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Good Corporate Governance and Organizational Performance in Nigeria

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The purpose of the study was to explore the effect of good corporate governance on organizational performance in Nigeria and make necessary recommendations for implementation. The primary business of the BODs of a company is concerned with the efficient management of the company. Good corporate governance involves building and imbibing the culture of efficiency through cutting costs and prudent management of available resources that lead to high organizational performance. The exploratory research design was used for the study to investigate the degree of relationship between good corporate governance and organizational performance. Using regression analysis; it was found that good corporate governance has significant positive relationship with organizational performance. Good corporate governance enhances good corporate management, and in the light of the result of the study, it was suggested that BODs should be composed of qualified and knowledgeable people for proper control and profitable management of the company. Even though the result reflects the purpose and aim of good corporate governance, the study was limited by time and finance and therefore further investigation is still required to allow for the comparison of the respective contributions of the respective variables of study with organizational performance.

Keywords: Effectiveness, BODs, Profitability, Good management, Performance.

Introduction

A major import of the Cadbury Report on Corporate Governance remains to encourage self-regulation with the ultimate goal that in applying the recommendations a company will become more efficient, gain shareholder value, and equally increase market value. The OECD (1999) acknowledges that good corporate governance structure provides proper incentives for the board and management to pursue objectives that are in the interest of the company and its shareholders and should facilitate organizational performance. The OECD believes that the importance of good corporate governance translates to the importance of good management; it recognizes that a lack of good corporate governance is actually a lack of good management and a failure of good corporate governance is a failure of good management. The matter of good corporate governance revolves around its principles. The principles suggest the importance of ethical approach; that recognizes cultures and society, the need to balance objectives in accordance with the views of each party in decision-making, equity and due regard to the issues of accountability and transparency. These principles are based on the rules of best corporate governance practice that emphasize the relevance of ethics, alignment of business goals, strategic management, good organizational architecture which reflect the need for good corporate governance, and adequate reporting system that reinforces the principles of transparency and accountability in organizations. Good corporate governance does not exist in a vacuum, but rests on good management practices. The problem therefore, is that bad management or a lack of commitment to good management will not result to good corporate governance. According to Ayininuola (2007) in the context of developing countries like Nigeria, the case for good corporate governance is further strengthened by the desire to attract investments to support rapid economic growth. He posits that sound corporate governance policies and practices constitute a real source of comfort for investors, both local and global. He emphasizes that over the last many years, survey reports and ratings like those of Mckinsey and company among others, favour companies or organizations that put in place credible structures that would guarantee sound corporate governance practices. Interest in corporate governance became paramount as a result of the major problems

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encountered by companies, especially banks, as regards such issues as unethical practices, insider abuses, massive fraud, unprofessional conducts, poor quality services, bank failures, among other breaches. Good corporate governance demands that judicious and prudent management of resources, the preservation of assets, maintenance of ethical and professional standards and pursuit of corporate objectives are essential for organizational performance. According to Nzotta (2004) it seeks to ensure customer satisfaction, high employee morale, and the maintenance of market discipline. He asserts that good corporate governance entails efficient management of resources and provision of timely and quality information and the enforcement of sanctions for breaches in ethical standards, regulations and codes of conduct. Many countries have a code of corporate governance or laws as mechanisms for promoting good corporate governance. Organizational performance is a measure of how efficiently and effectively directors of a company use resources to satisfy customers and to achieve organizational goals. Organizational performance increases in direct proportion to increases in efficiency and effectiveness and highly depends on the competencies of the board. Jones and George (2003) posit that efficiency is a measure of how well or how productively resources are used to achieve a goal, and that organizations are efficient when directors minimize the amount of input of resources, such as labour, raw materials and other components, or the amount of time needed to produce a given output of goods and services. On the other hand, effectiveness is a measure of the appropriateness of the goals that directors have selected for the organization to pursue, and the degree to which the organization achieves these goals. Superior organizational performance cannot be divorced from good corporate governance because the latter highly depends on building and imbibing the culture of efficiency through cutting costs and prudent management of available resources that require the full attention of the BODs. This cannot be overemphasized because in Nigeria the directors are responsible for the preparation of financial statements to give a true and fair view of the state of affairs of the company at the end of each financial year and of the profit or loss for that year in compliance with the provisions of the Companies and Allied Matters Act, (1990), as amended in doing so, they ensure that adequate internal control procedures are instituted to safeguard the assets, prevent and detect frauds and other irregularities, so as to achieve predetermined organizational objectives. To this extent, corporate giants like First Bank of Nigeria (FBN) Plc that has institutionalized the culture of good corporate governance, has continued to report robust organizational performance, characterized by high profitability over the last several decades up to the present day. In sharp contrast, many other emerging organizations drenched in corporate governance weaknesses often run into troubles of insolvency; like the recent Etisalat saga. In this case, the Nigerian Communications Commission (NCC) had to intervene to "safeguard the over 4,000 employees, and stabilize the telecommunication sector to ensure its contribution to the nation's gross domestic product (GDP) while investment continues to thrive". To achieve sound organizational performance, good corporate governance implicates that the BODs must conduct the business of the company with the highest level of integrity and in full compliance with applicable laws, regulations and procedures (Ajanaka, 2017, Ugwuanyim, 2017, Pfeffer, 1982).

Statement of the Problem

In the late 1980s, through 2011 the Nigerian Financial System (NFS) suffered huge losses due in most part to corporate governance breaches. The capital market and the money market were drenched in insider abuses. For example, prior to 1986, Nigeria had only 40 banks, but as a result of deregulation, the number rose to 120 by 1992. However, by 2009, this number had reduced to 24 as the result of mismanagement and poor corporate governance practices. According to Okorie and Uwaleke (2010) in a special audit of Nigerian banks, the Central Bank of Nigeria (CBN) discovered that some of them had general weakness in risk management practices, poor corporate governance practices and signs of illiquidity. In addition, the CBN discovered that some of the banks were exhibiting imminent signs of collapse, resulting to an extremely fragile Financial System (FS), a bad situation that was suffocated by macroeconomic instability caused by large and sudden capital outflows, major failures in corporate governance at banks, lack of investor and consumer protection, inadequate disclosure and transparency about the financial frameworks and regulation, uneven supervision and enforcement, unstructured

governance and management processes at the CBN and weaknesses in the business environment in the country. Such corporate failures led to bank failures that attracted an unprecedented bailout costing the country about N700billion in 2009 for ailing banks in the banking system. Major bank losses arising from corporate governance breaches in Nigeria during the financial crisis were associated with irregular audit relating to the defunct Afribank, Finbank, Intercontinental bank, Oceanic Bank, among others. However, at the height of corporate governance failures of the 2000s in Nigeria was the Cadbury Nigeria Plc, accounting and auditing scandal when its share price crashed from N65.52 per share in December, 2005 down to N8.65 in October, 2009. According to Okaro and Okafor (2013) in October, (2006) the BODs of Cadbury Nigeria Plc notified the world of the shocking discovery of overstatements in her accounts which had spanned many years. As a result of the falsified accounts, Cadbury Schweppes Plc, had to make a provision of £15million (Fifteen Million Sterling Pounds) as impairment of the goodwill held in respect of Cadbury Nigeria Plc as at 31st December, 2006. The sad situation was the result of lack of transparency and accountability in the conduct of the business of Cadbury Nigeria Plc by the BODs, coupled with lack of technical competence by management as well as fraudulent audit exercises for many years by the external auditors of the company. Arising from corporate governance problems, Access Bank booked an N4billion ($13million) impairment on its loan extended to the former Etisalat Nigeria now known as 9mobile. According to Wigwe (2017) the bank had a direct exposure of N11billion to 9mobile, as well as an exposure of N35.39billion to the telecoms firm's suppliers. Regulatory authorities are in the forefront in pushing for good corporate governance in Nigeria. According to the Central Bank of Nigeria (CBN) (2017) the need for a comprehensive code of corporate governance resonated in the aftermath of the banking consolidation programme in 2005 when it was discovered that the governance mechanism in the banks was weak and many board members were reportedly unaware of their statutory and fiduciary responsibilities, and merely rubberstamped the proposals of their executive managements, regardless of their implications for the financial institutions. The CBN believes that adherence to corporate governance code by the BODs within the framework of transparency and accountability will go a long way in determining Nigeria's competitive position in the global stage. It states that effective corporate governance enhances effective and efficient structure that works for the benefit of different stakeholders and the economy in general. The code of corporate governance emphasizes the importance of the duties of the BODs and managements, their size and composition, separation of powers, appointment and tenure of board committees, board appraisal rights and functions of shareholders, equity ownership, and protection of shareholders' rights, disclosure and transparency. Good corporate governance principles also emphasize quality reporting mechanism and that companies quoted on the Stock Exchange file their annual financial statements regularly. The process helps shareholders to keep track of their investments, and also serves as a monitor for the movement of, and appreciation or depreciation of their shares at any given point in time. Companies that fail to file their financial reports regularly in Nigeria are usually penalized by the Nigerian Stock Exchange (NSE) as it runs contrary to the law (Anuforo and Obienyi, 2017). Also, the spate of very high profile corporate frauds and business failures were recorded across the world since the late 1980s through the 1990s and beyond that helped to draw attention to the problems and dangers of weak corporate governance. Prominent among them were the cases of Bank of Credit and Commerce International (BCCI), Barings Bank, Enron and WorldCom. Ayininuola (2007) emphasizes that such bad cases clearly demonstrate that there is a strong link between the quality of corporate governance practices and organizational performance. In the USA and UK, for instance, between 2007-2008, many strong banks collapsed like a pack of cards, due to poor quality of corporate governance. In the USA, there was the failure of Lehman Brothers in 2008, and in the UK, the collapse of Northern Rock. The catastrophic development in the global FS raised serious questions about poor corporate governance practices around the world. Evidence of unethical or illegal practices in banks and financial services companies also emerged. In the USA, the government in January 2009, announced that it was investigating nine (9) European banks which were suspected of helping customers from developing countries such as Nigeria, Iran and Sudan, to transfer money through the US banking system in violation of its laws, rules, admitted to assisting

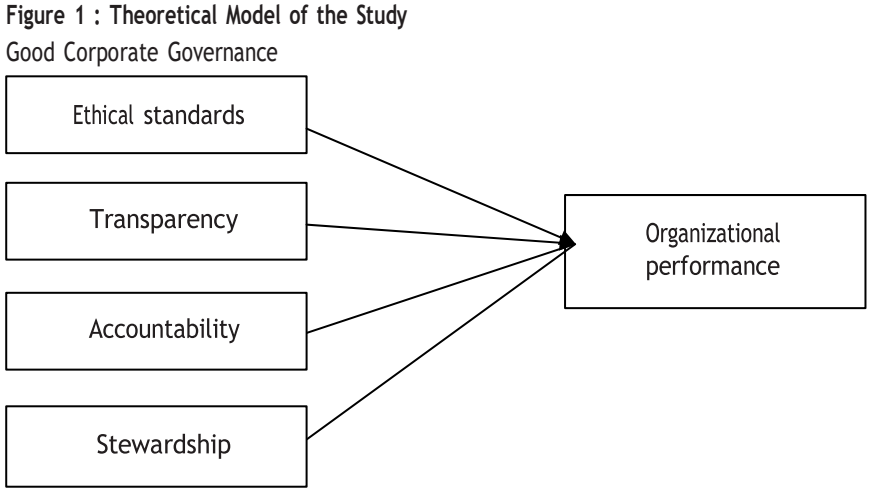
their customers in such a way, and agreed to pay a huge fine of $350m. Also in the US, the banking and investment industries were rocked as a result of the poor corporate governance practices and fraud of about $5billion by the investment business of Mr. Bernie Madoff. In view of the importance of good corporate governance the Securities and Exchange Commission (SEC) in Nigeria has provided a new code of corporate governance for quoted companies to reduce the cases of corporate governance breaches. It is on this basis that this work becomes relevant because there are not many reports in Nigeria seeking to seriously address the need for good corporate governance and organizational performance in Nigeria. Good corporate governance is critical to organizational performance because organizational performance relates to the measurement of results that will satisfy all stakeholders' interests in terms of value addition, products and processes, productivity and profitability.

Conceptual Framework of the Study

A conceptual framework is a structure of the research idea or concept and how it is designed that elaborates the research problem in relation to relevant literature. It is often summarized in a schematic model that presents the major variables and hypothesized relationship (Gachoki and Rotich, 2013). The theoretical model of this is presented in figure 1. The concept of good corporate governance hinges to a large extent on the primacy of the Board of Directors (BODs). This provision in the code of corporate governance suggests that for good organizational performance, the BODs should normally hire and fire executive managers, approve corporate plans and budgets, and monitor quarterly organizational performance and advise management. The BODs also has the primary responsibility to approve major investments, asset sales, and compensation plans, avoid self-serving practices, other preferential deals with insiders, establish an Audit Committee to review financial statements and maintain internal controls as well as setting up necessary mechanisms for corporate policy formulation and implementation (McNaughton, 1997, Adebayo, et al, 2013, Afolabi, 2015, Sanda, et al, 2005, Crisan and Fiilop, 2014, Adams, and Nowland, 2012). Shareholders play a key role in the promotion of good corporate governance. By electing a supervisory board and approving the BODs, the Audit Committee, and external auditors, shareholders are in a position to determine the direction of a company and its performance. The idea of corporate performance connotes optimum attainment of organizational activities and financial returns through effective and efficient utilization of human, financial and material resources of the enterprise (Oparama, 2010). In corporate governance perspective, financial returns is not the only parameter of measuring organizational performance, rather it includes the level of involvement of stakeholders in organizational processes as regards efficient board and ownership structures for effective monitoring and control (Avaran and Avasileai, 2014). Corporate governance is a diligent manner by which providers of corporate capital are judiciously and ethically rewarded. This process can be achieved through internal and external means. The internal means is

ANNEXURES

Figure 1 : Theoretical Model of the Study



Source: Author (2017)

through ownership design concerning voting rights and shareholding concentration; and BODs effective monitoring and controlling roles aimed at protecting the stakeholders' interests. The second is through external regulatory control mechanisms, compliance with corporate codes, procedures and processes and market discipline (Canter, et al, 2003, Chans, et al, 2012, Babatunde and Olaniran, 2009, Babalola and Adegbite, 1986, Klein, 2002). Based on the Resource Dependence Theory, (RDT) this study investigated the effect of good corporate governance, based on the role of the BODs on organizational performance in Nigeria. It is also imperative to emphasize the relevance of good corporate governance beyond the primary role of BODs to include the need of transparency, accountability and ethical standards, in accordance with the code of good management practices in developing countries and in tandem with the stewardship theory. (Adabayo, et al, 2014, Hemming and Shields, 2007).

Objective of the Study

The study is designed to explore the effect of good corporate governance on organizational performance in Nigeria.

Significance of the Study

The result of the study will help students, researchers, academics, corporate executives, and other people to appreciate the effect of good corporate governance on organizational performance in Nigeria.

Hypothesis

H_o: Good corporate governance has no positive effect on organizational performance in Nigeria.

H_i: Good corporate governance has positive effect on organizational performance in Nigeria.

Review of Literature

Resource Dependency Theory (RDT) examines how the external resources of organizations affect organizational behavior and performance. It has implications about the optimal organizational strategy, election of the BODs, executive management and other employees. Scholars like Boyd (1990), Davies and Cobb (2010), Drees and Heugens (2013), Sharif and Yeoh (2014) believe that while RDT does not specifically, explain organizational performance, it nevertheless, in many ways, helps in explaining the actions of organizations, by forming strong alliances within the external environment. They opine that RDT believes that the BODs play a pivotal role in the performance and survival of the enterprise. According to Pfeffer and Salancik (1978) organizational actions are geared in response to interdependence and contingencies on external business environment, and how external resources affect its activities. To this extent, the survival of an organization partly depends on how it can obtain, sustain and utilize the essential resources from its external environment. Hence, board membership competency is viewed in terms of efficient services. This theory therefore holds that organizational performance portrays how its management depends on external resources for survival. The board independence, like any other parameters of corporate governance mechanisms, is subject to differing opinions. From RDT perspective, outside directors play important roles in ensuring enterprises' survival, especially in times of crisis, as it enhances greater access to external resources and specific competence. It has also been observed that the efficiency of the BODs depends to some extent on high number of outsiders on the board because of their independent views on various matters. Adebayo, et al (2013) in their study of the relationship between corporate governance and organizational performance based on the listed companies in Nigeria found that board independence contributes immensely to sound corporate governance as checks and balances mechanisms that enhance the board effectiveness and also help to improve discipline in the management, and prevent conflict of interest (Greenaway, et al, 2014, Hillman, et al, 2009, Torchia, et al, 2011, Hayward and Boeker, 1998).

Duties of BODs and Performance

In Nigeria the duties of the BODs are defined by the CAMA (1990). Directors may not necessarily be the promoters of a company but sometimes they are shareholders. Essentially, directors are to manage the affairs of a company on behalf of the shareholders. According to Van Greuning and Bratanovic (2003) a board must be strong, independent, and actively involved in organizational affairs. They postulate that both the directors and the executive management must adhere to high ethical standards and be fit and proper persons to serve. They emphasize that the

most important duty of the board is to ensure that the management team has the necessary skills, knowledge, experience, and the sense of judgment to manage the affairs of the business in a sound and responsible manner. It is paramount for the management team to be directly accountable to the board, and this mutual relationship should be supported by robust structures to drive efficiency and effectiveness necessary for organizational performance. It is expected that an effective board should have a sound understanding of the nature of the business of the enterprise and any associated risks. Van Greuning and Bratanovic (2003) strongly believe that the BODs should take reasonable steps to ensure that management has established strong systems to control the affairs of the enterprise so as to ensure high returns on equity. Internal control and regular audit exercises form part of the specific responsibilities of the BODs that enhances effectiveness. The BODs has responsibility for complying with relevant laws, rules, and regulations, and also ensuring the full disclosure of relevant information for the benefit of stakeholders and the investing public (Rechner and Dalton, 1988, Tricker, 1984, Vance, 1978, Zahra and Pearcell, 1989).

Transparency, Accountability and Performance

The theory of good corporate governance emphasizes the principle of transparency and accountability. This principle is critical to sound organizational performance. According to Van Greuning and Bratanovic (2003) transparency refers to the principle of creating an environment where information on existing conditions, decisions, and actions is made accessible, visible, and understandable to all stakeholders. Disclosure refers more specifically to the process and methodology of providing the information and making policy decisions known through timely dissemination and openness. They posit that accountability refers to the need for stakeholder, including the supervisory authorities, to justify their actions and policies and accept responsibility for both decisions and results. They opine that transparency is a prerequisite for accountability, especially to shareholders, the regulatory authorities and the public. Transparency is also a way to foster accountability, internal discipline, and better corporate governance system, while both transparency and accountability improve the quality of decision-making by the BODs. They insist that transparency and accountability are mutually reinforcing. In this way, transparency enhances accountability by providing incentives for good corporate governance. Combined, transparency and accountability can also impose discipline that improves the quality of decision-making in the public interest. They caution that transparency and accountability are not ends in and of themselves, nor are they panaceas to solve all problems. The understanding is that they are rather designed to assist in increasing economic and organizational performance. On disclosure and transparency, the OECD stipulates timely and accurate disclosure of information on all material matters relating to the company as a measure of sound, efficient and effective management. These include its financial position, performance levels, ownership structure, the BODs and their remuneration. Additional requirements include the appointment of external auditors to audit the company annually in accordance with high quality standards. To enhance transparency, accountability, and performance, Cadbury Report (1992), emphasizes that the BODs should meet regularly, retain full and effective control over the company and monitor executive management, and where the chairman is also the Chief Executive Officer (CEO) it is essential that there should be a strong and independent element on the board, who is a recognized senior member (Ayininuola, 2007, Oparanma, 2010).

The Stewardship Approach and Performance

In their approach to good corporate governance and stewardship theory, Donaldson and Davis (1991) hypothesize that corporate governance like the kindred theory of organizational economics is concerned with efforts to forestall managerial opportunistic behavior which includes shirking and indulging in excessive perquisites at the expense of shareholder interests. According to them, a major structural mechanism to curtail such managerial opportunism is the BODs. The BODs provides a monitoring of critical managerial actions on behalf of shareholders. They suggest that such impartial view will only occur at high frequency where the chair person of the BODs is independent of executive management (EM). They strongly argue that where the CEO is also the chairperson of the

BODs the impartiality of the board is compromised Donaldson and Davies (1991) postulate that agency and organizational economics theories predict that when the CEO also holds the dual role of chairperson, at that point, the interests of the shareholders will be sacrificed to a degree in favour of management, in which case there will be managerial opportunism and agency loss. In accordance with good corporate governance principles, Donaldson and Davies (1991) report that stewardship theory argues that shareholder interests and organizational performance are maximized where the roles of the chairperson and CEO are not held by the same and one person consistent with the principles of good corporate governance (Jensen and Meckling, 1976, Kesner and Dalton, 1986, Carter, et al, 2003, Chang, et al, 2012, ICSA, 2009).

Methodology

Research Design

The quantitative technique of the exploratory research was used for the study. The design is historical in nature and does not require a large sample or structured questionnaire (Osuala, 2005).

Population and Sample

The population comprised of all the banks listed on the floor of the Nigerian Stock Exchange (NSE). The sample was selected by judgmental method. The sample size of nine (9) was determined by the purposive technique (Osuala, 2005).

Sources of Data

Data for the study were generated through primary and secondary sources such as interviews, observations, books, journals, government reports, newspaper reports, magazines and among others. The two methods of data collection were employed so as to complement, supplement and validate data through each other (Ali, 2016).

Treatment of Data

Data generated were organized, filtered and coded before they were classified, in readiness for analysis.

Data Analysis

Data were analyzed through the regression technique, using the Statistical Package for the Social Sciences (SPSS) and the result presented in tables.

Presentation of Result

Model Specification

The Regression Model of the relationship between good corporate governance (GCG) and organizational performance (OPER) is given as follows:

$$OPER = a_0 + a_1GCG + \mu_t \quad (1)$$

Where OPER is Organizational Performance, GCG is Good Corporate Governance and Ut is the error term. The apriori expectation is that GCG > 0.

Descriptive Statistics and Discussion

Table 1: Descriptive Statistics of GCG and OPER

S/N		GCG	OPER
1.	No. of obs	9	9
2.	Mean	-0.2009	4.5222
3.	Variance	1.0007	9.4069
4.	Std dev	1.0003	3.0670
5	Skewness	2.3443	1.5062
6.	Kurtosis	5.6392	6.30
7.	Jarque-Bera	20.1696	6.3014
8.	Minimum value	-0.8780	1.1
9.	Maximum value	2.2752	11.4

Note: P-value in square brackets, t-value in brackets, * significant at 5%.

From table 1, it was shown that the mean of GCG and OPER are -0.20 and 4.5 respectively. The standard deviation is 1.0003 for GCG and 3.0670 for OPER. The skewness and kurtosis coefficients under normality assumption are 0 and 3 respectively. But the skewness coefficients for GCG and OPER are 2.3443{0.0169} and 1.5062{0.1250} respectively, and the kurtosis coefficients for GCG and OPER are 5.6392{0.0261} and 2.7800{0.2728} respectively. The p-value of the coefficients of skewness and excess kurtosis of both GCG and OPER indicate that the variables are not significant at 90% confidence level, suggesting that the variables do not deviate from normal distribution at 10% significant level. Similarly, the Jarque-Bera statistic for OPER indicates evidence of normal distribution at 5% significance level. Descriptive statistics is useful in research. According to Feldman (2017) descriptive statistics is the branch of statistics that provides a means of summarizing data, presenting it in a usable and convenient form. The

equation of the result obtained using the ordinary least square (OLS) estimation technique is as follows.

$$OPER = 5.007 + 2.412a_1$$

(7.260) (3.373)

[0.0001] [0.0118]

$R^2 = 0.619$, F (1, 7) = 11.37 [0.011], Durbin Watson = 1.59

Table 2 : Regression Result

Variables	Coefficients	t-values	P-Values
Constant (a)	5.007	7.260	0.0001
GCG (ai)	2.142	3.373	0.0118

The regression results showed that 62% of the variations in OPER are explained by GCG. On the basis of apriori expectation, GCG coefficient is positive and significant at 1% level. The significance of the F-value at 1% level supports the greater than zero apriori expectation of GCG on OPER.

On the relationship between OPER and GCG, the coefficient of the computed t-value (3.373) is greater than the table t-value (2.365), and thereby provides support for the significance of GCG in explaining the OPER.

Similarly, the P–value coefficient [0.0118] indicates evidence against the null hypothesis of no significant impact of GCG on OPER. More so the Durbin-Watson estimate (1.59) is greater than the value of positive first order serial correlation.

In view of the above, it was concluded that with 95% confidence that GCG has explanatory power on OPER. OPER initiatives involve approaches towards enhancing organizational efficiency and effectiveness. To some degrees, these initiatives involve a variety of organizational change measures which may be structural, procedural among others that will bring about growth. This process is closely related to building high competitive advantage necessary to ensure that organizations reach and remain at the top of the competitive environment in which it operates. Competitive advantage demonstrate the ability and capacity of one organization to perform better than other peer organizations through producing desired goods or services more efficiently and effectively than other competitors in the industry. To achieve the desired levels of performance, the BODs of any company must observe GCG principles to ensure that proper accounting records are kept, proper and applicable accounting standards are respected and followed, and that suitable accounting policies are adopted and consistently used, business judgments and estimates are made with a high degree of certainty and prudence, and that the financial statements are tailored and prepared on the going concern basis. Also to ensure organizational performance, the BODs must ensure that supreme audit (SA) is conducted in accordance with generally accepted auditing standards. Auditing is imperative for organizational efficacy and it involves examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements and whether the accounting policies are appropriate to the organizations circumstances consistently applied and adequately disclosed to guarantee effectiveness. To enhance organizational effectiveness, the Companies and Allied Matters Act (CAMA) (1990), states that the auditors shall make a report to the members on the accounts examined by them, and on every balance sheet, every profit and loss account laid before the company in general meeting during their tenure of office (Olusanya, 2000). This new work found that GCG is critical to OPER. It supports the earlier reports of Vance (1978) Rechner and Dalton (1991), among others, that corporate governance has positive relations with high organizational performance.

Recommendations

- External auditors should not stay for more than 2 years in their assignment to ensure that they do not compromise ethical standards that can result to corporate failure.
- An independent non executive director (INED) on the BODs must be a person qualified and knowledgeable enough to make meaningful contributions for the profitable management of the company.
- Appointments to the board of both public and private corporations should be based on merit and record performance. This will not only motivate competent individuals, but will also enhance productivity.
- Decision-making by the BODs should always

reinforce the principles of transparency, accountability and equity to enhance perception of the corporate entity.

- Stakeholders in corporate organizations need to cultivate the habit of scrutinizing the financial statements of such organizations and providing useful information or criticism to help in the proper management of the organization.

Limitations and Implications for Future Research

Even though the result of this study reflects the purpose, and the aim of corporate governance principles, still there is need for further investigation on the variables and their interrelationship. This is imperative because the present study was limited by time and finance to make comparisons over the contribution of the individual variables of study with organizational performance.

Conclusion

The study explored the effect of GCG on OPER. Corporate governance is a system by which corporate organizations are directed and controlled by the BODs to achieve effectiveness. Efficiency and effectiveness are the prerequisites of OPER. GCG is important for OPER in Nigeria because it encourages the organization to deploy and utilize its resources in a more efficient manner, and to comply with global best practice while achieving its objectives. The exploratory research design was used for the study, and it was found that GCG has positive relationship with OPER. This new result supports the finding of Gachoki and Rotich (2013) that corporate governance has positive influence on the performance of public organizations in Kenya. This is the interest of this study.

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