EVALUATION OF CRITICAL CORPORATE GOVERNANCE ISSUES WITHIN NIGERIA'S TOP STATE-OWNED ENTERPRISES

Lloyd Chukwumeka Nwafor\(^1\)
Busaya Virakul\(^2\)
Darlene Russ-Eft\(^3\)
Geoffrey Ijomah David Chima\(^4\)

ABSTRACT

Objective: The objective of the article was to examine and analyze significant corporate governance issues prevalent in Nigeria's leading state-owned enterprises by identifying the key corporate governance issues that exist within State-Owned Enterprises (SOEs), importance of addressing these critical corporate governance issues in relation to SOEs in Nigeria, explore the various factors that hinder the evaluation of these critical corporate governance issues in Nigerian SOEs and put forth recommendations and strategies for effectively managing these critical corporate governance issues within SOEs in Nigeria.

Theoretical Framework: Agency Model Principals (Shareholders) Agents (Management) Performs Hires and Delegates Self Interest Self Interest 257 Talat Afza and Mian Sajid Nazir On the whole, agency theory laid emphasis on the opportunistic behavior of managers; managers try to put their interest first by forgoing shareholders' interests.

Method: The study employed a descriptive survey design, wherein 300 employees were selected through a random sampling process from a pool of over 100,000 employees belonging to various organizations such as Power Holding Company of Nigeria, Nigeria Postal Services, Nigerian Railway Cooperation, Nigeria Water Board Cooperation, and Nigeria Television Authority. The selected employees were representative of the six geopolitical zones in Nigeria. A questionnaire consisting of 20 items was utilized as the primary instrument for data collection. To ensure the reliability and validity of the instrument, the validation process involved the application of Lawshe's content validity template, resulting in a content validity ratio (CVR) of 1. The psychometric properties of the instrument were assessed using Cronbach's alpha. A coefficient alpha of .85 was obtained, surpassing the threshold of .70. This indicates that the instrument demonstrates satisfactory reliability. The data was collected in real-time and subsequently analyzed utilizing frequency count and percentage calculations.

Findings: The results indicate that employees possess a comprehensive understanding of crucial corporate governance matters within their respective state-owned enterprises in Nigeria. Assessing these critical corporate governance issues has the potential to yield outstanding returns on investment (ROI) and enhance stakeholder satisfaction. Hence, it is of utmost importance to conduct a comprehensive assessment of critical issues pertaining to corporate governance.

Conclusion: This evaluation is essential in order to protect the interests of stakeholders, attain anticipated levels of performance, promote fairness and transparency, optimize return on investment, and ultimately enhance the provision of services to citizens.

Keywords: Critical Corporate Governance Issues, Good Governance, State-Owned Enterprises, Leadership, Management.

\(^{1}\) North-Chiang Mai University (NCU), Thailand. E-mail: lloydnwafor@gmail.com
Orcid: https://orcid.org/0000-0002-7510-4475

\(^{2}\) The National Institute of Development Administration (NIDA), Bangkok, Thailand. Ladership, and human resource development (HRD). E-mail: busya@nida.ac.th Orcid: https://orcid.org/0000-0003-3328-3759

\(^{3}\) The College of Education, Oregon State University (OSU), Corvallis, Oregon, United States of America. E-mail: drusseft@purdue.edu Orcid: https://orcid.org/0000-0002-5523-4707

\(^{4}\) Centre for Globalization, Development and Leadership, Abuja, Nigeria. E-mail: dr.gidchima@gmail.com Orcid: https://orcid.org/0009-0006-3226-214

AVALIAÇÃO DE QUESTÕES CRÍTICAS DE GOVERNANÇA CORPORATIVA NAS PRINCIPais EMPRESAS ESTATAIS DA NIGÉRIA

RESUMO

Objetivo: O objetivo do artigo foi examinar e analisar questões significativas de governança corporativa predominantes nas principais empresas estatais da Nigéria, identificando as principais questões de governança corporativa que existem nas empresas estatais (SOEs), a importância de abordar essas questões críticas de governança corporativa em relação às empresas públicas na Nigéria, explorar os vários factores que dificultam a avaliação destas questões críticas de governação corporativa nas empresas públicas nigerianas e apresentar recomendações e estratégias para gerir eficazmente estas questões críticas de governação corporativa nas empresas públicas na Nigéria.

Referencial Teórico: Modelo de Agência Diretores (Acionistas) Agentes (Gestão) Executa Contratações e Delega Interesse Próprio Interesse Próprio 257 Talat Afza e Mian Sajid Nazir No geral, a teoria da agência colocou ênfase no comportamento oportunista dos gestores; os gestores tentam colocar seus interesses em primeiro lugar, renunciando aos interesses dos acionistas.

Método: O estudo empregou um desenho de pesquisa descritivo, em que 300 funcionários foram selecionados através de um processo de amostragem aleatória de um grupo de mais de 100.000 funcionários pertencentes a várias organizações, como Power Holding Company of Nigeria, Nigeria Postal Services, Nigerian Railway Cooperation, Nigeria Water Board, Cooperação e Autoridade de Televisão da Nigéria. Os funcionários selecionados eram representativos das seis zonas geopolíticas da Nigéria. Um questionário composto por 20 itens foi utilizado como instrumento principal de coleta de dados. Para garantir a confiabilidade e validade do instrumento, o processo de validação envolveu a aplicação do modelo de validade de conteúdo de Lawshe, resultando em um índice de validade de conteúdo (CVR) de 1. As propriedades psicométricas do instrumento foram avaliadas por meio do alfa de Cronbach. Obteve-se um coeficiente alfa de 0,85, ultrapassando o limite de 0,70. Isso indica que o instrumento demonstra confiabilidade satisfatória. Os dados foram coletados em tempo real e posteriormente analisados utilizando contagem de frequência e cálculos percentuais.

Constatações: Os resultados indicam que os funcionários possuem uma compreensão abrangente de questões cruciais de governança corporativa nas suas respectivas empresas estatais na Nigéria. A avaliação destas questões críticas de governança corporativa tem o potencial de gerar excelentes retornos sobre o investimento (ROI) e aumentar a satisfação das partes interessadas. Portanto, é de extrema importância realizar uma avaliação abrangente de questões críticas relativas à governança corporativa.

Conclusão: Esta avaliação é essencial para proteger os interesses das partes interessadas, atingir os níveis de desempenho previstos, promover a justiça e a transparência, otimizar o retorno do investimento e, em última análise, melhorar a prestação de serviços aos cidadãos.


EVALUACIÓN DE CUESTIONES CRÍTICAS DE GOBIERNO CORPORATIVO DENTRO DE LAS PRINCIPALES EMPRESAS ESTATALES DE NIGERIA

RESUMEN

Objetivo: El objetivo del artículo era examinar y analizar cuestiones importantes de gobierno corporativo que prevalecen en las principales empresas estatales de Nigeria mediante la identificación de los problemas clave de gobierno corporativo que existen dentro de las empresas estatales (SOE), y la importancia de abordar estos problemas críticos de gobierno corporativo, en relación con las empresas estatales en Nigeria, explorar los diversos factores que obstaculizan la evaluación de estas cuestiones críticas de gobierno corporativo en las empresas estatales nigerianas y presentar recomendaciones y estrategias para gestionar eficazmente estas cuestiones críticas de gobierno corporativo dentro de las empresas estatales en Nigeria.

Marco teórico: modelo de agencia Principales (accionistas) Agentes (administración) Contrata y delega Interés propio Interés propio 257 Talat Afza y Mian Sajid Nazir En general, la teoría de la agencia puso énfasis en el comportamiento oportunista de los gerentes; Los gerentes intentan poner sus intereses en primer lugar renunciando a los intereses de los accionistas.
Método: El estudio empleó un diseño de encuesta descriptivo, en el que se seleccionaron 300 empleados mediante un proceso de muestreo aleatorio de un grupo de más de 100.000 empleados pertenecientes a diversas organizaciones como Power Holding Company de Nigeria, Servicios Postales de Nigeria, Cooperación Ferroviaria de Nigeria y Junta de Agua de Nigeria. Cooperación y Autoridad de Televisión de Nigeria. Los empleados seleccionados eran representativos de las seis zonas geopolíticas de Nigeria. Se utilizó un cuestionario que consta de 20 ítems como instrumento principal para la recopilación de datos. Para garantizar la confiabilidad y validez del instrumento, el proceso de validación implicó la aplicación de la plantilla de validez de contenido de Lawshe, lo que resultó en un índice de validez de contenido (CVR) de 1. Las propiedades psicométricas del instrumento se evaluaron utilizando el alfa de Cronbach. Se obtuvo un coeficiente alfa de .85, superando el umbral de .70. Esto indica que el instrumento demuestra una confiabilidad satisfactoria. Los datos se recopilaron en tiempo real y posteriormente se analizaron utilizando recuentos de frecuencia y cálculos porcentuales.

Hallazgos: Los resultados indican que los empleados poseen una comprensión integral de cuestiones cruciales de gobierno corporativo dentro de sus respectivas empresas estatales en Nigeria. La evaluación de estas cuestiones críticas de gobierno corporativo tiene el potencial de generar retornos de la inversión (ROI) excepcionales y mejorar la satisfacción de las partes interesadas. Por lo tanto, es de suma importancia realizar una evaluación integral de las cuestiones críticas relacionadas con el gobierno corporativo.

Conclusión: Esta evaluación es esencial para proteger los intereses de las partes interesadas, alcanzar los niveles previstos de desempeño, promover la equidad y la transparencia, optimizar el retorno de la inversión y, en última instancia, mejorar la prestación de servicios a los ciudadanos.

Palabras clave: Cuestiones Críticas de Gobierno Corporativo, Buen Gobierno, Empresas Estatales, Liderazgo, Gestión.

RGSA adota a Licença de Atribuição CC BY do Creative Commons (https://creativecommons.org/licenses/by/4.0/).

1 INTRODUCTION

Corporate governance is an important factor in managing business organizations. The importance of corporate governance was recognized and elevated because of the collapse of distinguished organizations such as Enron and WorldCom in 2002 (BBC News, 2002a; 2002b). However, more recent scandals, like Wells Fargo's account fraud between 2011-2016 (BBC News, 2017; Egan, 2016) and the Volkswagen emissions scandal in 2015 (BBC News, 2015), revealed that illegal and unethical activities are still prevalent in corporations (Egan, 2016). Corporate governance seeks to address these anomalies by providing a framework for CEOs, management teams, boards of directors, and other relevant bodies to ensure responsible stewards are accountable for their actions (OECD, 2015). Stakeholders' trust is critical to a firm's survival however, the activities of boards of directors (BOD) and Chief Executive Officers (CEO) are much more crucial in determining how firms can thrive while being pressured by the financial requirements of investors (Thorne et al., 2010). This is especially true in Nigeria, which is Africa's largest economy. Therefore, this paper focuses on some critical issues in corporate
governance in State-Owned Enterprises (SOEs) in Nigeria and evaluates the impacts of actions related to corporate governance.

Nigeria is one of the largest and most significant players in the African continent's economic growth and development. Nigeria has a population of over 200 million. It has large reserves of valuable resources (e.g. crude petroleum, natural gas, bitumen, topaz, lignite, coal, tin, columbite, iron ore, gypsum, barite and talc). The country possesses both the human and natural resources for achieving its economic growth and development (UNDESA Division for Sustainable Development Goals, 2017a, 2017b), but Nigeria has not done well in regulating/minimizing fraud and corruption, and bribery. As a result, Nigeria consistently ranks among the lowest in the Corruption Perception Index (CPI), placing from 144 to 148 out of 180 (Transparency International, 2017; 2018). The economic costs of corruption are enormous and have a substantive impact on the macroeconomic outcomes in the country. To ensure that Nigeria's financial gains from national resource utilization are distributed for the country's people, excellent and effective financial regulatory institutions and corporate governance need to be strengthened in both the private and public sectors.

However, several issues concerning corporate governance in Nigeria need to be addressed, as they constitute major impediments to the country's development (Financial Reporting Council of Nigeria, 2018; International Monetary Fund–IMF, 2019; Ibrahim, and Shuaibu, 2013). Some of the listed critical issues in corporate governance are stakeholders' trust, activities of the board of directors (BODs) and Chief Executive Officer (CEO), and compensation of CEO and top management (Thorne et al., 2010). This paper, therefore, aims to examine critical issues in corporate governance that exist in State-Owned Enterprises (SOEs) in Nigeria and evaluate their impacts. The research findings yield further knowledge in corporate governance both in Nigeria and in general.

The ideals of good corporate governance is highly dependents on effective handling of critical issues for the overall benefits of the enterprise or organization. Managers are likely driven to implement pro-sustainability practices by the desire for expected results (Wijesundara, et al, 2024). On a general term, it is necessary for organizations to put in to consideration of critical cooperate governance issues by ensuring proper evaluation of BOD effectiveness, board diversity, CEO and chair duality, transparency and accountabilities, periodic assessment of CEO’s pay and performance, development of the CEO’s succession plan, protection of stakeholder’s interest specifically, minority shareholders and number of directors, non-executive directors and sub-committees. A preliminary study conducted by the researcher in North-Central and South-East Nigeria in June 2023 demonstrated divergent practice of
organization leaving behind critical issues of cooperate governance especially in top state-owned enterprises. Generalizations were made based on geographical locations where the presurvey was conducted that, issues of cooperate governance may not be considered integral in service delivery and performance of state-owned enterprise in Nigeria due to poor governance and institutional decay as some state-owned enterprise are doing well while other are not.

Following the above prepositions on the functionality of state-owned enterprise, this study aimed to provide insights into the critical corporate governance issues of SoEs in order to establish significant insight on the of critical issues and significance in state-owned enterprises and look into strategies to effectively manage critical cooperate governance issues in order to avert negative impact and retrogressions in the enterprise. The article aimed to investigate critical corporate governance issues within Nigeria's state-owned enterprises. The objectives of the article is to determine:

1. The critical cooperate governance issues within State-Owned Enterprises (SOEs) in Nigeria;
2. The significance of critical corporate governance issues pertaining to State-Owned Enterprises (SOEs) in Nigeria;
3. The factors that impede the evaluation of critical corporate governance issues in SOEs in Nigeria;
4. To propose strategies for effectively managing critical corporate governance issues in SOEs in Nigeria;

1.1 JUSTIFICATION OF THE STUDY

The motivation for conducting this research stems from the growing challenges faced by employees in state-owned enterprises in Nigeria, particularly in terms of job satisfaction and overall operational standards. The aim of this study is to assess important governance issues in Nigeria's state-owned enterprises, with a focus on enhancing corporate governance effectiveness and fostering sustainable operations and economic development. The objective will be achieved by conducting a thorough assessment of the critical corporate governance issues in State-Owned Enterprises (SOEs) in Nigeria, examine the importance of these issues and identify the factors that hinder their evaluation. Finally, suggest strategies for effectively managing these critical corporate governance issues in SOEs in Nigeria. Given the prevailing circumstances of Nigeria's governance challenges, corruption, and economic struggles, it is
crucial to analyze the key corporate governance concerns within Nigeria's state-owned enterprises.

1.2 LITERATURE REVIEW

This part summarizes the existing literature on critical issues of corporate governance, the importance and components of corporate governance and state-owned enterprises in Nigeria. A study of corporate governance is influenced by the agency theory, which could be traced to Adam Smith (1776) in the *Wealth of Nations*. He argues that a manager who does not own a company would not make the same decisions as to the owner. Among numerous definitions of corporate governance, Opara (2011) defines it as a mechanism that deals with managers' management style and accountability to stakeholders. However, Sarbah and Xiao (2015) further explain it as structures and processes for the direction and control of organizations. Furthermore, Ugowe (2016) describes corporate governance as a critical part of the risk reduction approach for firms. Ferrell et al. (2015) stated that corporate governance is a formal system of accountability, oversight, and control to remove the opportunity for management and employees to make unethical decisions.

These relationships need a formal system of oversight, accountability and control of organizational decisions and resources (Thorne et al., 2010). While some may see corporate governance as a mechanism that controls companies (Singh, 2018), it has metamorphosed into becoming a significant attribute of organizations and seen widely as a way to improve economies in both developed and developing countries (Hussian & Mallin, 2002; McCarthy & Puffer, 2003).

The importance of corporate governance can not be overemphasized. First of all, it mitigates fraud and selfish decisions among corrupt CEOs, top management and board members (Thorne et al., 2010). Good corporate governance serves as a risk reduction strategy for both private and public firms (Ugowe, 2016) and enhances investors' trust; furthermore, the public links corporate governance to a firm’s reputation and the perception of the firm. According to KPMG (2013), reputational risk is the second most significant threat to the modern-day industry. Therefore, the implementation of good corporate governance serves to eliminate that risk and boost investor confidence and financial performance. Besides, corporate governance is one of the key factors of an organization's sustainability because it helps prevent unethical decisions by management and employees (Ferrell et al., 2015, p. 52; Nwafor, & Chima, 2023).
Ferrell et al. (2015) indicate that crucial components of CG include the CEO and top management, the board of directors, risk management, shareholders/stakeholders, short- and long-term strategies, and ethical culture. Moreover, two essential elements of CG that relate to ethical decision making are the role of the board of directors and executive compensation. Thorne et al. (2010) list accountability, fairness, independence, and transparency as four components of good corporate governance. However, In’airat (2015) argues that the major components of corporate governance are internal audit, internal control and external audit. Internal audit is professed as the most important in minimizing frauds in organizations. A board of directors is responsible for oversight, including controlling expenditures, compensation, top management's activities and ensuring accountability, resolving conflicts of interests among decision-makers, reducing transaction cost and providing continuity in corporations (Baysinger & Butler, 1985; Thorn et al., 2010; Tuggle et al., 2010). As these tasks have a considerable impact on firms at all levels, it becomes a critical issue to ascertain or evaluate the effectiveness of BODs. The board of any firm is inevitably considered the most important group because their duty encompasses hiring and firing the CEO; it is the CEO who runs the day-to-day activities of the firm (Thorne et al., 2010) and who implements the company's visions and goals. Researchers have linked company performance to the CEO's activities (Yan Lam and Kam Lee, 2008; Baliga et al., 1996; Jensen, 1993).

More importantly, transparency and accountability, assessment, remuneration and duality are critical issues surrounding the position of the CEO (OECD, 2015). McCahery and Vermeulen (2014) argue that corporate governance is more than just creating and protecting the wealth of investors and other stakeholders. Corporate governance enables organizations to be innovative, create value and sustain a competitive advantage. To compete effectively in today's business environment, McCahery and Vermeulen list six components of corporate governance: Coordination, Communication, Conversation, Connection, Collaboration and Co-creation. Coordination refers to the role of the CEO, BODs, and corporate culture in creating a link among the shareholders, the business community and the consumers. The coordinator ensures that parameters for innovation and commerce, marketing strategies and policies are set within the organization.

Furthermore McCahery and Vermeulen (2014) opine that connection, collaboration and co-creation are necessary for partnerships, innovation, research, and development. These six components are standard among successful and innovative companies around the globe. Where there is a lack of communication and conversation with investors, there will be a limited success regardless of the abundance of policies, rules, and regulations. It has become apparent that the
critical issues and components of corporate governance are intertwined. For example, McCahery and Vermeulen (2014) explain that the significant part of CG is the "coordinator", usually a function of the CEO or BODs, which plays a critical role in firms. On the other hand, (Ferrell et al., 2015; Nadaf and Navi, 2017; Tuggle et al., 2010) outline CEO and Chair duality, the effectiveness of the BODs, transparency, risk management, shareholders activism, accountability, and compensation and fairness as key critical issues.

These critical corporate governance issues propel ownership engagement, which is described in the McCahery and Vermeulen (2014) paper as 'investor-communication and conversation'. Table 1 demonstrates the critical issues of CG gathered from several sources in both private and public corporations. Scholars have used different theories and models to elucidate and forecast how boards of directors can best deal with those issues and improve the performance of their firms (Jensen and Meckling, 1976; Kesner and Johnson, 1990). These critical issues, when appropriately addressed, are fundamental to maintaining strong corporate governance. Furthermore, they serve as an essential mechanism in improving corporate governance globally. OECD (2015) advises that no single part should be ignored in both private and public firms.

The International Center for Promotion of Enterprises (ICPE) defined SOEs as:

Any commercial, financial, industrial, agricultural or promotional undertaking – owned by public authority, either wholly or through majority shareholding – which is engaged in the sale of goods and services and whose affairs are capable of being recorded in balance sheets and profit and loss accounts. Such undertakings, public corporations, statutory agencies, established by acts of Parliament or Joint Stock Companies registered under the company law (Emeh, 2012, p.1111)

SOEs in Nigeria are as old as Nigeria. SOEs were established after independence for mainly economic and political reasons; economic in the sense that government pursued objectives of social justice that the private sector tends to ignore; and political because jobs were created in various constituents to encourage federal character (Adeyemo and Salami, 2008; Ugorji, 1995). From the mid-60s to the late 80s, SOE flourished and generated bountiful revenues. A national survey in Nigeria showed that 900 SOEs belonged to both state and local governments during this period. Between 1970 and 1980 there were about 600 SOE. SOEs in Nigeria made progress and played crucial roles in the nation's economy, accounting for more than 50% of Gross National Production (GNP).
Between 1975 and 1985, more than N11.5 billion was injected into SOEs in Nigeria. However, SOEs in Nigeria deteriorated due to accounting frauds, weak corporate governance systems, and weak law enforcement, among other issues (Ugorji, 1995; Ugowe, 2016). Accounting fraud is a big issue in both private and public firms in Nigeria. Accounting scandals that rocked the Nigerian Stock Exchange (NSE), African Petroleum, Cadbury Nigeria, Unilever Brothers, and the banking sector between 2003 and 2010 encouraged the Nigerian government to start a discussion on improving the existing corporate governance codes. Eventually, the *Nigerian Code of Corporate Governance 2018* was introduced to protect investors’ funds from corrupt CEOs and directors and to promote corporate values and ethical practices (Ugowe, 2016).

2 THEORETICAL FRAMEWORK

Agency Model Principals (Shareholders) Agents (Management) Performs Hires and Delegates Self Interest. Talat Afza and Mian Sajid Nazir overall, agency theory laid emphasis on the opportunistic behavior of managers; managers try to put their interest first by forgoing shareholders’ interests. As a result, cost of resolving this problem increases due to the involvement of several corporate governance mechanisms and monitoring systems like auditing, budgeting and hiring outside directors on the board and giving monetary and non-monetary benefits to managers etc. DeZoort, Hermanson, Archambeault, and Reed (2002) described the role of board in monitoring the chief executive officer and firm’s management. They further elaborated board generally form a subcommittee that has expertise and knowledge to administer the management activities on their behalf. Audit committee (AC) is the sole sub-committee of board of immense important in the framework of corporate governance and monitors the some responsibilities that are delegated by board.

Dey (2008) and Chen, Lin, and Lin (2008) reported that companies that having affective audit committees (AC’s) they are less likely to found in the agency problems. Moreover, agency theory argues two main aspects: corporate boards must have independent directors because they are affective monitor of the management and fair in decision making which is in favor of shareholders interest; and there must be non-existence of CEO duality in the organizations as separate individuals on the post of chief executive and chairperson of board are more prone toward reducing the unjustified influence of some board members and particular managers (Fama, 1980; Fama & Jensen, 1983). Further, Eisenhardt (1989) gave same consensus, that incentive schemes for managers help to maximize shareholder interest and also introduced
outcome-based incentive contract that decrease managerial opportunism, particularly when CEO has the same interests as the shareholders through an appropriately designed incentive compensation plan. However, contradictory views also exist on this issue. Some authors consider managerial compensation as part of agency problem. They argued that it gives more power to agents and compensation is only partial remedy of agency problem (Bebchuk & Fried, 2003). Alternative solution is given that remove all these issues is to create a relationship between compensation and firm performance which is known as pay-for-performance (Rupp and Smith, 2002)

3 METHODOLOGY

3.1 STUDY LOCATION

The Federal Republic of Nigeria is comprised of six distinct geopolitical zones, which are commonly referred to as the South East, South West, South South, North East, Northwest, and Northcentral regions. They represent a form of administrative subdivision that consolidates the various states within the country, originating from the tenure of President General Sani Abacha. The resources pertaining to the Nigerian economy, politics, and education are frequently shared among the various zones.
The six zones were not exclusively delineated according to geographical location; instead, they were organized based on states that share similar ethnic groups and/or possess a common political history, thereby being classified within the same zone. Nigeria comprises an estimated 400 distinct ethnic groups and encompasses a rich linguistic diversity of around 450 languages. There arose a necessity for the government to consolidate comparable entities in order to optimize resource allocation and streamline governance processes.

3.2 SOURCES OF DATA

Primary and secondary data sources was explored in ensuring the appropriate data for this article were gathered. Primary data was obtained using on the spot administration of questionnaire to provide the first hand data for the study. Secondary data was obtained from Journals. Books, magazine, periodicals and published survey reports.

3.3 METHOD

A descriptive survey design was adopted for the study this was done in order to ensure a larger facet of the population is captured for ease of better generalization of findings. The population encompasses over 100, 000 employees of Power Holding Company of Nigeria,
Nigeria Postal Services, Nigerian Railway Cooperation, Nigeria Water Board Cooperation, Nigeria Television Authority from the six geopolitical zones in Nigeria. 300 participants (50 from each geopolitical Zones) selected through a random process were used as sample for the study. A 20-item questionnaire was used as instrument for data collection, the validation of the instrument was done through the application of Lawshe’s content validity template with CRV of 1. The psychometric was established using Cronbach alpha and a coefficient alpha of .85 was obtained which is greater than .70 threshold and confirmed the reliability of the instrument. The data was gathered on the spot with a direct interaction between the researcher and the participants and was analyzed using frequency count and percentages. The results were presented in tables and graphs.

4 RESULT AND DISCUSSION

4.1 FAMILIARITY OF CRITICAL CORPORATE GOVERNANCE ISSUES WITHIN STATE-OWNED ENTERPRISES (SOES) IN NIGERIA

The extent of participant familiarity with critical corporate governance issues in Nigerian SOEs were examined and the findings are presented in figure 2 in subsequent manner.

Figure 2
Participants level of Familiarity with Critical Corporate Governance Issues within Nigerian SOE’s

<table>
<thead>
<tr>
<th>Frequency count</th>
<th>Percentages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Very Familiar</td>
<td>184</td>
</tr>
<tr>
<td>Somewhat Familiar</td>
<td>93</td>
</tr>
<tr>
<td>Not Familiar</td>
<td>0</td>
</tr>
<tr>
<td>Uncertain</td>
<td>237,67%</td>
</tr>
</tbody>
</table>

The findings derived from the data analysis and depicted in figure 2 demonstrate that a substantial majority of 184 participants, accounting for 61.33% of the total, expressed a strong
level of familiarity with critical corporate governance issues pertaining to state-owned enterprises. However, 93, accounting for 31.00% of the respondents, indicated that they possessed a level of familiarity with critical corporate governance issues that could be described as somewhat familiar. Additionally, 23 respondents, representing 7.67% of the total, expressed uncertainty regarding their familiarity with these issues. The article aims to analyze the critical corporate governance issues that participants are acquainted with. It explores these issues by considering the participants’ knowledge and familiarity within their respective enterprises.

**Table 1**

*Participants Familiarity of Critical Corporate Governance Issues within SOE’s*

<table>
<thead>
<tr>
<th>Issues n=300</th>
<th>Familiar</th>
<th>Uncertain</th>
<th>Unfamiliar</th>
</tr>
</thead>
<tbody>
<tr>
<td>Evaluation of BOD’s effectiveness</td>
<td>211</td>
<td>70.33</td>
<td>38</td>
</tr>
<tr>
<td>Board diversity (Gender, the racial and cultural composition of BODs)</td>
<td>217</td>
<td>72.33</td>
<td>34</td>
</tr>
<tr>
<td>CEO and Chair duality</td>
<td>221</td>
<td>73.67</td>
<td>37</td>
</tr>
<tr>
<td>Transparency and accountability</td>
<td>234</td>
<td>78.00</td>
<td>41</td>
</tr>
<tr>
<td>Periodic assessments of the CEO’s pay</td>
<td>218</td>
<td>72.67</td>
<td>56</td>
</tr>
<tr>
<td>Assessing the CEO’s performance</td>
<td>259</td>
<td>86.33</td>
<td>32</td>
</tr>
<tr>
<td>Developing the CEO's succession plan</td>
<td>234</td>
<td>78.00</td>
<td>43</td>
</tr>
<tr>
<td>Protection of minority shareholders</td>
<td>248</td>
<td>82.67</td>
<td>31</td>
</tr>
<tr>
<td>Protection of stakeholders’ interests</td>
<td>261</td>
<td>87.00</td>
<td>32</td>
</tr>
<tr>
<td>Number of Directors and Non-Executive Directors</td>
<td>246</td>
<td>82.00</td>
<td>41</td>
</tr>
<tr>
<td>Sub-Committees (Audit, Remuneration and Nomination)</td>
<td>241</td>
<td>80.33</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: Field Data 2023

According to the findings presented in Table 1, it is evident that a majority of the participants, specifically 211 (70.33%) of the total sample, possess knowledge regarding the assessment of BOD’s effectiveness as a crucial aspect of corporate governance. However, a smaller proportion of respondents, 38 (12.67%), expressed uncertainty in this regard, while 51 (17.00%) admitted to being unfamiliar with the subject matter. The data indicates that a substantial majority out of the total participants, 217, accounting for 72.33% of the sample, expressed their familiarity with the concept of Board Diversity. Specifically, they acknowledged the significance of gender representation as well as the racial and cultural composition of Boards of Directors as crucial aspects of corporate governance. It is worth noting that a relatively smaller proportion of respondents held this perspective. Out of the total sample, 34 (11.33%) expressed uncertainty, while 49 (16.33%) held a divergent perspective distinct from the prevailing majority.

The results of the data analysis indicate that a significant majority of 221 respondents (73.67%) recognized CEO and Chair duality as a critical corporate governance issue within
state-owned enterprises. In contrast, a smaller proportion of 37 respondents (12.33%) expressed uncertainty regarding this issue, while 42 respondents (14.00%) held a contrary perspective and confirmed their lack of familiarity with the aforementioned critical governance issue. Regarding transparency and accountability, 234, accounting for 78.00% of the respondents, confirmed their familiarity with this critical corporate governance issues in state-owned enterprises. However, 41, representing 13.67% of the respondents, expressed uncertainty, while 25, constituting 8.33% of the respondents, reported being unfamiliar with the indicator being investigated.

Based on the analysis of the data, it is evident that a majority of the participants, specifically 218 (72.67%) of the total, expressed their familiarity with periodic assessments of the CEO's compensation. However, a smaller portion of the respondents, 56 (18.67%), were uncertain about this matter. Additionally, it is worth noting that a minority of the participants, specifically 26 (8.67%), did not perceive periodic assessment of the CEO's pay as a critical corporate governance issue. Furthermore, a significant majority of 259, accounting for 86.33% of the respondents, possess a level of familiarity with the evaluation of a CEO's performance as a critical aspect of corporate governance. However, it is worth noting that a smaller portion of the respondents, specifically 32 (10.67%), expressed uncertainty regarding this matter, while a mere 9 (3.00%) admitted to being unfamiliar with the issue.

The findings indicate that a majority of the participants, specifically 234, which accounts for 78.00% of the total, possess knowledge and understanding regarding the development of the CEO's succession plan as a critical corporate governance issue. Conversely, out of the total respondents, 43, representing 14.33% of the sample, expressed uncertainty regarding their familiarity with developing the CEO's succession plan as a critical corporate governance issue within state-owned enterprises. Additionally, 23 respondents, accounting for 7.67% of the sample, indicated that they are not familiar with this particular matter. In a similar vein, it is worth noting that a significant majority of 248 respondents, accounting for 82.67% of the total, expressed familiarity with the importance of protecting minority shareholders as a critical corporate governance issue. However, a smaller proportion of 31 respondents, representing 10.33%, expressed uncertainty on the matter, while, a minority of 21 respondents, constituting 7.00%, indicated a lack of familiarity with the topic being discussed.

A substantial majority of the participants, specifically 261 (87.00%), have demonstrated familiarity with the importance of protecting stakeholders' interests as a critical corporate governance issue. However, a smaller portion of the participants, specifically 32 (10.67%), expressed uncertainty regarding this issue. Additionally, a minority of the participants,
specifically 7 (2.33%), indicated that they are not familiar with the critical issues being surveyed. According to the data, it is evident that a significant majority of the participants, specifically 246 (82.00%) of the total, possess knowledge regarding the evaluation of the number of Directors and Non-Executive Directors as a critical corporate governance issue in state-owned enterprises. However, a small portion of the participants, comprising 41 (13.67%) of the total, remain undecided on this matter. Additionally, a minority of the participants, specifically 13 (4.33%) of the total, have confirmed their lack of familiarity with this particular indicator of critical issues being discussed. A significant majority of the participants, specifically 241 (80.33%), expressed their familiarity with the evaluation of Sub-Committees (Audit, Remuneration, and Nomination) as a crucial corporate governance issue within state-owned enterprises. However, a smaller portion of the participants, 47 (15.67%), were uncertain about their familiarity with this issue. Additionally, a minority of 12 (4.00%) stated that they are not familiar with the evaluation of Sub-Committees (Audit, Remuneration, and Nomination) as a critical corporate governance issue within state-owned enterprises in Nigeria.

Based on the findings of Shamshuddin et al. (2009), the primary concerns in corporate governance encompass a broad spectrum of areas. These include strategic aspects such as corporate strategy, information technology, oversight and innovation, as well as board composition and risk oversight. Additionally, more immediate issues such as crisis management and shareholder activism are also considered significant factors in the realm of corporate governance. The primary global concerns encompass duties of Directors, composition and Balance of the Board, Remuneration and Reward of Directors, Reliability of Financial Reporting and External Auditors, Board’s Responsibility for Risk Management and Internal Control, Shareholders’ Rights and Responsibilities, and Corporate Social Responsibility and Business Ethics. In summary, the findings of Shamshuddin and Navi (2013) suggest that the effective implementation of good corporate governance practices within an organization cannot solely rely on external regulations, but rather requires a genuine commitment from within the organization itself.
4.2 THE SIGNIFICANCE OF CRITICAL CORPORATE GOVERNANCE ISSUES PERTAINING TO STATE-OWNED ENTERPRISES (SOES) IN NIGERIA

The perspective on a recommendation that corresponds to the level of concurrence regarding the significance of critical corporate governance issues identified within state-owned enterprises was investigated and analyzed as follows:

Figure 3
Significance of Evaluating Critical Corporate Governance Issues

The findings demonstrated in Figure 3 indicate that 294 participants, accounting for 98.00% of the respondents, expressed agreement with the notion that evaluating critical corporate governance issues plays a substantial role in reducing the occurrence of inadequate management practices and ultimately improving the overall performance of the national economy. A substantial majority of the participants, specifically 284 (representing 94.5% of the total sample), expressed their agreement with the notion that the evaluation of critical corporate governance issues serves as a preventive measure against the emergence of corporate scandals within state-owned enterprises. In a similar vein, it was found that 279, accounting for 93.00% of the respondents, expressed agreement with the impression that evaluating critical corporate governance issues has a substantial impact on enhancing operational efficiency within state-owned enterprises. Furthermore, 289 participants, representing 96.33% of the sample, also
supported the idea that such evaluations contribute to improved accessibility to capital. The findings indicate that a significant proportion of the participants, specifically 276 (92.00%), expressed agreement with the view that assessing critical corporate governance issues in state-owned enterprises would be beneficial in implementing risk mitigation strategies and safeguarding the interests of all stakeholders. 296 respondents (98.67%) from the entire sample further reinforced this viewpoint.

Based on the findings of the data analysis, it can be concluded that a significant majority of 291 participants (97.00%) agreed that the evaluation of critical corporate governance issues plays a crucial role in mitigating the risk of fraudulent activities and financial losses within state-owned enterprises. Furthermore, this evaluation process also enhances the credibility of managers and directors, as confirmed by the similar number of participants (288, 96.00%). Furthermore, it is worth noting that a substantial majority of the participants, specifically 297 respondents representing 99.00% of the total sample, have expressed their recognition of the considerable impact that the assessment of critical corporate governance matters can have on generating exceptional returns on investment (ROI) and fostering stakeholder satisfaction. Notably, this sentiment is particularly prevalent among respondents affiliated with state-owned enterprises, as 295 participants, equivalent to 98.33% of the overall participants, belong to this category.

4.3 THE MAIN CHALLENGES FACING THE EVALUATION OF CRITICAL CORPORATE GOVERNANCE ISSUES IN NIGERIAN SOES

Conducting a thorough examination of the primary obstacles encountered in assessing critical corporate governance issues within state-owned enterprises is of utmost importance. The collected data was subsequently analyzed and presented in table 2 in the following manner.
Table 2

<table>
<thead>
<tr>
<th>Challenges n=300</th>
<th>Agree</th>
<th>Uncertain</th>
<th>Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Freq.</td>
<td>%</td>
<td>Freq.</td>
</tr>
<tr>
<td>Limited access to reliable data</td>
<td>294</td>
<td>98.00</td>
<td>2</td>
</tr>
<tr>
<td>Complex and varying regulatory frameworks</td>
<td>291</td>
<td>97.00</td>
<td>3</td>
</tr>
<tr>
<td>Limited resources to fund evaluation efforts</td>
<td>290</td>
<td>96.67</td>
<td>7</td>
</tr>
<tr>
<td>Lack of training and understanding of corporate governance</td>
<td>296</td>
<td>98.67</td>
<td>0</td>
</tr>
<tr>
<td>Misalignment of values and interests between SOE's and their stakeholders</td>
<td>293</td>
<td>97.67</td>
<td>3</td>
</tr>
<tr>
<td>Political interference</td>
<td>298</td>
<td>99.33</td>
<td>0</td>
</tr>
<tr>
<td>Insufficient enforcement of governance regulations</td>
<td>294</td>
<td>98.00</td>
<td>0</td>
</tr>
<tr>
<td>Cultural norms that value personal relationships over corporate governance</td>
<td>297</td>
<td>99.00</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Field Data, 2023

The findings presented in Table 2 have revealed the existence of various obstacles that hinder the assessment of critical corporate governance issues in state-owned enterprises. The overwhelming majority of respondents, specifically 294 participants accounting for 98.00% of the total, concurred that the restricted availability of dependable data has consistently hindered the assessment of critical corporate governance issues within state-owned enterprises in Nigeria. A smaller percentage of the participants, specifically 2 (0.67%), expressed uncertainty, while 4 (1.33%) disagreed with the proposition that restricted access to dependable data hinders the assessment of critical corporate governance issues within state-owned enterprises in Nigeria.

Nonetheless, a significant majority of 291 participants, accounting for 97.00% of the total, expressed their agreement regarding the impact of intricate and diverse regulatory frameworks on the assessment of critical corporate governance issues within state-owned enterprises in Nigeria. It is worth noting, however, that a minority of participants shared this perspective. Three respondents, accounting for 1.00% of the total respondents, expressed uncertainty, while 6 participants, representing 2.00% of the total respondents, held varying perspectives on the regulatory framework that impacts the assessment of critical corporate governance issues.

The analysis revealed that a significant majority of the participants, specifically 290 (96.67%), concurred that the evaluation of critical corporate governance issues within state-owned enterprises is hindered due to insufficient resources allocated for evaluation efforts. However, a small proportion of the participants, 7 (2.33%), expressed uncertainty regarding this proposition. Additionally, only 3 participants (1.00%) disagreed with the notion that limited funding for evaluation efforts has an impact on the assessment of critical corporate governance.
issues. In a similar vein, a significant majority of 293 respondents (97.67%) concurred that the absence of adequate training and comprehension of corporate governance hinders the assessment of critical corporate governance issues within state-owned enterprises. Conversely, a smaller proportion of 4 (1.33%) participants expressed disagreement and failed to acknowledge the potential disruption caused by insufficient training and understanding of corporate governance in evaluating critical corporate governance issues.

The analysis of the data reveals that a majority of the participants, specifically 293 (97.67%), agreed that the misalignment of values and interests between state-owned enterprises (SOEs) and their stakeholders presents a significant challenge in evaluating critical corporate governance issues. However, a small portion of the participants, 3 (1.00%), remained undecided on this matter. In addition, 4 (1.33%) held differing opinions from the substantial majority. A substantial majority of 298 respondents, accounting for 99.33% of the total, concurred that political interference has played a significant role in impeding the assessment of critical corporate governance issues within state-owned enterprises in Nigeria. However, 2, accounting for a mere 0.67% of the respondents, expressed dissenting views by asserting that the assessment of critical corporate governance issues is indeed influenced by political interference.

Furthermore, it is worth noting that a substantial majority of 294 respondents (98.00%) concur that the inadequate enforcement of governance regulations has had a substantial impact on the assessment of critical corporate governance issues within state-owned enterprises. However, a small minority of 6 (2.00%) hold a dissenting viewpoint, suggesting that the evaluation of critical corporate governance issues is not influenced by the insufficient enforcement of governance regulations. In a similar vein, it was found that a substantial majority of participants, specifically 297 (99.00%) of the total, acknowledged that the cultural norms prioritizing personal relationships over corporate governance in Nigeria present a notable obstacle to effectively assessing critical corporate governance issues within state-owned enterprises. However, a small minority of 3 participants (1.00%) expressed disagreement with this prevailing viewpoint, as they did not perceive cultural norms and the emphasis on personal relationships as a detrimental factor in evaluating critical corporate governance issues within state-owned enterprises.

The findings closely correspond to those of Bahati (2010), who discovered that various factors such as ownership and control structure, interlocking relationships with government and the financial sector, weak civil and judicial systems, lack of monitoring institutions, and limited human resource capabilities indicate a lack of effective and sound regulatory framework, enforcement, incentive regime, state capacity, and responsible corporate citizenship. These
factors present significant challenges when evaluating critical corporate governance issues within state-owned enterprises. Afsharipour (2009) discusses the convergence of corporate governance rules on a formal level. However, the author highlights that local characteristics hinder the implementation and enforcement of these reforms, resulting in their limited effectiveness. This observation supports the argument that achieving comprehensive convergence is challenging, as it necessitates intricate political, social, and institutional changes that cannot be easily accomplished.

The article further examined the extent to which these challenges particularly the lack of a regulatory framework impede the evaluation of critical corporate governance issues in Nigerian SOEs and found the following results.

**Figure 4**

*Extent of Impediment to Evaluation of Critical Corporate Governance Issues*

The findings depicted in Figure 4 indicate that a substantial majority of the participants, specifically 173 individuals (57.67%), acknowledged that challenges, notably the absence of a regulatory framework, have significantly hindered the assessment of crucial corporate governance matters within state-owned enterprises. However, it is worth noting that there is a variation in magnitudes, as 53 participants (17.67%) have expressed that the challenges posed by the regulatory framework have had a moderate hindrance on the assessment of crucial corporate governance matters within state-owned enterprises. However, out of the total respondents, 32 individuals, accounting for 10.67% of the sample, expressed that the challenges faced have had a slight impact on the assessment of critical corporate governance matters. On the other hand, 42 participants, representing 14.00% of the sample, were uncertain about the influence of these challenges.
4.4 PROPOSE STRATEGIES FOR EFFECTIVELY MANAGING CRITICAL CORPORATE GOVERNANCE ISSUES

A survey was conducted to gather opinions from 300 participants across the six geopolitical zones in Nigeria regarding the recommended approach to effectively manage the critical corporate governance issues identified within state-owned enterprises in the country. The findings and suggestions are presented in the following manner:

**Figure 5**
*Propose Strategies for Effectively Managing Critical Corporate Governance Issues*

The findings depicted in figure 5 indicate that in order to adequately manage critical corporate governance issues in state-owned enterprises, a substantial majority of 298 respondents (97.67%) emphasized the importance of establishing a Board that possesses both expertise and diverse perspectives. The concept of conducting regular reviews of board composition has been deemed crucial, as it was supported by a significant majority of 298 respondents, accounting for 99.33% of the total participants. 291 participants, accounting for 97.00% of the respondents, suggested that the implementation of robust oversight mechanisms would effectively manage significant corporate governance issues within state-owned enterprises in Nigeria.

Approximately 293 participants, accounting for 97.67% of the total, assert the importance of highlighting the imperative nature of prioritizing risk management. This strategic approach is deemed highly beneficial in effectively addressing and managing critical corporate
governance issues within state-owned enterprises. Nevertheless, a substantial majority has put forth the proposition that it is of utmost importance to guarantee fair and impartial treatment of shareholders as a genuine method for effectively managing critical corporate governance issues. Furthermore, a significant majority of 295 respondents, accounting for 98.33% of the total, emphasize the criticality of ensuring adequate transparency and maintaining the integrity of corporate reporting, aligning with the viewpoint of 297 participants, representing 99.0% of the entire cohort. In the meantime, it was found that 292 participants, accounting for 97.33% of the total, put forth the proposition that the timely delivery of information, coupled with a balanced perspective, would effectively address and manage critical corporate governance issues within state-owned enterprises in Nigeria.

In accordance with Bahati's research conducted in 2010, establishing a solid foundation for an efficient corporate governance framework. The primary objective of the corporate governance framework is to foster transparency and efficiency in enterprises. It is crucial for this framework to align with the principles of the rule of law and effectively delineate the allocation of responsibilities among various supervisory, regulatory, and enforcement authorities. The development of the corporate governance framework should be undertaken with careful consideration of its potential impact on various aspects, including overall economic performance, integrity, and the incentives it generates for state owned enterprises. Additionally, it should aim to foster transparent and efficient markets. The legal and regulatory requirements pertaining to corporate governance practices within a jurisdiction ought to align with the principles of the rule of law, ensuring transparency and enforceability. According to Kemboi (2012), state-owned organizations should incorporate the evaluation of corporate governance practices into their corporate strategies. This integration is crucial for safeguarding stakeholders' interests, achieving expected performance, enhancing fairness and transparency, maximizing return on investment, and delivering improved services to citizens.

5 CONCLUSION

The study revealed that employees demonstrate a thorough comprehension of crucial corporate governance matters within their respective state-owned enterprises in Nigeria. The evaluation of these crucial corporate governance matters holds the promise of delivering exceptional returns on investment (ROI) and elevating stakeholder satisfaction. Therefore, it is imperative to undertake a thorough evaluation of the key concerns surrounding corporate governance within state-owned enterprises. The assessment is crucial for safeguarding
stakeholder interests, achieving expected performance levels, fostering fairness and transparency, maximizing return on investment, and ultimately improving service delivery to citizens.

REFERENCES


Evaluation of Critical Corporate Governance Issues within Nigeria's Top State-Owned Enterprises


Evaluation of Critical Corporate Governance Issues within Nigeria's Top State-Owned Enterprises


