional contexts, could involve distinct blends of structures or mechanisms.

8.2.4 Contributions to Policy

Corporate governance scandals such as Enron, WorldCom, Arthur Andersen, Parmalat, Freddie Mac, etc. have refocused global attention on corporate governance practice. Alongside, these have driven the proliferation of corporate governance reforms, and thus, the diffusion of the global best practices, across different organisational contexts, in the last decades. The diffusions discourses (Tolbert and Zucker, 1983; Fligstein, 1985; Westphal et al., 1997; Strang and Soule, 1998; Strang and Macy, 2001) have implied that organisational innovations would follow diffusions. Thus, the debates are rather silent about the procedure for the absorption of new practices (principles) across different organisational fields. Essentially, the underlying expectations for universal best practices are equally

[73] In terms of the *'inclusive framework for salient actor'* – see chapter 7 of the thesis.

their simultaneous absorption across institutional contexts. Consequently, the significance of institutional and relational elements to the incidence or consequence of diffusions have been largely understated. Within the neo-institutional theorisation, various studies have emerged, along the lines of organisational transformations or variations or stability, to promote understanding in this regard (Selznick, 1949; DiMaggio and Powell, 1983; Fligstein, 1985; Fiss and Zajac, 2004; Greenwood and Suddaby, 2006).

Drawing on perspectives from the developing context, similarly this research contributes to the understanding of the institutionalisation of corporate governance reforms. Against this backdrop, specifically this investigation presents findings from the largest SSA country, Nigeria, and consequently perspectives from the developing/maturing organisational contexts. The study enables a two-fold assessment of the implications of the distinct institutional arrangements for corporate governance reforms: on the one hand, the ***applicability*** of these codes of best practices (input) and on the other hand, the ***suitability*** of the reforms (outcome). Against the objective, the study found the widespread procedures of corporate governance reforms to be inapplicable within the Nigerian corporate governance reforms scheme. The stage of corporate governance reforms in the maturing corporate sphere of Nigeria represents a translational period. Processes and the approach to the reforms depend largely on the interrelationship of these different institutional substances. These either adapt, or impede or support such practices. It thus emerges impracticable for the implementation of such corporate governance principles to be administered through the stock market as in the more advanced contexts of the UK or US, as adherence to governance codes in Nigeria is not exercised as part of the stock exchange listing requirement. Consequently, the adoption of the ***stringent approach,*** instead of the prevalent ***voluntary approach to compliance*** with corporate governance principles, predominates. Thus, rather than the ***comply or explain*** mode of administration of governance principles, the mandatory impositions of best practices are adopted. The wider implication of this, for policy makers, is that corporate governance reforms across all organisational contexts do not adhere to ***singular*** propositions or procedures. The approach to effective corporate governance may vary depending on the nature of the organisational field, the stage of advancement and the entrenchment of organisational actors.

One of the key contributions here is that globalisation might not equate to effectiveness. Thus, standardisation rather than globalisation or uniformity might be more realistic in corporate governance reforms, in the developing context where supporting institutional factors are generally limited and largely unstable. Corporate governance systems seemingly posit homogeneity in the

similarity of mechanisms; however, arguably, their functionalities occur in varying degrees. The pursuit or attainment of an effective corporate governance framework within the context of Nigeria does not conform to the homogeneity of universal principles or processes, as a result of its maturing nature. By elaborating the institutionalisation of corporate governance reforms in the maturing field, the research advances the understanding of organisational reproductions within this context. In this regard, the study contributes to diffusion theory/debate regarding best practices, which will be significant to policy makers. The study reaffirms that corporate governance reforms and principles might not follow a recommended approach and/or be consistent with expected outcomes, i.e., contextual directive for corporate governance transformation might, at times, predominate a universal agenda. In this sense, heterogeneity of organisational practices is acknowledged. Accordingly, corporate governance principles should reflect more of the exigencies within respective institutional boundaries and not a generic proposition (projection) or *'best'* practices. The prevalent universal principles could be a misfit for some institutional contexts, such as the developing country. Thus, alternative recommendations for corporate governance reforms, in this respect, could be considered.

Against the foregoing, incorporating cogent institutional elements into the propositions for corporate governance principles should promote tailored ***'best principles'*** and subsequently a more efficient framework of performance, whereby ***'a one size might not normally fit all'***, especially in the transitory organisational environments, such as the developing countries. For instance, instead of a universal alignment, corporate governance reforms in Nigeria noticeably dictate their own peculiar approach procedure and determine ultimately their own ***'best'***. As the insights posit, this is based on, align with or submit to the dominant internal pressures. It is extremely important that the dominant influence and significance of the family block-holders in corporate governance receive direct consideration in any recommendations that will be pertinent to Nigeria.

The core contribution here is that the mode of organisational reproduction might follow contextual rationalisations. A universal drive for diffusion innovations in an institutional field is unlikely to take place where the **internal force** towards path dependence (conformity) surpasses the **external pressure** for convergence (compliance). This understanding should enable transnational corporate governance policy makers to incorporate such perception in proposed universal principles (or reforms) and possibly regionalised corporate governance reforms. This should equally enable the national corporate governance regulators and/or policy makers to recognise the prominence of the

existing framework of corporate governance performance, within their organisational field. These would especially be significant to developing institutional settings because of their transitory nature.

8.3 Limitations of the study

The study is largely data driven and the findings are thematic. The structure of the chapters and arrangements are based on the themes emerging from the data and the insights. The research, being an exploratory study, might be seen to lack a definitive perspective on claims. Exploratory study is usually meant to be a 'ground breaking' attempt in the respective area of interest. Thus, the study might be unable to present a conclusive position concerning the topic investigation. Also, the research is delimited, with the analysis mainly dependent on findings from data generated from a singular organisational field of Nigeria. Further, qualitative investigations (interpretive sociology) promote views that are largely endogenous. So, the assertions are usually subjective and could be prone to investigative bias. As Giddens (1993) aptly describes such concerns that arise in this respect,

> *"The social scientist of necessity draws upon the same sorts of skills as those whose conduct he or she seeks to analyse in order to describe it; generating descriptions of social conduct depends upon the hermeneutic task of penetrating the frames of meaning which lay actors themselves draw upon in constituting and reconstituting the social world"* (p. 163).

Additionally, as in studies employing the interpretative data analysis procedure, the precision in the selection of themes may not be guaranteed. Generally, qualitative study (especially studies employing an interpretive model of analysis) could also have a relative lack of the benefit of generality of results. Nonetheless, following similar qualitative studies (Maguire et al., 2004; Greenwood and Suddaby, 2006) from the neo-institutionalisation of reforms, the research has endeavoured to heed such recommendations from the literature on ensuring data trustworthiness in studies where inductive logic has been adopted (Lincoln and Guba, 1985; Garud et al., 2002; Greenwood and Suddaby, 2006; Denzin and Lincoln, 2011; Reay and Jones, 2016).

8.4 Recommendations for Further study

The study has explored the institutionalisation of organisational transformations in the maturing field of the developing context. This research also seeks the explanation of the processes of institutional reproductions, particularly in developing countries with unstable institutional structures. In this respect, the investigation has revealed a multi-level process of transformation. As such, drawing on the **institutionalisation model** (provided in the preceding section of this chapter), this present investigation relates mainly to the ***initialisation*** and ***rationalisation*** stages of the process. As these

transformation processes within the organisational field of Nigeria are still in the **preliminary phase**, the study has thus not provided conclusive results of the attempts at establishing corporate governance reforms, within the boundaries of the maturing field. In this respect, additional study should investigate the advancement of corporate governance in Nigeria beyond these initial levels. Future research can promote understanding by investigating the third stage, which relates to the **formalisation, isomorphism** of procedures and achievement of the intended **institutionalisation** of corporate governance best practices in Nigeria. Such study can advance this research in providing an account of this ***institutionalisation phase*** of the model, i.e., the point in this transformational agenda when the advocated institutionally driven corporate governance reform scheme is actualised, and the specific factors that trigger it in Nigeria.

Also, as this study is limited contextually to Nigeria, therefore, other study(ies) can seek to advance the findings from this study. For instance, a comparative study can relate the insights from this study to other developing institutional contexts, to expand the theorisation along corporate governance (organisational) reforms. Similarly, an assessment of the impact of these quests for organisational transformations can be undertaken in order to evaluate the bearings of the present reforms' endeavour on the corporate governance performance or practice in Nigeria. In this respect, the review can also identify any further lapses and ways of improvement in the Nigerian governance reform scheme. An elaboration of the progression of these reform procedures will be worthwhile, as transformation is argued, herein, to be continuous.

In addition, this research is exploratory and relies largely on qualitative data, a quantitative or mixed research methodological approach can be adopted to investigate the emerging themes, which should, in turn, advance this field of inquiry. Lastly, this research also, broadly, seeks the explanation of organisational processes, within relatively unstable and volatile institutional structures, of the developing context. Thus, as the contexts of the developing countries are still largely evolving, it is imperative that future research continues to enrich knowledge on the developments in such maturing fields. Especially in the comparatively less investigated African settings, extending research in organisational studies beyond singular institutional contexts, will foster more expansive analysis.

Appendices

Appendix 1: categorisation and description of respondents and interviews

Interviews Number	Regulators	Listed companies	CG contributors	Demography
03	RCC 03			Director (regulatory agent; member of the corporate governance reforms steering committee)
25	RCM 25			Deputy director (Policy maker)
13	RCH 13			Head of department (Policy maker; member of the corporate governance reforms steering committee)
14	RCI 14			Head of department (policy maker)
15	RCJ 15			Deputy director (regulatory agent)
01	RCA 01			Director (regulatory agent)
33	RCO 33			Head of Department (policy maker)
20	RCK 20			Director (regulatory agent)
02	RCB 02			Head of department (regulatory agent)
32	RCN 32			Deputy director (regulatory agent)
04	RCD 04			Director (regulatory agent); member of the corporate governance committee)
05	RCE 05			Deputy director (policy maker)
06	RCF 06			Deputy director (regulatory agent)

07	RCG 07			Deputy director (policy maker)
36	RCP 36			Director (regulatory agent)
21	RCL 21			Head of Department (regulatory agent)
27		CLJ 27		Company Board member (Non-Executive Director)
11		CLB 11		Company legal counsel (corporate governance executive)
19		CLF 19		Company secretary
29		CLK 29		Company secretary
31		CLL 31		Company (Corporate governance) executive
22		CLG 22		Company secretary; Company legal counsel
18		CLE 18		Corporate governance executive (legal counsel); Minority shareholder
10		CLA 10		Company Secretary (corporate governance executive)
24		CLI 24		Corporate executive director
23		CLH 23		Company accountant
16		CLD 16		Company (corporate governance executive)
12		CLC 12		Chief Executive Director; Board member
30			OAF 30	Company Auditor; Consultant
26			OAD 26	Corporate governance Consultant; Rating agent
34			OAG 34	Academia; Corporate governance consultant
35			OAH 35	Legal practitioner; Member of a shareholder association

08			OAA 08	Financial analyst; Rating agent; minority shareholder)
37			OAI 37	Company auditor; Consultant
17			OAC 17	Auditor; Accountant
28			OAE 28	Company solicitor
09			OAB 09	Academia; Minority shareholder

Appendix 2: Sample of Interview guide/Questions;

1. **<u>Research interview questionnaires for companies/establishments</u>**

SIX major categories include:

CORPORATE GOVERNANCE (INSTITUTIONAL) ENVIRONMENT, MOTIVATIONS, IMPLEMENTATION, IMPACT, RELEVANCE, PROSPECTS OF CORPOARTE GOVERNANCE REFORMS

A. **CORPORATE GOVERNANCE (INSTITUTIONAL) ENVIRONMENT**

- How will you describe the corporate environment of Nigeria? what institutional factors define your view of the corporate environment of Nigeria?

- What in your opinion are the issues, challenges and concerns in corporate governance in this context?

- Do these challenges interfere (impact) with the performance of corporate governance (**CG**)/ reforms, in Nigeria?

- In what ways?

- Any other contribution in relation to CG environment/ factors?

B. MOTIVATIONS FOR CORPORATE GOVERNANCE REFORMS

- Can you state some of the corporate governance reforms that have been implemented in the last decades in your organisation?

- In your opinion, what are the main motivations/triggers in the launch or initiation of corporate governance reforms in Nigeria? And also, in your company?

- To what extent do you feel these reforms have been driven by external (legitimation) influences or Internal (efficiency) factors?

- In your opinion, what are the level of compliance or otherwise with these reforms among companies? Acceptability among companies.

- Can you share your own experience with the implementation and compliance with these reforms? (Challenges, issues, difficulties with implementation or compliance? What are they?).

- What **CG** factors in this environment impact on these implementation/motivations of these reforms? How?

- Any other contribution in relation to Implementation/compliance?

C. IMPLEMENTATION OF CORPORATE GOVERNANCE REFORMS

- What are the processes of implementing corporate governance reforms or best practices in your company/ sector.

- Can you compare this procedure to that of other sectors/industries?
- How are these reforms administered within your organisation/sector/industry and the corporate environment of Nigeria?

- To what extent is the realisation or otherwise of these reforms in Nigeria comparable with other countries/contexts?

- In what way has the Nigerian corporate governance reforms scheme helped to (or otherwise) actualise the good governance propositions?

- Any other thing in relation to these CG procedures?

D. **IMPACT OF CORPORATE GOVERNANCE REFORMS**

- What are the situations before the initiations of these reforms in your organisation/ corporate environment of Nigeria?

- What are the changes that have taken place on your corporate governance mechanism/ CG structure of your organisation?

- What are some of the effects of these reforms on your corporate governance structure after the implementation?

- To what extent has the realisation or otherwise of these outcomes/consequences been impacted by these issues (factors) in the corporate governance environment of Nigeria?

- In what way has the Nigerian corporate governance environmental factors in turn, been influenced by these outcomes?

- Any other thing in relation to Impact?

E. **RELEVANCE OF CORPORATE GOVERNANCE REFORMS**

- What are the priorities/concerns in corporate governance mechanisms/practice in your organisations before the initiation/ implementation of these CG reforms?

- Were the outcomes of these reforms in accordance with your original expectations?

- To what extent are the outcomes able to address the challenges or major priorities/ concerns in your **CG** structure and practice?

- If applicable, can you discuss how OR in what ways these concerns were not addressed?

- Any other matters concerning relevance?

F. **PROSPECTS/SUGGESTIONS FOR CORPORATE GOVERNANCE REFORMS IN NIGERIA**

- What should be (are) the main priorities for corporate governance in Nigeria?
- How can these priorities be adequately incorporated into corporate governance reforms?
- What are the strengths/ shortcomings of these present reforms?
- How can Nigerian corporate governance environmental issues be adequately accounted for in corporate governance reforms?
- What are the suggestions/ prospects for establishing a more effective and suitable corporate governance framework in Nigeria? Tailored towards our peculiar needs?
- Any other suggestions for a way forward for CG/ CG reforms in Nigeria?

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