

EFFECTIVE CORPORATE GOVERNANCE AS A PANACEA TO BUSINESS SURVIVAL IN NIGERIA

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Abstract

This study, effective corporate governance as a panacea to business collapse in Nigeria, examined the concept of corporate governance as a solution to business failure using Cadbury Nigeria Plc, which has been tagged as Nigerian example of Enron, as case study. The study aimed at establishing the relationship that exists between the shareholders and the executive management, most especially directors' responsibility for accountability and corporate governance. The need for corporate governance arises as a result of the need to protect the stakeholders' interest through honest and fair trading, protection of minority interest, timely rendition of transparent and credible information to appropriate regulatory authority, protection of consumers' health through product standardization, corporate responsibility, just to mention but a few. We adopted a descriptive research design with data gathered through questionnaire administered to respondents. Non-parametric tool of chi square was employed to analyse the data. The following hypotheses were tested and analysed: corporate governance does not improve accountability and transparency of companies; corporate governance has nothing to do with corporate collapse; corporate governance principles and practices do not add value to the company. Based on the findings, it was recommended that every corporate body must adhere strictly to the principles and practices of corporate governance to reduce the incidence of corporate failure in the economy.

Keywords: corporate governance, business collapse, disclosure, stakeholders, board of directors.

Introduction

Today, with global world perspective, gospel of free market and democracy is recurring more than ever before, and considering the impact of company's operations on the wealth of nations and the distribution of economic well being, it is becoming increasingly clear that the governance of companies, family owned businesses and small and medium term enterprises, must be given reasonable consideration by all stakeholders, as does political governance. Corporate governance entails: relationship between the shareholders and the company; the annual general meeting and the executive management; directors' responsibilities for accountability and rectitude; honest and fair trading by corporations; fair and equitable treatment of shareholders, including minority shareholders; transparency and credible disclosure standards; protection of consumers' health through standard product etc.

From the above, it is clear that Corporate Governance is an all-encompassing concept that seeks to guarantee and institute credible bedrock governance standard, in the creation of wealth, in the light of primacy that corporations have to come to assume in privately-led economies. All these

would make it compelling enough to examine the position of the Nigerian example of Enron, Cadbury Plc.

Statement of Problem

Improper clarification of respective roles and responsibilities between the Board members and the Executive which led to inability of the board to provide strategic guidance for the company; non defined line of authority with an individual having unlimited powers in the affairs of the company; inadequate processes and procedures for maintaining the integrity of financial statements as well as compliance with prescribed law and ethics, cordial relationship with customers, suppliers and stakeholder; have all accounted for the reason why there were corporate failure in the past, this brought about the focus on the need to establish code of best practice for corporate organisation by countries in the world.

Research Questions

The study was guided by the following research questions:

- a. Do the company's board provide strategic guidance for the company?
- b. Is there any separation between the office of the Chairman and the Chief Executive Officer in Nigeria?
- c. Is there adequate financial reporting and internal control system?
- d. Does corporate governance improve accountability and transparency in companies?
- e. Does corporate governance principles and practices add any value to the company in Nigeria?
- f. Does corporate governance has anything to do with corporate collapse?

Research Hypothesis

For the purpose of analysing the data, the following hypotheses were tested:

- Ho1: Corporate governance does not improve accountability and transparency of companies;
Ho2: Corporate governance has nothing to do with corporate collapse;
Ho3: Corporate governance principles and practices do not add value to the company.

Methodology

The methods adopted by these researchers in collecting the data are direct interviews and the use of questionnaire. The research problems and interviews have been formulated and framed accordingly. Inquiries were also made both directly and indirectly through some unusual questions to diverse groups within the industry.

Population, Sample and Sampling Technique

The study focuses on all aspects of corporate governance in a developing country, Nigeria, with special reference to our example of Enron, Cadbury Nigeria Plc. In order to carry out an in-depth and comprehensive study and also to obtain the view of experts on corporate governance, 50 out of 75 relevant respondents were randomly selected. These respondents cut across both the lower

level and management staff cadre of the company, which include the Accountants, Company Secretary and other functional managers of the company.

Literature Review

In today's global economy, the success of the national economy depends on the crucial role of a company's competitiveness, transparency and governance structure which operate within her territory, since companies are the entities that create economic value. Dayton.(1984) defined Corporate Governance as the processes, structures and relationship through which the Board of Directors oversee what the Executives do to achieve the objectives of the company. Mueller (1981) posited that "corporate governance is concerned with the intrinsic nature, purpose, integrity and identity of the institution with a primary focus on the entity's relevance, continuity and fiduciary aspects. Governance involves monitoring and overseeing strategic direction, socio-economic and cultural context, externalities and constituencies of the institutions. Nganga, Jain and Artivor (2003) considered Corporate governance to be a set of mechanisms through which outside investors are protected from expropriation by insiders (management, family interests and/or governments). The term expropriation was defined variously by Advanced Oxford Learners Dictionary, 8th Edition, 2010, pp 518 as:

- I. A government or an authority to officially take away private property from its owner for public use and;
- II. Taking somebody's property and using it without permission;

In order words, expropriation takes several and different dimensions, which include but not limited to:

- * outright theft or wrongful conversion of assets, e.g. when the managing director of a company is caught moving a big generator, which was meant for use in the organisation guest house to his private residence in town or country home;
- * engaging in transfer pricing of the goods manufactured to a rival business owned by a powerful member of the board, by lowering the cost of production, thereby transferring at a lower price;
- * approving excessive executive compensation package which erodes the cash resources of the organisation and corruptly enriches top management;
- * entrenching inept management team which lacks focus and runs the corporate body ineffectively and
- * committing hard-earned resources on unproductive ventures which benefit only the privileged stakeholders.

Essence of Good Corporate Governances

The need to entrench good corporate governance in a business need not be over-emphasised. Nevertheless, below are some of the essence of good corporate governance (American Law Institute, 1994):

- I. Corporate governance aims to promote a culture in which directors will give priority to the ethical pursuit in the shareholders' best interest;

- ii. allows a review of audit regulations, corporate disclosure framework and shareholders' participation to improve the accountability and transparency of companies, compliance with statutory regulations, best ethical practices, consumers protection etc;
- iii. ensures that the Audit Committee assists the Board of Directors in managing the accuracy and integrity of the financial statement of the company, ensuring compliance with the legal and regulatory requirement and the efficiency of the company's internal audit function;
- iv. ensures the credibility of companies and the existence of a managerial system which promote creative entrepreneurship;
- v. helps in maximising the corporate value by enhancing transparency and efficiency;

Principles of Corporate Governance

There is no best principle of corporate governance, each company should design and implement strategies, in light of regulatory framework, that will produce an efficient, qualitative and result-oriented outcome for optimising corporate performance and accountability, in the best interest of shareholders and the broader economy. Good corporate governance should be designed in line with the circumstances surrounding each entity and continuously reviewed according to the changing circumstances of the time (Turner, 2009). However, for the guidance of companies, which intend to compete internationally and raise managerial efficiency, the following are the basic principles of corporate governance:

- a laying of solid foundations for management and oversight;
- b creating structure of the board to add value;
- c promoting ethical and responsible decision making;
- d safeguarding the integrity of financial reporting;
- e making continuous, timely and credible disclosures to the stock exchange;
- f respecting the right of shareholders;
- g recognising and managing risks;
- h having independent directors;
- I adhering to Nigeria's Corporate Governance Code of Conduct for company directors;
- j encouraging enhanced performance evaluation;
- k remunerating fairly and responsibly and
- l recognising the legitimate interest of stakeholders.

All these are further explained below:

Management and Oversight functions

The company framework needs to be designed in such a way as to formalise and disclose the functions reserved to the Board and those delegated to the management. The clarification of respective roles and responsibilities between the Board members and senior members of the Executive include:

- i. Ensuring that there is a balance of authority so that no single individual has unlimited powers;

- ii. Enabling the Board to provide strategic guidance for the company by overseeing corporate strategy and performance objectives, reviewing and ratifying risk management, monitoring senior management performance, as well as major capital expenditure and financial reporting;
- iii. Ensuring that processes are in place for maintaining the integrity of the financial statement;
- iv. Ensuring compliance with the prescribed laws and ethics;
- v. Ensuring cordial relationship with the customers, suppliers and other stakeholders. American Law Institute, 1994

Nevertheless, the Board has the comprehensive powers over the corporate management and should perform the following decision making functions:

- i. setting business goals and strategies;
- ii. approving business plans and budget;
- iii. supervising management and evaluating management performance;
- iv. replacing the management as appropriate and reviewing their remuneration;
- v. monitoring major capital expenditure and corporate takeover;
- vi. mediating in resolving conflicting interest among the directors, management and shareholders;
- vii. ensuring integrity of the accounting and financial reporting system;
- viii. supervising the compliance with statutes and professional ethics;
- ix. monitoring the effectiveness of governance practices;
- x. overseeing the process of information disclosure and
- xi. risk management American Law Institute, 1994

Structure of the Board

In structuring the composition of the Board, the roles of the Chairman and the Chief Executive Officer should be clearly separated, otherwise a presiding director position should be established to checkmate the excesses of the Chairman and those of the Chief Executive. The re-appointment of the directors (executive and non-executive) should not be automatic and should be by rotation. Details of directorship positions, which involve significant time commitment, should be disclosed to the shareholders prior to election (Asein, 2000).

Ethical and Responsible Decision Making

In promoting good ethical and responsible decision making, companies are encouraged to formulate a code of ethics or conducts that will serve to guide the Directors, the Chief Executive Officer and other key Executive members, as the practice necessary to maintain confidence in the company's integrity (Oladoyin, Elumilade and Ashaolu, 2005). The code should address ethical issues, established compliance standards and procedures. It should avoid conflicts of interest and should also ensure confidentiality, fair dealing, provide mechanism to report unethical behaviour and ensure that disciplinary measures are in place for any violations (Gellerman, 1986).

Integrity of Financial Reporting

To enhance the integrity of financial reporting, the company is required to put in place, a structure of review and authorisation procedures designed to ensure the truthful and factual presentation of the company's financial position (Ajibolade and Ogundele, 2006). The structure should include a process which ensure the independence and competence of the company's external auditors and an audit committee that will review and consider the financial statement. In achieving the best practice of corporate governance, the company's policies should require the Chief Executive Officer to state in writing to the Board that the company's financial report presents a true and fair view, in all material respects and are in accordance with relevant accounting standards (Adeoti, 2007). In addition, an audit committee should be established to ascertain that processes are in place and procedures for monitoring them are well catered for. The composition of the audit committee should include equal number of independent Directors and representative of the shareholders to a maximum of six, section 359(4) of CAMA 2004 as ammended. For proper discharge of duties, all members of the audit committee should be literate in financial and business matter and have understanding of the industry in which the company operates. It is expected that at least one member should have financial expertise and educational qualification of a recognised professional accounting body. However, all members of the audit committee should be subjected to re-election annually.

Disclosure to Stock Exchange

Companies are of necessity expected to disclose material information in a timely and accurate manner to the shareholders and other stakeholders. As the company's obligation, appropriate disclosure of corporate information to shareholders and other stakeholders will raise their confidence and will give equal opportunity to market participants. Proper and accurate disclosure will prevent unfair practices using undisclosed information. A listed or quoted company in Nigeria Stock Exchange must, without delay, notify the regulatory information department of the Exchange, of any major new development which may lead to substantial changes in the prices of listed securities, the company's financial position, the performance of its business or the company's expectations as to its performance so that an investor would not out-perform the market, thereby resulting in inefficient capital market (Choi, 2001).

Protection of Shareholders' Right

The right of shareholders, according to the law of contract, should be protected. Shareholders should know appropriate means of redress for the infringement of their rights. Companies should empower their shareholders by communicating effectively with and giving them ready access to balanced and understandable information, free of technical jargons. Companies should give proper notices of meetings and request the external auditors to attend the annual general meeting and make themselves available to answer questions about the conduct of the audit and the preparation and content of the auditors report.

Risk Management

The company's system should be designed to identify access, monitor and manage risk and inform investors of material changes in the risk profile. The system designed will enhance the environment for identifying and capitalising on opportunities that would add value. However, the best practice of risk management is achieved by establishing policies of risk oversight. The management should write to the Board, a statement that the company's financial report presents a true and fair view, and that the organisation is being run on sound system of risk management, internal compliance and control.

Independent Director

In order to manage and direct companies in the interest of various stakeholders, the Directors and the Board shall perform their duties faithfully. These can be assured only through the independent of opinion of each of the Directors. In addition, some of the said Directors must be independent. An independent Director, who needs not hold shares in the company, is described as one who act independently of management and is free from any business relationship other than relationship that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of his or her unfettered and unbiased judgement.

Performance Evaluation

To ensure good corporate governance, the performance of the Board, its committees, individual Directors as well as key executive members, should be reviewed regularly and the process for performance evaluation disclosed. This means that the Directors and Management should have access to continuing education to update and enhance their skill and knowledge needed to discharge responsibilities effectively. The management's activities should also be evaluated under objective standards, including business results, achievement of business strategy, goals and others. The evaluation results should be used as a basis for determining remuneration and re-appointment of management.

Fair and Responsible Remuneration

The company's corporate governance guidance should contain remuneration policy and procedures that would maintain talented and motivated directors and employees so as to encourage enhanced performance of the company. The policy should show clearly the relationship between performance and remuneration and should be disclosed to the shareholders in a formal and transparent method. However, the Board should establish a remuneration committee, consisting of majority of independent Directors, with a formal charter to review, recommend executive remuneration and incentive policies, senior management remuneration, the company's recruitment policies, retention and termination policies etc. In remunerating the management, the limit should be within the amount approved by the shareholders and the company's financial condition.

Protecting the interest of Shareholders and Stakeholders

Since companies have a number of legal and other obligations to both shareholders and stakeholders (employees, client, customers, suppliers, debenture holders, public), a code of conduct should be established and disclosed to address issues as fair trading and dealing, conflict of interest, responsibilities to the community and individuals, corporate opportunities, compliance with law and encouraging the reporting on any illegal or unethical behaviour otherwise known as whistle blowing. To create a well governed corporation, companies should start a rethink on the impact of Directors' role.

Causes of Corporate Failure

Below are some of the causes of corporate failure, which reasonable company must guide against in order to remain in existence for long (Graham, 2003):

- i. Growth out of control: This is over-expansion and over-ambition on the part of a corporate body, which include dabbling into a market that is not as profitable as anticipated, experiencing growing pains, or borrowing much money in an attempt to cover up the artificial growth trend;
- ii. Poor financial information: This includes, but not limited to, keeping of improper books of account, engagement of unqualified accountant to keep the financial records etc;
- iii. Inadequate cash flow: this is the case when a company can not adequately plan its cash needs, this may result in loss of customer and market to competitors. If a company is cash trapped and it cannot also raise fund immediately to meet the market demand, death is imminent for such company;
- iv. Incompetent management: If the company's management lack technical skill, focus, vision, inability to project into future outlook of the company and improper planning of resources; all these can lead to business failure;
- v. No succession plan: Some businesses are conducted in such a way that the Chief Executive believes only in himself and would not think of planning or training somebody else to continue the operation of the business after him;
- vi. Declining market: Change in technology that is not reflected in the operation of the business may lead to declining market for such business as only the competitors that cash in on the new methods that would remain in business. Hence owner of business should always strive to move with the latest way of doing things to avoid business failure;
- vii. Stakeholders governance failure: This is the case when stakeholders like employees, suppliers and major customers exert significant influence on business decision making through specific institutional arrangement. Most countries do not have stakeholders governance code, hence the practice varies from one country to the other and from one company to the other as the case may be;
- viii. Internal governance failure: Anglo-American corporate governance model is built on three relationship of shareholders, the boardroom and the management. This relationship has since been broken through separation of ownership from control (Berle and Means, 1932). Shareholders now feel reluctant to monitor corporations and passive in attending

shareholders general meeting, both institutional and individual shareholders do not behave like owners (Monk, 2011). Institutional investors even encouraged adoption of high-risk business strategies before the financial crisis (Barker, 2011).

Corporate Governance in Nigeria

The issue of corporate governance in Nigeria was initially handled by Corporate Affairs Commission and Security Exchange Commissions when they inaugurated a 17-member committee in June 2000 under the Chairmanship of Peterside Atedo, the then Managing Director of IBTC Plc, the report of the committee, which has now become of Code of Best Practice in Corporate Governance in Nigeria, focused on the Board of Directors as the leader of corporate entities, the shareholders and the Audit Committee.

The Board of Directors has the responsibility for controlling the affairs of the entity in a lawful and efficient manner so as to improve value creation and the Chairman of the Board is to ensure effective operation of the board but not to be in executive capacity. Members should be people of diverse experience, upright character, possessing requisite core competence, knowledge on the board and entrepreneurial bias. The board shall meet regularly, at least once in a quarter, with sufficient notice and formal schedule of matters to discuss. It has the duty to present a balance, reasonable and transparent assessment of the company's position, to promote transparency in financial and non-financial reporting. The board should maintain objective and professional relationship with external auditors and ensure that the company is run as a going concern.

The shareholders, on the other hand, is charged with the responsibility of electing and approving terms and conditions of the directors, they are therefore not to be disenfranchised by the directors so elected by them, as often time AGMs are held in remote areas to prevent the shareholders from voting on an issue that might affect the directors (Siyanbola, 2012). This is part of what the Code of Best Practice aimed at resolving. Shareholders having more than 20% holding in the company shall have a representative in the board, unless that shareholder is in a competing business with the company. To complement the efforts of the Corporate Affairs Commission and Security Exchange Commission and also sanitise the financial institutions and their role as financial intermediaries, the CBN on 1 March, 2006 announced a new code of conduct for banks in Nigeria. The code became effective from 3 April, 2006. This was done to address the flaws and challenges of Corporate Governance for banks post consolidation. Some of these flaws led to problems in some of the banks in later years, which put to question the transparency of some of the players in the industry.

Threat to Effective Corporate Governance

Some public companies provide opportunities for the shareholders to have information about the boards and members of top management only at the Annual General Meeting, which is always poorly attended by majority of shareholders. In addition, information provided are substantially window dressed. The management and staff who are entrusted with the affairs of the company by

the shareholders circumvent set of rules established by accounting standards at will, they exert financial and moral pressure on the external auditors, which eventually lead to compromise and fraudulent report that mislead the investing public. All these are what the Corporate governance aim at guiding against in order to sanitise the system (Coombs, 2006)

Cases of failures of Corporate Governance

We restate below some of the contemporary cases of breakdown in corporate governance that lead to fraudulent practices in corporate bodies both in Nigeria and in the overseas countries, starting from Cadbury, our example of Enron:

Cadbury Nigeria Plc

Cadbury, under the management of Mr Bunmi Oni, who had earlier packaged the company as the best example of a professional establishment with strong ethical clout and rectitude, was involved in overstatement of accounts and deliberate manipulation of finances (Ajayi, 2006). The overstatement over the year was estimated to be between N13b and N15b, which culminated into adjusting the company's account to reflect an operating loss of between N1b and N2b in 2006 accounting year. The practice amounts to willful misrepresentation and a deliberate breach of accounting systems and control, due to poor corporate governance as the company centred around the Managing Director, Mr Bunmi Oni and the Finance Director, Mr Akadiri (Ekanem, 2006). The direct consequence of the scam was the sack of the Managing Director and the Finance Director, slide in the company's stock price in the market, resignation of the External Auditors, Messrs Akintola Williams Deloitte - who has been the company's auditors for 40 years and the replacement of Mr Bunmi Oni with an expatriate, Mr Wallace Garland and the fact that the company may not ever entrust the management of the company in the hand of Nigerian any longer (Ighomwenghian, 2006).

Levers Brothers Plc under late Rufus Giwa

Cadbury's case is similar to that of Levers Brothers Plc now Unilever. The company was also found to have overbloomed its accounts. This seriously affected the prices of company's stock in the market as well as negative perception in spite of the fact that the company has changed its name to Unilever. Like in Cadbury's case, this has also led to the disqualification of Nigerian as Chief Executive Officer of Unilever after Rufus Giwa.

First City Merchant Bank (FCMB) and others

Sometimes in 2002, some banks were penalised for foreign exchange (forex) magic and round tripping. Forex provided opportunities to many crooks in Nigerian banks. Many of those crooks are now scattered all over Europe and America enjoying their loots and not anxious to return to Nigeria. It was Otunba Subomi Balogun, of First City Merchant Bank now First City Monument Bank, that was initially penalised for forex scam before it was discovered that other banks have similar cases, thus leading to widespread enquiries into the activities of other banks, which resulted to the suspension of about 25 banks from forex trading for some time in 2002.

AfribankPlc

It was the former Managing Director of Afribank, Mr Patrick Akinkuotu, that accused the bank and its Board of Directors for colluding with the company's External Auditors for cooking up the books thus inflating the value of its shares and cheating the unsuspecting public. This case is similar to that of Cadbury, though purely a Nigerian company unlike Cadbury and Levers Brothers and also the fact that Mr Akinkuotu reported the case after exiting from the company, the judgement was slightly different from those of the two conglomerates. Nevertheless, they all happen as a result of bad corporate governance (Policy, 2006: Oct 16-22).

Halliburton

This is a tax fraud that was committed by a foreign company operating in Nigeria. Halliburton is Houston USA oil services firm that operates all over the world including Nigeria. It was discovered that the firm owe up to \$5m in taxes in Nigeria. The report says that Halliburton disclosed to SEC of its country that it paid \$2.4m to an entity owned by a Nigerian national to secure favourable tax treatment. This is tantamount to fraud and the case led to widespread investigation. Though it was seen as efficient tax planning by the Nigerian national that helped Halliburton, the US government did not see it in that way (Houston Business Journal, 2003).

Enron

This is also an energy company based in Houston. After several years of international and domestic expansion involving complicated deals and contracts, Enron was billions of dollars into debt. All these were concealed from the shareholders through partnership with other companies, fraudulent accounting and illegal loans. The scam was perpetrated, as reported in SecurityFraudFYI.com (2006), through the following companies:

- i. RADR: this company was used in round tripping excess income on electricity generating windmill among key Enron officials and their families;
- ii. Chewco: formed purposely to manage Enron's portfolio and reaping huge benefit for Enron from illegal dealing in stocks;
- iii. Southampton: assisted Enron in paying \$20m in buying over NatWest shares – but only \$1m was paid to NatWest while the remaining fund went to executive of Enron and three employees of NatWest. All the frauds did not come to light until October 2001, when Enron announced that the company was actually worth \$1.2b less than previously reported.

This prompted an investigation of SEC, which has revealed many levels of deception and illegal practices committed by high ranking Enron Executives and Arthur Andersen, the Auditors, who were accused of obstruction of justice for shredding documents related to the Enron scandal. Like Cadbury, Enron's case involved the Chief Executive Officer/Chairman (Kenneth Lay), the Chief Finance Officer (Andrew Festow) and the Auditors (Arthur Andersen & Co) amongst others and the direct consequences of the scam are:

- i. Collapse of Arthur Andersen- former auditing giant;

- ii. Passing of tough bills aimed at cracking down on corporate fraud – corporate governance code, the issue at stake;
- iii. Review of US pension regulation - to protect investors;
- iv. Loss of over \$60b to the investors in the energy company;
- v. Violation of security laws – as prosecutors claimed that the former bosses of Enron touted the company's stocks when they knew that the company was in a free fall;
- vi. Bankruptcy – to salvage the business, by spinning off various assets, Enron applied for Chapter 11 Bankruptcy, which allowed it to reorganise the company and protect it from creditors.

Worldcom

This is a telecommunication giant where fraud perpetrated discovered in June 2001 only when employees gave statements alleging instances of hiding bad debts, understating cost and backdating contracts. The company's board failed to investigate the allegation and a shareholder's suit in June 2001 was also thrown out of court due to lack of evidence but SEC launched its own investigation in March 2002 and it was discovered that the prior claims were valid. Both the CEO and the CFO are among the key officers involved in the scam.

Instrument

The primary data was employed in gathering information from staff of all cadres. Interviews were also conducted with other stakeholders, including customers of company. The questionnaire consists of two sections. Section A elicits demographic information like gender, working experience, while Section B contained structured items relating to the research questions that necessitated this research.

Results

Table 1: Corporate governance does not improve accountability and transparency of companies

Subject	No	%	T-calculated	Table value	Decision
Agreed	19	38.0	22.03	9.49	Reject
Disagreed	31	62.0			

Level of significance – 0.5

Since t-calculated is greater than the table value (i.e. $22.03 > 9.49$), then the null hypothesis is rejected, while the alternative hypothesis is accepted and we conclude that effective corporate governance improves accountability and transparency of companies.

Corporate governance has nothing to do with corporate collapse

Subject	No	%	T-calculated	Table value	Decision
Agreed	17	34.0	21.71	9.49	Reject
Disagreed	33	66.0			

Level of significance – 0.5

Since t-calculated is greater than the table value (i.e. $21.71 > 9.49$), then the null hypothesis is rejected, while the alternative hypothesis is accepted and conclude that strictly adherence to established corporate governance will reduce, if not totally eliminate corporate collapse in Nigeria.

Corporate governance principles and practices do not add value to the company.

Subject	No	%	T-calculated	Table value	Decision
Agreed	21	42.0	24.02	9.49	Reject
Disagreed	29	58.0			

Level of significance – 0.5

Since t-calculated is greater than the table value (i.e. $24.02 > 9.49$), then the null hypothesis is rejected, while the alternative hypothesis is accepted and we conclude that application of established corporate governance principles and practices add value to the company.

Discussion

Finding of hypotheses tested and direct interview conducted reveals the followings:

- I. Corporate governance is usually breached through fraudulent reporting in order to comply with certain financial regulations, such as SEC, NSE, MAN, FIRS, Accounting Standards, IFRS, CAMA etc and also to avoid the payment of huge fines for violating such rules;
- II. Executive overriding principles, corruption and embezzlement, connivance with external auditors to perpetrate frauds, amount to various breach of governance principles;
- III. Employees inability to disclose observed fraudulent practices, especially those that involve executives, due to fear of loss of job, threats on the whistle blowers' life as well as permanent enmity.

Conclusions

Widespread failure in financial reporting has been largely blamed on weak corporate governance practices, weak internal control framework, external auditors' conflict of interest/compromise of independence and overbearing influence of the Chief Executive Officer on the board. This prompted the passing of Sarbane Oxley Act 2002 in the US in response to the failure of Enron, Worldcom and Arthur Andersen. The Act imposed stricter regulations on corporate governance as it was described as Public Company Accounting Reform and Investors Protection Act or SOX 2002. Back home, the case of Cadbury Plc, amongst others, prompted the replacement of Nigerian Accounting Standard Board (NASB) Act by a stricter Act, Financial Reporting Act, through Financial Reporting Council of Nigeria (FRCN), which is a new direction of strengthening institutional framework for financial reporting in Nigeria. Everybody, individual and corporate, has a role to play in the way companies are governed. The role starts from academic training, moral upbringing and good home governance. Whistle blowers' protection trust fund recently introduced by the Institute of Chartered Accountants of Nigeria aimed at protecting and encouraging whistle blowers is a welcome development which should be widely accepted and strengthened by government and other stakeholders. Nigeria Police, EFCC and ICPC should also help in the protection and encouragement of whistle blowers.

Recommendations

From the above findings, the following critical steps should be taken by the stakeholder to ensure total elimination or reduction of business failure as a result of ineffective corporate governance:

- i. The offices of the Chairman and the Chief Executive Officers must be separated, and this should be the rule in every organisation, be it family business or large corporation;
- ii. Financial Regulation Council of Nigeria (FRCN), our local standard setter, should be empowered to sanction any professional accountants and or auditors found culpable in financial fraud emanating from breakdown of corporate governance;
- iii. Veil of incorporation should be lifted whenever an officer of a company is involved in any fraudulent practices in order to protect the stakeholders;
- iv. Directors' yearly performance should be reviewed to ensure continuous relevance on the board, any director found wanting should be relieved of his/her position and replaced by an effective one;
- v. SEC should sanction companies for late submission of returns by directors;
- vi. EFCC, ICPC, Nigeria Police and other law enforcement agencies should encourage and protect the whistleblowers, who may have report on any malpractices of overbearing board and top management of organisations to report before the problems escalate to terminal extinction.

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