

**EFFECT OF BOARD ATTRIBUTES ON PERFORMANCE OF SELECTED PUBLIC  
SECTOR ENTERPRISES IN NIGERIA**

**BY**

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**JANUARY, 2020**

## **DECLARATION**

I hereby declare that this dissertation has been written by me and it is a report of my research work. It has not been presented in any previous application for the award of degree. All quotations are indicated and sources of information specifically acknowledged by means of references.

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DATE

## CERTIFICATION

This dissertation entitled “effect of board attributes on performance of selected public enterprises in Nigeria” meets the regulations governing the award of the Degree of Master of Science (M.Sc.) in Public Sector Accounting of Nasarawa State University Keffi, and is therefore approved for its contribution to knowledge and literary presentation.

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## **DEDICATION**

This dissertation is dedicated to God Almighty.

## **ACKNOWLEDGEMENTS**

My warm and profound gratitude goes to God Almighty for his kindness and support to me throughout this programme.

With deep sincerity, I wish to extend my humble appreciation and thanks to my supervisors

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## ABSTRACT

*Over the last three years, the Government of Nigeria has undertaken several measures to improve the performance of public enterprises in the country. The measures undertaken have focused on improving the transparency and accountability of the management of Government-owned Enterprises. This study examined the effect of board attributes on performance of public enterprises. for the period of 2014 to 2018. Descriptive research design was used. The data were analyzed using multiple regression analysis. Results show that board size and board independence has positive significant effect on performance of selected public enterprises in Nigeria. while board meeting showed a negative but significant effect on performance of selected public enterprises. The study concludes that board size and board independence can drive performance of public enterprises in Nigeria. Therefore, it is recommended that public enterprises should have adequate board size to the scale and complexity of the enterprises' operations and be composed in such a way as to ensure diversity of experience without compromising integrity and accountability.*

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background to the Study

Value creation and firm performance are among critical concerns for stakeholders. The challenge of separating management and ownership creates an agency problem between agent and owners, due to the owners' belief that the management may act opportunistically at the expense of the shareholders (Coleman & Biekpe, 2006). With separation, the ability of shareholders to effectively monitor operations is reduced.

This is evidenced by the collapse of various corporations over the last few decades. The separation of ownership and management presents challenges to the monitoring process. As such, regulators have introduced mechanisms that reduce the conflict of interest between shareholders and management through corporate governance. These practices have existed for a long time, but only recently have researchers focused on the efforts of regulators to curb opportunistic behaviour that consequently leads to the enhancement of investor goodwill, confidence, and improved economic health of listed corporations (Coleman & Biekpe, 2006; Chuanrommanee & Swierczek, 2007). The issue of agency conflict is more visible among government owned enterprises managers (agent) with minimal supervision control due to political factor (Gailmard, 2010).

It is argued that agency problems in government enterprises could be more complex than in private firms, where multi-layer agency problems (double agency problem) could arise (Calabrò2013; Allini et al., 2016). Hodges et al. (1996) and Grossi and Reichard (2008) opine

that the existence of various interested parties (citizens, government, minority shareholders, and managers) in public sector entities differentiates them from private companies regarding governance structure.

These challenges complicate the expected role of government owned enterprises as major contributors of GDP. Criticism of the performance of government enterprises in Nigeria has led to calls from the public for the reformation and strengthening of government owned enterprises governance structure through a “transformation policy” that aims at transforming government owned enterprises into high-performing companies. This programme includes initiatives such as enhancing board effectiveness and board capabilities. In line with the purpose of the transformation programme and its initiatives, Huque (2011) opines that good governance is considered as an overarching principle to better performance, which can be realised through various governance mechanisms.

Improving board effectiveness is imperative to any business that seeks to become a high performing company, regardless of size and location. The transformation policy emphasizes that the boards of government own enterprises ensure: the board is structured to be high-performing; effective day-to-day board operations and interaction; and the board’s fundamental roles and responsibilities are attuned to best practices. Within the boundaries of the three areas of improvement, principles such as board composition, board size, board leadership, board meetings, and multiple directorships as well as expertise are common. With the planned implementation of the transformation programme in 2005 and 2006, the expected improvement in the performance of

government own enterprises over a short, medium, and long sustainable period of five to ten years would be reflected in promising spillovers over the entire corporate sector geared towards greater competitiveness as part of the government's efforts to achieve Vision 2020 of being a developed country.

To understand the role of board, it should be recognised that boards consists of a team of individuals, who combine their competencies and capabilities that collectively represent the pool of social capital for their firm that is contributed towards executing the governance function (Carpenter & Westphal, 2001). As a strategic resource, the board is responsible to develop and select creative options in advancement of the firm. Given the increasing importance of boards, it is important to identify the board characteristics that make one board more effective from another.

Performance of government corporations means the extent to which state corporations have achieved the agreed performance targets. Thomas and Palfrey (2010) conceive that citizens are the clients and main beneficiaries of public sector operation and therefore should be involved in the process of performance evaluation. Evaluation of the performance of Public agencies entails the rating of actual achievements against performance targets negotiated and agreed upon at the beginning of the financial year. The resultant differences are resolved into raw scores, weighted scores and ultimately denominated into composite scores. Therefore, for the performance of government Corporations to be positively related to good Corporate Governance practices, measures must be put in place to ensure that managers act in the interests of the shareholders. The

investors and regulators should not assume that the executive is only pursuing self-interest motives and they should also see the board as a source of resources for the corporation.

Accordingly, government established a large public enterprise sector through such economic activities as Banking and Insurance, Manufacturing, Transportation, Oil Exploration, Hotel and Tourism etc. Services provided by the Nigerian Railway Corporation, Water Boards, Ports Authority etc.; hitherto lumped within the civil service structure were restructured into autonomous entities in order to increase their effectiveness. Barren economic fields of strategic importance which were avoided by private Investors due largely to inappropriate technical/managerial expertise, high capital threshold, and low-profit potential were undertaken by government. Similarly, large monopolistic organizations like the Nigerian National Petroleum Corporation (NNPC), Power Holding Corporation of Nigeria (NEPA), Nigerian Security Printing and Minting Company (NSPMC) and the Defence Industry Corporation (DIC) etc were established to control services deemed too sensitive to be left in the hands of private sector organizations. Business enterprises like the Nigerian National Supplies Company (NNSC) a trading concern considered as traditional preserve of the private sector was established to protect consumers interest through price control. The Nigerian Breweries, NNPC, Liquified Natural Gas projects etc., were established to enable the state participate in the high profit potential ventures and in order to earn money for further development purposes. The ownership and control of the Centra Bank of Nigeria (CBN),

National Insurance Corporation of Nigeria (NICON) and Ministry of Finance Incorporated were to enable it pilot the economy towards desired objectives and priorities.

However, the dominance of public enterprises in the Nigerian economy; as in other developing economies, have over the years constituted a significant drag on the, overall growth rate. Inefficient public enterprises littered the country like the carcasses of an aborted industrial dawn; and their performance dismal resulting in huge financial losses, poor customer service delivery and their inability to meet demands, while at the same time overstretching the nation's economic resources and other social infrastructures. William (2013) noted that "there are still around 1500state-run enterprises in Nigeria... of these, over 500 are under the control of the Federal Government while the rest are in the hands of the 36 state governments". He noted further that "These enterprises have consumed nearly half of the \$300bn Nigeria has earned from its oil industry since 1973. They continue to soak up annual subsidies, import waivers and direct payments worth up to \$2bn from the cash-strapped state coffers".

Government corporations in Nigeria have gone under a lot of reforms through government task forces and session papers to make them more efficient, effective in the performance of their mandate and to reduce the financial burden of the corporations on the public coffers. A lot of effort has gone in trying to make these corporations not only self-reliant but to make sure they can fund the government through the residual surplus after covering their costs of operations from the revenue they earn. Effective and

functioning corporate governance is at the core in ensuring this is achieved as this would be to the benefit of the whole country as it moves towards the achievement of Vision 2020.

Studying the effect of board characteristics on performance of government owned enterprises in Nigeria is essential not only because of the importance of corporations to the economic growth of the nation, but also because most studies on corporate governance mechanisms excluded government enterprises in Nigeria. This study therefore examined the effect of board characteristics on performance of government enterprises in Nigeria.

## **1.2 Statement of the Problem**

The story of public enterprises is anything but largely a misapprehension. Their performance has largely been inefficient and far below the social and economic objectives for which they were established. At inception, one could see in public enterprises an interesting skeleton; but following years of operation, there is not yet much meat on it. According to Akpan (2002), "the direct involvement of government in enterprise ownership and management to foster economic development only result in a debacle.

Lack of adequate corporate governance in government corporations has been evidenced by the collapse of several state corporations that were set up in the early 1980's. Some of the documented evidence just to mention a few include lack of review of Board performance, the Board never met frequently as required, the Board never got

performance based contracts, misappropriation of state corporation assets, declining financial performance, late or lack of performance of statutory audits by the Auditor General office, lack of prosecution of fraud and misappropriating agents of the government corporations and unwillingness of the government to take action to curb the gross misappropriation of government assets. This slowly led to the deterioration of the financial performance, loss of market share, loss of public faith in the institution, loss of revenue to the exchequer and eventually the collapse of all corporate governance systems in place of such government institutions. Over time closure of branches, divisions were evidenced and eventually the collapse of the entire institution.

Empirical discussions on the association between board characteristics and performance has also documented contradictory results. However most of the studies (Hassan 2009, Uwuigbe, 2012, Farooq & Eljai, 2012, Aminu & Muhammad 2015) focus on the private sector of the economy in Nigeria.

To the best understanding of the researcher, no study has been conducted in public enterprises in Nigeria on the relationship between board attributes and performance of public establishments in Nigeria using the variables such as board size, board independence and board meeting. Therefore, it is against this background that this study attempt to assess the effect of board attributes performance of selected public enterprises in Nigeria as a means to bridge the gap with other scholars.

### **1.3 Research Questions**

- i. To what extent does board size affect the performance of selected public enterprises in Nigeria?
- ii. To what extent does board independence affect the performance of selected public enterprises in Nigeria?
- iii. How does board meeting affect the performance of selected public enterprises in Nigeria?

#### **iv. 1.4 Objectives of the Study**

The main objective of this study is to examine the effect of board attributes on performance of Government corporations in Nigeria. However, it is set to achieve the following specific objectives:

- i. Examine the effect of board size on performance of selected public enterprises in Nigeria
- ii. Examine the effect of board independence on performance of selected public enterprises in Nigeria
- iii. Examine the effect of board meeting on performance of selected public enterprises in Nigeria

#### **iv. 1.5 Statement of the Hypotheses**

In line with the objectives of this study, the following hypotheses are formulated in null form:

H<sub>01</sub>: Board size has no significant effect on performance of selected public enterprises in Nigeria

H<sub>02</sub>: Board independence has no significant effect on performance of selected public enterprises in Nigeria

H<sub>03</sub>: Board meeting has no significant effect on performance of selected public enterprises in Nigeria

### **1.6 Significance of the Study**

The Government would get an insight to the effect of Corporate Governance on performance of Government Corporations. This may help the government when making policy decisions regarding Government Corporations and also assist in assessing whether this has positively impacted on the economy. The study would also be instrumental in providing information to the Government Corporations' management on the effects of good corporate governance practices within their jurisdictions. The study findings would also add to the academic field by laying a foundation for further research and understanding of the relationship between board attributes and performance of Government corporations as a basis of policy decisions.

### **1.7 Scope of the Study**

This study examined the attributes of board in relation to performance in the setting of Government corporation, and is restricted to Nigerian National Petroleum Corporation

(NNPC), Nigerian Security Printing and Minting Company (NSPMC) and the Defense Industry Corporation (DIC) for the period of 2014 to 2018.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Conceptual Framework**

##### **2.1.1 Concept of Board Attributes**

The concepts of the board are derived from the attributes or incentives variable that play a significant role in monitoring and controlling managers and can be described as a bridge between company management and shareholders (Dalton et al, 1998). The board is the supreme decision making unit in the company, as the board of directors has responsibility to safeguard and maximize shareholder's wealth, oversee firm performance, and assess managerial efficiency. Fama and Jensen (1983) pointed out four actions of initiation, ratification, implementation, and monitoring, undertaken by the board in the decision making processes. Therefore, the main role of the board is seen as the ratification and monitoring of decisions, overseeing the actions of managers/ executives. From the above concept, the role of the board is quite daunting as it seeks to discharge diverse and challenging responsibilities. The board should not only prevent negative management practices that may lead to corporate failures or scandals but ensure that firms act on opportunities that enhance the value to all stakeholders

The board of directors according to SEC Code of Corporate Governance is accountable and responsible for the performance and affairs of the company; it should define the company's strategic goals and ensure that its human and financial resources are

effectively deployed towards attaining those goals. The code further described the composition and structure of the board; the Board should be of a sufficient size relative to the scale and complexity of the company's operations and be composed in such a way as to ensure diversity of experience without compromising independence, compatibility, integrity and availability of members to attend meetings; membership of the Board should not be less than five and should comprise a mix of executive and non-executive directors, headed by a Chairman. The majority of Board members should be non-executive directors, at least one of whom should be an independent director. Moreover, the code requires the members of the board should be individuals with upright personal characteristics, relevant core competences and entrepreneurial spirit, and should have a record of tangible achievement and should be knowledgeable in Board matters.

Members should also possess a sense of accountability and integrity and be committed to the task of good corporate governance, should be independent of management to enable them carry out their oversight function in an objective and effective manner.

Specifically, SEC requires that the Executive Directors should be persons knowledgeable in relevant areas of the company's activities in addition to possessing such other qualifications as may be needed for their specific assignments or responsibilities. They should also be involved in the day-to-day operations and management of the company. In particular, they should be responsible for the departments they head and should be answerable to the Board through the Chief Executive Officer/Managing Director. On the other hand, Nonexecutive directors should be key members of the board, who should

bring independent judgment as well as necessary scrutiny to the proposals and actions of the management and executive directors especially on issues of strategy, performance evaluation and key appointments. The code also requires that Non-executive directors should be persons of high caliber with broad experience, integrity and credibility. SEC defines independent director as a non-executive director who: is not a substantial shareholder of the company, that is, one whose shareholding, directly or indirectly, does not exceed 0.1% of the company's paid up capital; is not a representative of a shareholder that has the ability to control or significantly influence Management; has not been employed by the company or the group of which it currently forms part, or has served in any executive capacity in the company or group for the preceding three financial years.

The ultimate responsibility for effective monitoring of the management and of providing strategic guidance to the bank is placed with the board. The OECD Principles provide that "board members should act on a fully-informed basis, in good faith, with due diligence and care, and in the best interest of the company and shareholders". The formulation lays out the basic elements of a director's fiduciary duty. The need to act on a "fully-informed" basis demands a base level of experience and competence on a director's part.

The OECD Principles require directors to act "with due diligence and care". This standard, like others, is contextual; it arises from a blend of laws, regulation and appropriate private sector practices. This would require developing and disseminating voluntary codes of conduct for directors. Governance is a professional activity. Under the

new consolidated banking environment, banks should make provision for an explicit code in their governing documents in order to ensure good corporate governance practices. Codes of conduct would no doubt; assist the Board of Directors in its performance by publicly detailing the minimum procedures and effort that make up “due diligence and care”. At the minimum, all banks should issue an annual corporate governance report detailing establishment and actions of key committees, involvement of independent directors and related-party transactions considered by the board.

### **Board Size**

Size of the governing body refers to the number of members in the council (Nelson 2002a) as elected and/or appointed. Roles of board size have been a controversial issue from different views. It is argued that the board size can affect the process of monitoring, decision making and disclosure. Raheja (2005) pointed out that advising and monitoring are the two important functions of the board of directors. Chaganti et al. (1985) and Akhtaruddin et al. (2009) stated that the size of the board has significant impacts in controlling, monitoring and information disclosure. This may lead to conclude that the size of the board does a matter in the firm.

Based on the agency theory, larger companies need larger boards to control and monitor the management actions. This means that the size of the firm is an influential factor that determines the board of directors’ size. This viewpoint has been empirically supported by many authors. Coles et al. (2008) pointed out that large and complex firms, which have diversified businesses, need more members in their board because they need more

advising requirements. Dalton et al. (1999) pointed out that larger boards are likely to consist of more experts and knowledgeable directors, and offer better advice to the CEO. This indicated that complex firms need larger boards. Many members in the boards may enhance director's board to perform their roles more effectively. Large board might improve the transparency in the firms, considers the shareholder's groups during the board meetings and maximizing shareholder value.

On the other hand, large boards affect the value of a firm in a negative fashion as there is an agency cost among the members of a bigger board. Similarly, small boards are more efficient in decision-making because there is less agency cost among the board members as highlighted by Yermack (1996).

### **Board Independence**

The concept of board independence was grounded on agency theory (Daily et al. 1998; Fama 1980; Fama & Jensen 1983a; Shleifer & Vishny 1997). Independent board members provide potentially greater oversight and accountability of operations, as they are less likely to be subject to the principal-agent problem themselves (Fama 1980; Shleifer & Vishny 1997). This is because as independent members do not have inherent self-interests in the performance (Fama 1980) and are instead guided by the interests of the stakeholders who appointed them (La Porta et al. 1999). For this reason, a greater percentage of independent members in the government corporation governing body should promote positive performance.

The independence of the board could help minimize information asymmetry and enhance the transparency of financial reporting (Allini et al., 2016). An independent board is composed of professionals who do not involve in management affairs and do not have an ownership interest in the company. According to Allini et al. (2016), they have the integrity to protect their reputation. In the Green Book of the transformation policy, it is reiterated that a board must contain a balance of directors which will ensure that no individual or small group of directors will dominate the board. The higher of two directors, or one-third of the board, must be independent. Furthermore, there should be at least two executive directors with a maximum of 30 per cent representation to maintain the link between management and the board. Prior studies that have examined board independence and its impact on performance have found mixed results (Lefort and Urzua, 2008; Krivogorsky, 2006; Bhagat and Bolton, 2008; Agrawal and Knoeber, 1996; Lam and Lee, 2012; Haniffa and Hudaib, 2006).

The issue of public agents as independent board members of Government corporation raises two concerns. In the first instance, public agents will have less incentive to promote university performance as they possess little or no direct personal investment in the institution. In the second instance, public agents will tend to pursue objectives that may be politically rather than economically justified, with the implication being that inappropriate appointments may be made to university governing bodies and oversight committees (Young, 2002).

## **Board Meeting**

Board effectiveness to steer the organization is seen via board meeting frequency (Van Der Walt & Ingley, 2001). This is the main venue for board to deliberate performance, business environment and strategic direction of the organizations. Past studies showed that there was a significant direct correlation between board meeting frequency and performance (Kula, 2005). Board meetings are used as a measure of intensity of board activity and a valuerelvant board attribute (Vafeas, 1999). The view that board meetings are a resource is reinforced by the criticism of directors who take up multiple directors and thereby limiting their ability to attend meetings regularly to monitor management (e.g., Byrne,1996; NACD, 1996). A clear implication of these studies is that directors in boards that meet frequently are more likely to perform their duties in accordance with shareholders' interests.

It is the mandatory responsibility of the board members to attend board meetings. According to Ronen and Yaari (2008), when managers are obliged to their responsibility of attending meeting, this allows them to vote on important decision-making plans. Vafeas (1999) found that board meetings tended to increase when the company was faced with a falling share price this situation was reversed later with better performance of the company. Consequently, this ideal seeks to establish the fact that, when the board members meet frequently, it is instrumental to improving the organization's performance (Conger et al., 1998; Ronen & Yaari, 2008). However, Jensen (1993) found that, due to time restrictions, the boards were unable to influence the organization effectively of their

directives. Furthermore, Jensen (1993) noted that the board meetings were organized mostly by the CEO with inherent problems. Krishnan and Visvanathan (2009) disputed the arguments of the board's effectiveness and said that since the board put pressure on the auditors for more reports which, in effect, increased controls within the organization and reduced the chances of malpractices in the organization.

While board meetings bring benefits such as more time for directors to discuss, set strategy, and monitor management, there are also costs associated with board meetings: managerial time, travel expense, and directors' fees (Vafeas, 1999). So, there would be an optimum number of meetings for the board to outweigh the costs associated. Lipton and Lorsch (1992) suggest that a major impediment to board effectiveness is a lack of time to complete board duties. So boards that meet frequently are more likely to perform their duties diligently and in accordance with shareholders' interests (Lipton & Lorsch, 1992; Byrne, 1996). Conger et al. (1998) suggest that board meeting time is an important resource in improving the effectiveness of the board. Board process has, therefore, tremendous impact on board task performance and effective meetings are essential for the successful performance of the board tasks (Zahra & Pearce, 1989). Specifically, Vafeas (1999) found a significant association of board meetings with firm performance.

### **2.1.2 Concept of Performance**

Performance, considered to be a subset of the broader concept of organizational success is a fundamental feature for survival and sustainability as performance. Performance can be defined in many ways. It has been defined as the amount of utility or benefits derived

from the firm or the organization by its stakeholders (Rashid, Islam & Anderson 2008). In contrast to for-profit firms, there are no market prices for Government corporation inputs and outputs. Hence, performance criteria such as profit return on assets or return on investment are inadequate and cannot be used as the principle measures to evaluate Government Business performance (Warning 2007; Worthington & Lee 2005).

The performance rating of the organizations is based on the following attributes and criteria based on the set targets Excellent meaning an achievement between 30% and 100% above target, Very Good meaning an achievement of the set target in the performance contract up to 129.99% of the target, Good meaning an achievement between 70% and 99.99% of the set target. Fair meaning an achievement between 50% and 69.99% of the target and poor meaning an achievement between 0% and 49.99% of the target. Performance rated as Excellent, Very Good, Good, Fair or poor is accordingly translated into a composite score as

## **2.2 Empirical Review**

This section focuses on related studies on board attributes and financial performance of firms both in developed and developing countries. Emphasis is placed on some of the attributes used in this study as they relate to financial performance of firms.

### **2.2.1 Board Size and Performance**

Fekri, Muslim, Hafiz and Abdullah (2017) investigated the relationship between board characteristics and real performance among state-owned enterprises (SOEs) in Malaysia

in a longitudinal period following the introduction of transformation policy. The study deviates from prior research in utilizing a real performance measure rather than traditional measures of performance. The authors adopt the quantile regression approach to examine the impact of board characteristics on real performance in a comparison using ordinary least squares. The results of quantile regression reveal that the impact of board mechanisms on real performance was not as expected. Specifically, board size and duality had a bearing on real performance. Board independence also is considered as an influential factor through the time.

Oyerogba, Memba and Riro (2016) studied the impact of board size and firm characteristics on the performance of listed companies in Nigeria for the period of 2004 to 2013. The study relied on the secondary data extracted from the audited financial statement of a sample of 70 companies purposefully selected from the 198 listed companies in Nigeria. Both descriptive and inferential statistics were carried out. The results revealed that a significant positive relationship exists between the board size, firm size and financial performance.

Furthermore, Imad, (2015) studied the relationship between the Return on Assets and Board Characteristics (Board independence, Board meeting, Board size, Board expertise, Company size and Company year of incorporation). The research consisted of examining companies listed on the Palestine Exchange with analysis undertaken through regression analysis. After studying the six variables, the researcher found a significant relationship between board size and financial performance.

Satirenjit and Cooper (2015) examined the impact of board characteristics and firm performance in Malaysia. The study uses both financial and non-financial data from annual reports of the 700 public listed firms in Malaysia for the year 2009. The result shows that board independence does not affect firm performance, whilst board size and board accounting/financial expertise are positively associated with firm performance. Al-Matari, Al-Swidi and Faudziah (2014) found board size to be positively but insignificantly related to financial performance (measured by ROA) of listed Muscat Security Market (MSM) in Oman. In the same vein, the finding of Marn and Romuald (2012) indicates that board size has significant effect on performance of listed Malaysian firm. Earnings per share (EPS) measure the performance here. Moreover, larger board size is being found to improve the monitoring role as well enhances economic performance (Maharaj, 2008; Joh, 2003).

Onga, Heng, Ahmad and Muhamad (2015) examined the relationship between the structure of company board of directors (BOD) and financial performance looking at a sample of Malaysian oil and gas companies. using annual data from 2007–2011 years. A multiple regression analysis examined the relationship between the characteristics of BODs and the firms performance relying on financial ratios namely, Return on Equity (ROE) and Return on Assets (ROA). Measures of corporate governance attributes employed are: composition of the board, CEO/Chairman duality, board size, independence of nomination committee and a risk management committee. The results revealed that an effective board size had a positive impact on financial performance for

the Malaysian oil and gas industry but was the study was unable to establish if composition of the board and existence of risk management had a role. Interestingly, the findings indicate that independence of nomination committee and non-dual leadership structure are significantly and inversely related to financial performance.

Nor, Shafee and Samsuddin (2014) investigated the relationship of board characteristics and Malaysian firm performance focusing on the elements of board size and proportion of independent non-executive directors (INED). In addition, firm size has been included to control other influential factors. The data are gathered from the analysis of companies' annual report for a sample of 169 companies over a period of 2009 and 2010. The preliminary results of this study reveal most of Malaysian companies have complied with the recommendation of the MCCG (2000) and MCCG (2007) Code to have an effective of board structure and there is a significant relationship between board size to firm performance. In addition, it provides into which there are no association between proportion of independent non-executive directors to firm performance.

Kaur and Cooper (2013), found a significant positive relationship between board size and firm performance. Furthermore, Aminu, Aisha and Muhammad, (2015) analyzed the effects of board size and board composition on the performance of Nigerian banks. Using the multivariate regression analysis. The study found that board size has significant negative impact on the performance of banks in Nigeria.

Yahya, Abdullah, Faudziah and Ebrahim (2012) examined the relationship between the internal corporate governance mechanism related to the board of directors, the audit

committee characteristics and the performance of the Saudi companies listed in the Saudi stock exchange (TADAWL) in 2010, excluding financial companies. The statistical results of the study indicates significant relationship between Board Size (BSIZE), Audit Committee Independence (ACIND), audit committee meeting (ACMEET) and financial performance.

Mohammad (2012) examined the relationship between board mechanisms (audit committee size, audit committee composition, board size, and board composition) and firm performance (ROA) based on the annual reports of listed companies in the year 2011 of sample of non-financial firms in the Saudi Market . For the purpose of this study, data was collected from a sample of 102 non-financial listed companies. Furthermore, an analysis of regression analysis is utilized to examine the relationship between board characteristics and firm performance. The results of this study reveal that audit committee size, audit committee composition and board size have no effect on firm performance in the selected sample while board composition has a significant negative relationship with firm performance.

Ghabayen (2012) examined the relationship between board mechanisms (audit committee size, audit committee composition, board size, and board composition) and firm performance (ROA) based on the annual reports of listed companies in the year 2011 of sample of non-financial firms in the Saudi Market (Tadawul). For the purpose of this study, data was collected from a sample of 102 non-financial listed companies. Furthermore, an analysis of regression analysis is utilized to examine the relationship

between board characteristics and firm performance. The results of this study reveal that audit committee size, audit committee composition and board size have no effect on firm performance in the selected sample while board composition has a significant negative relationship with firm performance.

Bebeji, Mohammed and Tanko (2012) analyzed the effects of board size and board composition on the performance of Nigerian banks. The financial statements of five banks were used as a sample for the period of nine years and the data collected were analysed using the multivariate regression analysis. The study found that board size has significant negative impact on the performance of banks in Nigeria. This signifies that an increase in Board size would lead to a decrease in ROE and ROA.

Ranti and Samuel (2012) assessed the effect of size of boards on the performance of banking sector in a developing economy like Nigeria. This study made use of a range of data drawn from the Nigerian Stock Exchange fact book (2008), which contains information on board size and the performance proxies. Regressing performance on board size, it was observed that banks with board size below 13 are more viable than those with board size above 13. The study further observed that banks with larger boards recorded profits lower than those with smaller boards. Therefore, this study concludes that there is a significant negative relationship between board size and bank financial performance

Ponnu and Karthigeyan (2010) found that there is a negative association between board size and firm performance. Similarly, Shakir (2008) found a negative relationship between board size and firm performance which supported the conclusion of Jensen

(1993) that for a firm to be effective in its monitoring, it should have a relatively small board of directors. In relation to that, Haniffa and Hudaib (2006) argued that a large board is seen as less effective in monitoring performance and could also be costly for companies in terms of compensation and increased incentives to shirk. The same conclusion was drawn by Bozeman and Daniel (2005) based on his study carried out on the Canadian public companies. His conclusion implies that the board size was also shown to have a negative relationship with performance measured by return on sales, sales efficiency and ROA. On the contrary, prior studies regarding the size of the board supported the positive relationship between the size of the board of directors and corporate performance. Large boards are viewed to lead to a better business performance owing to the wide variety of skills present for better decision making and monitor the performance of the CEO. For example, Adams and Mehran (2005) found a positive relationship between board size and performance in the U.S. banking industry. Moreover, Rechner and Dalton (1991) have also reported that large boards are associated with stronger performance.

Gitari (2008) while carrying out a case study of new KCC sought to find out if there is any relationship between Corporate Governance and the Financial Performance of state corporations. He looked into the Board of Directors role in Governance of the state corporation who are also mandated to oversee the running of the corporation.

### **2.2.2 Board Independence and Performance**

Abu, Okpeh and Okpe (2016) studied the influence of Board Characteristics on the Financial Performance of listed deposit money banks in Nigeria for the period of 2005-2014. The study adopted multiple regression technique as a tool of analysis and data were collected from secondary source through the annual reports and accounts of the sampled banks. The findings show that foreign director is significantly and positively correlated or influenced the Performance of deposit money bank, while the grey director have negative significant effect on the Performance of deposit money banks in Nigeria. Other variables such as executive director, independent non-executive director and women director have no significant impact on banks performance in Nigeria.

Johl, Kaur and Cooper (2015) examined the impact of board characteristics and firm performance. Specifically, the study test the effects of board meeting, board independence, board size and directors accounting expertise on firm accounting performance. The study uses both financial and non-financial data from annual reports of the 700 public listed firms in Malaysia for the year 2009. The result shows that board independence does not affect firm performance, whilst board size and board accounting/financial expertise are positively associated with firm performance. Board diligence in terms of board meetings is found to have an adverse effect on firm performance.

Imad, (2015) studied the relationship between the Return on Assets and Board Characteristics (Board independence, Board meeting, Board size, Board expertise, Company size and Company year of incorporation). The research consisted of examining

companies listed on the Palestine Exchange with analysis undertaken through regression analysis. After studying the six variables, the researcher found significant relationship between board size and financial performance.

Musa and Shehu (2014) studied the effect of board of director characteristics on financial performance of listed DMBs in Nigeria for the period 2007 to 2011. The study adopted multiple regression as a technique of data analysis. The results show among other that board independence has a positive significant effect on financial performance.

Yahya, Abdullah, Faudziah and Ebrahim (2012) examined the relationship between the internal corporate governance mechanism related to the board of directors, the audit committee characteristics and the performance of the Saudi companies listed in the Saudi stock exchange (TADAWL) in 2010, excluding financial companies. With the aid of regression, the documented a positive relationship between board independence and financial performance.

Mohammad (2012) examined the relationship between board mechanisms (audit committee size, audit committee composition, board size, and board independence) and firm performance (ROA) based on the annual reports of listed companies in the year 2011 of sample of non-financial firms in the Saudi Market (Tadawul). For the purpose of this study, data was collected from a sample of 102 non-financial listed companies. Furthermore, an analysis of regression analysis is utilized to examine the relationship between board characteristics and firm performance. The results of this study reveal that audit committee size, audit committee composition and board size have no effect on firm

performance in the selected sample while board independence has a significant negative relationship with firm performance.

### **2.2.3 Board Meeting and Performance**

Mohammed and Basariah (2016) examined the relationship between board attributes and firm performance, and to identify possible literature gaps. For the purpose of this review, related materials were being gathered from Emerald management e-Journals and Research Gate database. The paper synthesizes empirical findings on the relationship between selected dimensions of board attributes and firm performance. The studied established a positive relationship between board meeting and financial performance.

Alhassan, Bajaher and Alshehri (2015) examined the determinants of performance by Saudi listed banks. In fact, three corporate governance namely, board size, board composition, and board meeting and two firm variables namely firm size and leverage were used in the present study. The population for this study defined as listed banks in Saudi exchange market during the period of 2007-2012. There were 11 banks listed in Saudi exchange market. After excluding one bank that has incomplete data, the total sample of study becomes 10 banks with 60 observations. The results of multiple linear regressions indicated that board meeting has a negative effect on financial performance.

Whereas Mangena and Pike (2005) found that, there is a significant positive relationship between the frequency of board meetings and performance of companies listed on the

floor of Zimbabwe stock exchange. Again, there is a positive relationship between the disclosures of the frequency of board meetings and firm performance (Brown & Caylor, 2004). In this effect, attending board meetings by members ought to produce important resources to directors in enhancing the adequacy of the board (Said, Omar, & Abdullah, 2012).

Finegold, Benson and Conger (2002) found that board practices are positively related to firm performance as a result of effective governance. So it can be posited that board meetings and the related practices play an important in role in board's effectiveness, leading to firm performance.

## **2.3 Theoretical Framework**

### **2.3.1 Agency theory**

This view is based on the idea that in a modern corporation, there is separation of ownership (principal) and management (agent), and this leads to costs associated with resolving conflict between the owners and the agents (Berle & Means, 1932; Jensen & Meckling, 1976; Eisenhardt, 1989). The fundamental premise of agency theory is that the managers act out of self-interest and are self centred, thereby, giving less attention to shareholder interests. For example, the managers may be more interested in consuming perquisites like luxurious offices, company cars and other benefits, since the cost is borne by the owners. The managers who possess superior knowledge and expertise about the firm are in a position to pursue self-interests rather than shareholders (owners) interests (Fama, 1980; Fama & Jensen, 1983). This pursuit of self-interests increases the costs to

the firm, which may include the costs of structuring the contracts, costs of monitoring and controlling the behaviour of the agents, and loss incurred due to sub-optimal decisions being taken by the agents. Shareholder interests can clearly be compromised if managers maximise their self-interest at the expense of organisational profitability, i.e., the managers sequestering shareholders' interests. In essence, the managers cannot be trusted and therefore there is a need for strict monitoring of management by the board, in order to protect shareholder's interest. Further, in a large corporation with widely dispersed ownership, small shareholders do not have a sufficient payoff to expend resources for monitoring the behaviours of managers or agents. Eisenhardt (1989) explains that agency problem arrives when "(a) the desires or goals of the principal and agent conflict and (b) it is difficult or expensive for the principal to verify what the agent is actually doing. Consequently, the monitoring of management activities is seen as a fundamental duty of a board, so that agency problems can be minimized, and superior organizational performance can be achieved.

Agency theory as posited by Jensen and Meckling (1976) assumes that agency problems can be resolved with appropriately designed contracts by specifying the rights belonging to agents and principals. Fama and Jensen (1983) refer to such contracts as "internal rules of the game which specify the rights of each agent in the organization, performance criteria on which agents are evaluated and the payoff functions they face." However, unforeseen events or circumstances require allocation of residual rights, most of which end up with the agents (managers), giving them discretion to allocate funds as they

choose (Shleifer & Vishny, 1997). The inability or difficulty in writing perfect contracts, therefore, leads to increased managerial discretion which encapsulates the same agency problem. Further, when principals monitor agents to ensure that agents act in the best interests of the principals, they incur monitoring costs, which further reduce the value of the firm.

Given the problems in mitigating agency problems through the use of contracts, scholars have suggested various governance mechanisms to address the agency problems. Agency theory thus provides a basis for firm governance through the use of internal and external mechanisms (Weir, Laing & McKnight, 2002; Roberts et al., 2005). The governance mechanisms are designed to “protect shareholder interests, minimise agency costs and ensure agent-principal interest alignment” (Davis, Schoorman, & Donaldson 1997).

Two important governance mechanisms used for this purpose are board of directors and compensation schemes to align the interests of both the agent and the principal. Fama (1980) considers the board a low-cost mechanism of management compared to other alternatives such as, for example, takeovers. The literature on board, as a governance team, is mainly focused on issues such as board size, inside versus outside directors (also known as executive versus non-executive directors), separation of CEO and Chair positions, etc ( Coles & Hesterly, 2000) with an aim to improve the effectiveness of oversight. Executive compensation concentrates on the degree to which managers are compensated in ways that align their interests with those of shareholders ( Silva & Katz, 2003). Such incentivised compensation schemes are particularly desirable when the

agents have a significant informational advantage and monitoring is difficult. Many scholars have relied upon agency theory to examine the role of boards and other related governance aspects in affecting firm performance (Cadbury, 1992; Vienot, 1995; Hampel, 1998; OECD, 1999; ICGN, 1999; King, 2002).

### **2.3.2 Stewardship theory**

While Agency theory assumes that principals and agents have divergent interests and that agents are essentially self-serving and self-centered, Stewardship theory takes a diametrically opposite perspective. It suggests that the agents (Directors and Managers) are essentially trustworthy and good stewards of the resources entrusted to them, which makes monitoring redundant (Donaldson 1990; Donaldson & Davis, 1991; Donaldson & Davis, 1994; Davis et al., 1997). Donaldson and Davis (1991, p. 51) observe, “organisational role-holders are conceived as being motivated by a need to achieve, to gain intrinsic satisfaction through successfully performing inherently challenging work, to exercise responsibility and authority, and thereby to gain recognition from peers and bosses”.

The stewardship perspective views directors and managers as stewards of firm. As stewards, directors are likely to maximise the shareholders’ wealth. Davis et al.(1997) posit how stewards derive a greater utility from satisfying organisational goals than through self-serving behaviour. Davis et al. (1997) argue that the attainment of organisational success also satisfies the personal needs of the stewards. Stewardship theory suggests that managers should be given autonomy based on trust, which minimises

the cost of monitoring and controlling behaviour of the managers and directors. When managers have served a firm for considerable period, there is a “merging of individual ego and the corporation” (Donaldson & Davis, 1991).

Stewardship theory considers that manager’s decisions are also influenced by non-financial motives, such as need for achievement and recognition, the intrinsic satisfaction of successful performance, plus respect for authority and the work ethic. Daily and Dalton (2003) argue that managers and directors are also interested to protect their reputation as expert decision makers. As a result, managers operate the firm in a manner that maximises financial performance, including shareholder returns, as firm performance directly impacts perception about managers’ individual performance. Fama (1980) suggests that managers who are effective as stewards of the firm are also effective in managing their own careers. Supporting this view, Shleifer and Vishny (1997) suggested that managers who bring good financial returns to investors, establish a good reputation that allows them to re-enter the financial markets for the future needs of the firm.

From the stewardship theory perspective, superior performance of the firm was linked to having a majority of the inside (executive) directors on the board since these inside directors (managers) better understand the business, and are better placed to govern than outside directors, and can therefore make superior decisions (Donaldson, 1990; Donaldson & Davis, 1991). Stewardship theory argues that the effective control held by professional managers empowers them to maximise firm performance and corporate profits. Consequently, insider-dominated boards are favoured for their depth of

knowledge, access to current operating information, technical expertise and commitment to the firm. Similarly, CEO duality (i.e., same person holding the position of Chair and the chief executive) is viewed favourably as it leads to better firm performance due to clear and unified leadership.

### **2.3.3 Stakeholder Theory**

The consequence is that corporate governance should be long term in focus and concerned with underlying value creation, rather than comparatively short-term financial accountability indicators. Stakeholder theory endeavours to incorporate elements of agency and stewardship theories (Donaldson, L. & Davis 1991). The theory represents recognition by management scholars that “current approaches to understanding the business environment fail to take account of a wide range of groups who can affect or are affected by the corporation, its stakeholders” (Freeman, 1984, p. 1). The contention of stakeholder theory is that the long term commercial and strategic performance of organisations, particularly corporatized firms, is dependent on its relationship with stakeholders. “... to maximise share holders value you should pay attention to key stakeholders”(Freeman, 1999, p. 233). ‘Stakeholders’ is a broad term that generally refers to ‘any group or individual who can affect or is affected by the accomplishment of that organization’s goals’ (Davis, Schoorman & Donaldson 1997; Donaldson, L. & Davis 1991; Fama 1980; Freeman, 1984). However, stakeholders must be parties that have (in)direct interests in the activities and performance of an organisation (e.g. employees, communities in which the organisation operates and shareholders) (Donaldson, T &

Preston 1995). As Donaldson and Preston (1995) contended, the 'stake' denoted by the term 'stakeholder' is understood to impose normative obligations and hence a stake is identified as 'an interest' for which a valid normative claim can be advanced (Donaldson, T & Preston 1995). In other words, stakeholders have an obligation from, and on, the organisation that may be identifiable, justified and reasonably measured. It can be seen that stakeholder theory is an extension of the agency perspective, where responsibility of the governing body is increased from shareholders to other stakeholders' interests (Smallman 2004).

The significance of stakeholder theory is that it recognises that organisations are not controlled or affected purely by those that exercise ownership rights in the organisation. As Davis, Schoorman and Donaldson (1995) and Freeman et al. (2004) argued: the notion that shareholders govern the corporation is largely a fiction; typically, executives have the greatest power'. In this sense, Donaldson, T & Preston (1995) contend that the conventional model of the corporation, in both legal and managerial forms, has failed to discipline 'self-serving' managerial behaviour (Agrawal & Knoeber 1996; Gunasekerage & Reed 2008). The fundamental consequence of stakeholder theory for corporate governance is that it necessitates governance structures that promote alignment not just between agents and principals, but between agents, principals and parties who have broader, but reasonable, interests in the organisation. It is precisely because of this multifaceted approach to understanding corporate governance: that corporate governance should be responsive to multiple, competing interests, which provide intellectual rigour to

a stakeholder framework. For stakeholder theory, corporate governance is an intuitive and managerially rationale requirement for robust organisational performance (Donaldson, T & Preston 1995). This point is succinctly noted by Freeman, Wicks and Parmar (2004, p. 365): ... stakeholder theory does a better job of explaining and directing managerial behaviour in markets. Stakeholder theory claims that whatever the ultimate aim of the corporation or other form of business activity, managers and entrepreneurs must take into account the legitimate interests of those groups and individuals who can affect (or be affected by) their activities.

It is quite natural to suggest that the very idea of value creation and trade is intimately connected to the idea of creating value for stakeholders. Business is about putting together a deal so that suppliers, customers, employees, communities, managers and shareholders all win continuously over time. In short, at some level, stakeholder interests have to be joint – they must be travelling in the same direction – or else there will be exist, and a new collaboration formed (Freeman, 1984). Stakeholder theory is inherently managerial (Freeman, Wicks & Parmar 2004). This very same consequence has, nevertheless, resulted in stakeholder approaches to corporate governance that are diverse and complicated, with such diversity and complication arising out of the need to develop theoretical frameworks that account for varying stakeholder interests and consequent governance approaches.

Despite this diversity and complication, stakeholder theory relies on three central assumptions. Assumptions about stakeholder behaviours are important because they

influence the types of governance structures adopted (particularly incentive mechanisms) (Freeman, Wicks & Parmar 2004). First, stakeholders are fundamental to the long term viability of organisations. The consequence of this assumption is that corporate governance needs to emphasis performance outcomes that are beneficial to all stakeholder groups, which tends to result in incentive structures and reporting requirements that promote non-financial outcomes, such as ‘triple bottom line accounting.’ Second, stakeholder theory recognises that meeting stakeholder interests is difficult because there are a wide variety of stakeholders who hold different values and expectations in regard to the organisation. Underlying stakeholder approaches are thus important assumptions about stakeholder behaviour (Donaldson, T & Preston 1995), particularly managerial behaviour. Behaviours may be characterised as being normative (i.e. value driven), instrumental (i.e. output driven) or somewhat unpredictable (Donaldson, T & Preston 1995; Freeman, 2010; Freeman, Wicks & Parmar 2004). Third, Stakeholder theory assumes that stakeholder exercise different degrees and types of power. Differences in stakeholder power arise from varying forms of legitimacy such as formalized authority in the form of laws granted to particular stakeholders

According to Mintzberg (1985), power is derived through the control of resources, technical skill, body of knowledge, legal prerogatives and access to those who can rely on the previous sources of power. Stakeholders who thus have control over greater resources, vis-à-vis other stakeholders, may thus be able to exercise disproportionate influence and power over an organisation and hence it’s corporate governance structure.

However, just power needs to be legitimate if stakeholders are to effectively or appropriately be considered by organisational processes (e.g. guidelines and practice manuals). As Mintzberg and Waters (1985) recognise, legitimacy is a “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed systems of norms, values, beliefs, and definitions”, and such legitimacy needs to be validated and sustained over time for stakeholders to have influence over corporate governance (Donaldson, L 1990). According to Gomes & Novaes (2005), the implication of legitimacy is that stakeholders may be broadly classified into two key groups: Primary stakeholders are those who have formal and economical relationships with the organization. Secondary stakeholders are those agents that are not directly related to the organization despite being able to influence and be influenced by its operation and outcomes.

### **2.3.4 Resource Dependency Theory**

According to the resource dependency theory, directors bring resources such as information, skills, key constituents (suppliers, buyers, public policy decision makers, social groups) and legitimacy that will reduce uncertainty which in turn reduces the transaction cost (Kesner & Johnson 1990; Lorsch & MacIver 1989; Pfeffer & Salancik 2003) and the potential of linking the organization with the external networks. This provides opportunity to gather more information and even skills in various specialities (Pfeffer & Salancik 2003). Lawrence and Lorsch (1967) linked the resource dependency theory as an environmental influence on corporate governance and they argued that

successful organizations possess internal structures that match external environmental demand. Pfeffer (1972) confirmed this argument and explained that board size and its composition is a rational organisational response to the conditions of the external environment and he further argued that external independent directors may serve to connect the external resources with the firm to overcome uncertainty, which is very important for long term sustainability. This was emphasised in the university governance which explains that a majority of external members could bring the most needed business skill into university governance (Department of Education and Training (State of Victoria) 2002; Marginson 2006; Nelson 2003b). Further resource dependency theory was supported through appointment of external members to the council as a way of obtaining multiple skills and because of their opportunities to gather information and networking in various ways. The three central theories to corporate governance (i.e. agency, stewardship and stakeholder theories) subsequently recognise that corporate governance involves a number of inter-related and mutually supportive components. While differences exist between the theories, it is apparent that all three emphasis the need for corporate governance to centre on creating transparency, responsibility and accountability (Barrett 2002; Clarke 2004; Kiel & Nicholson 2003). All these theories are fundamentally concerned with ensuring that corporate governance promotes the long term viability of organisations through the enforcement of perceived 'best practice' methods (Clarke 2004; Nelson 2009; Osborne, M & Bell 2009).

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3.1 Research Design

The study adopted descriptive research design using survey method. Therefore, the descriptive survey is deemed the best strategy to fulfill objectives of this study. i.e. to investigate the relationship between board attributes and performance of Government-owned enterprises in Nigeria.

#### 3.2 Population, Sample and Sampling Techniques

The population of the study is made up of 367 management staff of the selected Government Corporation in Nigeria and the sample is drawn using Taro Yamane's formula to draw the sampling size and it is stated below:

$$n = \frac{N}{1 + N(e)^2}$$

Where N is the population size

e is the margin error (assume 5%)

$$1 = \text{constant} = e = 0.05$$

$$n = \frac{367}{1 + 367(0.05)^2}$$

$$n = \frac{367}{1 + 367(0.05)^2}$$

$$n = \frac{367}{1 + 367(0.0025)}$$

$$n = 367/1+0.9175$$

$$n = 367/1.9175$$

$$n = 191$$

191 copies of questionnaire were distributed to the management staff of the selected Government corporation. Board attributes were proxies as board size, board independent board meeting and board competence while Performance of Government Corporations as measured by the composite scores allocated in yearly performance evaluations.

### **3.3 Method of Data Collection**

This study employed primary data. The data was obtained through questionnaire. The adoption of the primary source was prompted by the requirement of the model and tool of analysis adopted and that the variables of the study consist of board attributes and performance. A four point Likert rating scale was used to measure all variables. The lowest rating of 1 signified a low rating by the respondents while a high rating of 4 signified a high rating by the respondents.

#### **Reliability Test (The Cronbach's alpha)**

Sehu and Mahmood, (2014) opine that the most popular test of inter-item consistency and reliability in any research study is the Cronbach's (1951) coefficient alpha. According to Pedhazur and Schmelkin (1991), Cronbach 's alpha estimates the degree to which the items in a scale are a representative of the domain of the construct being measured. Cooper and Schindler, (1998) describe it as the most common method of ensuring

reliability for a multi-item scale measurement. Based on the above submission, Cronbach's alpha coefficient was used in this study to measure the internal consistency as a verification of the reliability of the composite items comprising each scale for each construct.

According to Sekaran and Bougie's (2010) standard, an instrument with a coefficient of 0.60 is regarded to have an average reliability; whereas a coefficient of 0.70 and above shows that the instrument has a high level of reliability. The instrument used in the study is reliable, since result of the test conducted shows that all item averaged 0.8795, which is acceptable since they fall above the cutoff value of 0.5 (Shehu, 2014).

### **3.4 Technique of Data Analysis and Model Specification**

The study employs multiple regression as the technique of analysis, the independent variables (board size, board independence, board meeting and board competence) were regressed against one independent variable (performance).

#### **Model Specification and Variables Measurement**

$$PER_i = \beta_0 + \beta_1 BS_i + \beta_2 BI_i + \beta_3 BM_i + e_i$$

Where:

PER= Performance of Government Corporations as measured by the composite scores allocated in annual performance evaluations.

$\beta_0, \beta_1, \beta_2, \beta_3, \dots, \beta_4$  are parameter coefficients estimated with our expectation

$\beta_0$ = Constant

BS= Board Size

BI=Board Independence

BM= Board Meeting

$\epsilon$  = error term

i = Corporations

### **3.5 Justification of Methods**

For the purpose of examining the effect of board attributes performance Government Corporation, primary data was needed because it was difficult to get secondary information on the variables used. Model specification is as justified the numbers of independent variables were regressed against the dependent variable.

**CHAPTER FOUR**  
**DATA PRESENTATION AND ANALYSIS**

**4.1 Data Presentation**

Data from primary sources and their retrieval analysis is shown below.

Table 4.1: Response Rate

Response	Frequency	Percent
Returned	184	96
Unreturned	7	4
Total	191	100

Source: Research Data, 2017

The results in Table 4.1 shown an overall successful response rate of 96%. Agreeing to Mugenda and Mugenda (2003) a response rate of above 50% is appropriate for a descriptive study. Based on these affirmations from well-known scholars, 96% response rate was considered appropriate for the study.

### 4.1.1 Descriptive Statistics

### 4.2 Analysis of Board Size

Statement	Strongly Disagree	Partly Disagree	Partly Agree	Strongly Agree
Board of directors that is large in size may need to deal with more conflicts among board members and thereby have difficulty in reaching consensus	10.87%	36.41%	47.28%	5.43%
Large size boards are more adept at providing resources	5.98%	3.80%	83.15%	7.07%
Larger boards benefit by providing effective oversight of management and available necessary resources so that larger boards may help in improving performance of an organization	4.35%	4.89%	83.15%	7.61%
Smaller board size enhance enactment	21.74%	41.85%	20.11%	16.30%
Working as a team, the board has the right blend of skills, expertise and personalities, and the appropriate degree of diversity, to enable it to face today's and tomorrow's challenges successfully.	8.70%	11.41%	72.28%	7.61%

Source: Research Data, 2019

The first objective of the study was to establish the relationship between board size and performance. The respondents were asked to whether board of directors that is large in size may need to deal with more conflicts among board members and thereby have difficulty in reaching consensus. The results in table 4.1.2 presented the opinion of the respondents on this assertion. The results show that 47.28% of the respondents agreed to

this assertion, 2.5% of the respondents while 36.41% disagreed to the statement. The results show that majority of the respondents believe that board of directors that is large in size may need to deal with more conflicts among board members and thereby have difficulty in reaching consensus.

Regarding whether large size boards are more adept at providing resources, 83.15% of the respondents agreed, 3.80% disagreed to the assertion. It was discovered from the results that large size boards are more skillful at providing resources.

As to whether the larger boards benefit by providing effective oversight of management and available necessary resources so that larger boards may help in improving performance of an organization. Majority of the respondents representing 83.15% agreed, while 4.89% of the respondents disagreed with statement. The results revealed that, Smaller board size enhance enactment. Majority of the respondents (41.85%) disagreed with the assertion.

Based on the assertion that, working as a team, the board has the right blend of skills, expertise and personalities, and the appropriate degree of diversity, to enable it to face today's and tomorrow's challenges successfully. The results show that, 72.28% representing majority of the respondents agreed, 11.41%% of the respondent disagreed. The results show that, working as a team, the board has the right blend of skills, expertise and personalities, and the appropriate degree of diversity, to enable it to face today's and tomorrow's challenges successfully.

### 4.3 Analysis of Board Independence

<b>Statement</b>	<b>Strongly Disagree</b>	<b>Partly Disagree</b>	<b>Partly Agree</b>	<b>Strongly Agree</b>
The Board has a sufficient number of independent directors	59.78%	15.22%	12.50%	12.50%
The Board is provided with all relevant information, within sufficient time for study and analysis, to enable independent directors to exercise their duties of guiding corporate strategy, monitoring performance and providing oversight to top management.	13.59%	42.93%	40.22%	3.26%
The board has a clear set of objectives that are independent of those for the organization	10.33%	10.33%	52.17%	27.17%
A senior independent director role exists to strengthen the position of the non-executives	10.33%	2.17%	82.07%	5.43%
The Board have actively functioning committees or sub-committees (compliance, nomination, compensation, risk management), composed mainly of independent directors	8.70%	6.52%	81.52%	3.26%

Source: Research Data, 2019

The next objective of the study was to establish the relationship between board independence and performance. In order to investigate this objective, the following assertion were made with their responses in table 4.1.3. The study sought to investigate whether board has a sufficient number of independent directors 59.78% of the

respondents disagreed with statement, while 12.50% partly agreed in their opinion. The results connote that the organization under reviewed has insufficient independent director.

The study wanted to find out if the Board is provided with all relevant information, within sufficient time for study and analysis, to enable independent directors to exercise their duties of guiding corporate strategy, monitoring performance and providing oversight to top management. The result in table 4.1.3 revealed that 42.93% of the respondents disagreed, with the statement. Implying that the board does not provide sufficient time for independent directors to exercise their duties of guiding corporate strategy, monitoring performance and providing oversight to top management.

The board has a clear set of objectives that are independent of those for the organization is another assertion investigating the second objective of the study. The results in table 4.1.3 show that 52.17% were the overall respondents agreed while 10.33% disagreed to the assertion. It implies that, the board has a clear set of objectives that are independent of those for the organization.

As to whether the a senior independent director role exists to strengthen the position of the non-executives, 82.07% represent aggregate respondents agreed to the statement while only 6.52% of the respondents disagreed. The results imply that majority of the respondents believe independent director role exists to strengthen the position of the non-executives.

Regarding whether the Board have actively functioning committees or sub -committees (compliance, nomination, compensation, risk management), composed mainly of independent directors respondents give their various opinion, 81.52% of the respondents agreed while 6.52% disagreed to the statement. It implies that, the board have actively functioning committees or sub -committees (compliance, nomination, compensation, risk management), composed mainly of independent directors.

#### 4.4 Analysis of Board Meeting

<b>Statement</b>	<b>Strongly Disagree</b>	<b>Partly Disagree</b>	<b>Partly Agree</b>	<b>Strongly Agree</b>
Board meetings are held according to a regular schedule, agendas prepared in advance, minutes prepared and approved.	12.50%	5.43%	71.20%	10.87%
Board meetings and study sessions provide sufficient opportunity to explore key issues.	4.35%	6.52%	75.00%	14.13%
The Chair leads meetings well with a clear focus on the big issues facing the organization and allows full and open discussion before major decisions are taken.	9.78%	8.70%	72.83%	8.70%
Board meetings are held according to a regular schedule, agendas prepared in advance, minutes prepared and approved	21.20%	10.87%	23.37%	44.57%
Board meetings are conducted in an orderly efficient manner.	8.15%	13.04%	65.76%	13.04%

Source: Research Data, 2019

The following objective of the study was to establish the relationship between board meeting and audit performance. In other to examine this objective, the following declaration were made with their responses in table 4.1.3 whether board meetings held is according to a regular schedule, agendas prepared in advance, minutes prepared and approved 71.20% of the respondents agreed, while 5.43% disagreed to the claim. The results imply that board meetings are held in accordance to a regular schedule, agendas prepared in advance, minutes prepared and approved.

Board meetings and study sessions provide sufficient opportunity to explore key issues. The results revealed that 75.00% of the respondents strongly agreed, 10.87% agreed to the assertion. While 5.43% and 12.50% strongly disagreed to the assertion. This indicates that the majority of the respondents agreed that there are Board meetings and study sessions provide sufficient opportunity to explore key issues.

The respondents were also asked to give their thought on whether Chair leads meetings well with a clear focus on the big issues facing the organization and allows full and open discussion before major decisions are taken. 72.83% of the respondents agreed, 8.70% disagreed. Based on this result, it suggests that, more of the respondents believed this to be a viable measure.

In other to complement the assertion above, the respondents were also whether Board meetings are held according to a regular schedule, agendas prepared in advance, minutes prepared and approved 44.57% respondents agreed to this assertion.

The researcher also wanted to know whether board meetings are conducted in an orderly efficient manner, 65.76% of the aggregate respondents agreed, 13.04% disagreed. From the results, it was revealed that, majority of the respondents differed to the claim.

#### 4.5 Analysis of Performance

<b>Statement</b>	<b>Strongly Disagree</b>	<b>Partly Disagree</b>	<b>Partly Agree</b>	<b>Strongly Agree</b>
The Board sets/approves the annual objectives of the organization and regularly evaluates actual performance.	10.33%	13.59%	69.57%	6.52%
The board gets early-warning signals of problems ahead that will adversely affect key outcomes, targets	16.85%	34.78%	38.59%	9.78%
Management provides a thorough analysis of performance against budget, targets and key outcomes, and discusses any necessary remedial action.	10.33%	39.67%	20.65%	29.35%
The Board regularly reviews its alignment with organizational values.	5.43%	-	58.15%	36.41%
The Board reviews progress towards organizational goal achievement using appropriate metrics and scorecards	-	7.07%	42.39%	50.54%

Source: Research Data, 2019

Table 4.1.5 shows the results of some assertions postulated by the researcher to investigate the question, 69.57% represent aggregate respondents agreed statement while 3.59% of the respondents disagreed. This infers that majority of the respondents agreed

with the assertion that the Board sets or approves the annual objectives of the organization and regularly evaluates actual performance.

In other to complement the assertion above, the respondents were asked whether the board gets early-warning signals of problems ahead that will adversely affect key outcomes, targets or financial performance. The results in table 4.1.5 shows that 38.59% were the overall respondents agreed, 16.85% disagreed. Thus, the respondents are of the notion that there are the board gets early-warning signals of problems ahead that will adversely affect key outcomes, targets or financial performance.

With regard to whether management provides a thorough analysis of performance against budget, targets and key outcomes, and discusses any necessary remedial action., 20.65% of the respondents agreed, 39.67% disagreed to this assertion.

Results of the study as reflected in table 4.1. 5 put forward that respondents agree that the board regularly reviews its alignment with organizational values., where appropriate with 58.15%

With concern to whether the board reviews progress towards organizational goal achievement using appropriate metrics and scorecards, 42.39% agreed to this assertion. Signifying that majority of the respondent agreed to the statement.

## 4.2 Data Analysis and Result

### 4.2. 1 Correlation Matrix

It is necessary to know the correlation between the dependent variable and each of the independent variables as well as among the independent variables so as to ascertain the direction of movement. Therefore, the correlation matrix of the variable is presented in table 4.2.

**Table 4.2: Correlation Matrix of Dependent and Independent Variables.**

	PER	BS	BI	BM
PER	1.0000			
BS	0.6207	1.0000		
BI	0.6778	0.7111	1.0000	
BM	-0.6457	-0.1067	0.0165	1.0000

Source: STATA Output, 2019

Table 4.2 presents the correlation of the variables, in terms of the association between the independent variables and the dependent variable as well as the correlation among the independent variables themselves.

From the correlation matrix, it can be explained that that PER and BS have positive correlation with PER. The implication of this is that the paired variables move in the same direction. In the same way BI and PER are positively correlated. This means that the paired variables move in same direction. On the other hand, BM and PER are negatively correlated. Denotes that BM and PER moves in opposite direction.

#### **4.2.2 Diagnostics Test**

The following tests are carried out to find out whether data used for analysis performed for interpretation is reliable.

#### **4.2.3 Test for Multicollinearity**

Multicollinearity is examined using tolerance and variance inflation factor (VIF) values.

The result of Multicollinearity test is shown in the table 4.3.

Table 4.3: Tolerance and VIF values

Variable	VIF	1/VIF
BS	2.08	0.480266
BI	2.06	0.485669
BM	1.03	0.971323

Mean VIF	1.72	
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Source: STATA 2019

Table 4.3 reveals that the variables used do not pose Multicollinearity problem. This is evident from their VIF values being less than 10 and tolerance values being greater than 0.10 (rule of thumb) (Gujirati, 2005). This, therefore, goes in agreement with the assumption of classical regression model which states that there should not be Multicollinearity among the regressors included in the model.

#### 4.2.5 Test for Heteroscedasticity

Heteroscedasticity test is carried out to find out whether the disturbances appearing in the population regression function are homoscedastic (same variance). Breusch-Pagan's test for heteroscedasticity is performed. The result as presented in Table 4.2.5 produces the value of chi square of 2.09 while its probability is 0.1482 which is insignificant at 5%. This indicates the absence of heteroscedasticity.

**Table 4.2.5 Test for Heteroscedasticity**

chi2(1) =	2.09
Prob > chi2 =	0.1482

Source: STATA 2019

#### 4.2.4 Regression Results

In this section, the study used multiple regression analysis to investigate the effect of board attributes on performance of Government corporations in Nigeria.

Table 4.6: Regression Result

PER	Coef.	Std. Err.	t	P> t
BS	.1397151	.0377169	3.70	0.000
BI	.5533702	.0314785	17.58	0.000
BM	-.8015183	.0300406	-26.68	0.000
R-squared =	0.8988			0.0000
F( 3, 180) =	532.62			

Source: STATA 2019

The analysis of the table above began with the interpretation of the combined effect of both the explanatory variables and the explained variable. The  $R^2$  which is the multiple co-efficient of determination gives percentage or proportion of total variation in the dependent variable measured by four point Likert scale of Government organization in Nigeria which is explained by the independent variables jointly. Hence, the result of  $R^2$

signifies that 0.89% of total variation in performance of Government Enterprises in Nigeria is caused by board size, board independence and board meeting of Government enterprises in Nigeria.

Finally, on the cumulative result is the F-statistics of 532.62 with a significant value of 0.0000. This indicates the fitness of the model and means that the selected attributes are the main determinants of performance of Government enterprises in Nigeria.

### **Board size and Performance**

The result in respect of board size reveals a coefficient value of .1397151 and a t-value of 3.70 with a p-value of 0.000. The positive coefficient value implies that there is positive relationship between board size and performance of selected public enterprises in Nigeria. That is, as board size increases, their performance. Therefore, the p-value of 0.000 which is significant at 5% level signifies that board size is significantly influencing performance in Government corporation Nigeria. This implies that for every 1% increase in the board size of selected public enterprises in Nigeria, their performance tends to increase by 14%. As a result of this, the study rejects the first hypothesis of the study which states that Board size has no significant effect on performance of Government corporations in Nigeria.

### **Board Independence and Performance**

The regression result for board independence showed a coefficient value of .5533702 and t-value of 17.58 with a p-value of 0.000. This means that there is positive relationship between board independence and performance of selected public enterprises in Nigeria. The p-value as indicated from above result is 0.000 implying that the board independence is strongly and significantly influencing the performance of selected public enterprises in Nigeria. This signifies that for every 1% increase in board independence the performance increase by 55%. On the basis of this outcome, the study therefore rejects the second hypothesis which states that Board independence has no significant effect on performance of selected public enterprises in Nigeria

### **Board Meeting and Performance**

The result for board meeting shows a coefficient value of -.8015183 and t value of -26.68 with a significant value of 0.000 which indicates that there is a negative relationship between board meeting and performance of selected public enterprises in Nigeria. The p-value which shows the value of 0.000 implies that board meeting is a significant factor in determining and explaining performance of selected public enterprises. In view of this, the accepted the third hypothesis of the study which states that Board meeting has no significant effect on performance of selected public enterprises in Nigeria.

### **4.3 Discussion of Findings**

The following are the summary of the major findings of the study that are obtained from the presentations and analysis of data as well as discussion of results.

The result from board size revealed a positive and significant effect on performance of selected public enterprises in Nigeria. the findings denote that larger board size improves the monitoring role as well enhances economic performance. This finding is consistent with many other studies that examined the effect of board size on firm performance (Oyerogba, Memba & Riro (2016, Imad, (2015, Satirejit and Cooper, 2015, Marn & Romuald , 2012, Onga, Heng, Ahmad & Muhamad 2015, Nor, Shafee & Samsuddin, 2014) but contradicting the findings of Bebeji, Mohammed and Tanko (2012), Haniffa and Hudaib (2006). Board size is considered to increase the independence of the board and counteract the managerial entrenchment.

The result also revealed that board independence has positive significant effect on performance of selected public enterprises in Nigeria. This may be as the result of the expertise of the outside directors, as specialist they would be able to derive at efficient and effective performance so as to boost the boardroom capability. The finding further provides no evidence that more independence directors able to increase performance because there is no personal concentration being exercised. The finding is refuting with Abu, Okpeh and Okpe (2016), Johl, Kaur and Cooper (2015) and confirmed to that of Musa and Shehu (2014), Yahya, Abdullah, Faudziah and Ebrahim (2012) Mohammad (2012).

The result further indicates that board meeting has negative significant effect on performance of selected public enterprises in Nigeria. This suggests that if the board size is small, a large number of meetings may put undue demands on the directors. As the board size increases, there are more heads to share the responsibilities, thereby making the meetings more fruitful for the firm. This is in line with the argument put by Vafeas (1999), Jaiswal, and Bernajee (2012) that the greater the meeting frequencies the more effective will be the boards monitoring function and subsequently enhances performance. The finding is in line with those of Alhassan, Bajaher and Alshehri (2015), Finegold, Benson and Conger (2002).

Overall, the findings from this study indicate that while board attributes have important implication for performance, one can gain a deeper understanding of such relationships by identifying the contingency conditions, on which the relationship between various board attributes and performance may be dependent.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATIONS

#### 5.1 Summary

The study discussed the variables of the study and current issues related to them under background of the study. In addition, the hypotheses of the study were drawn in line with the objective of the study stated in chapter one. In chapter two, all the variables were conceptualized and related study were empirically reviewed and the theories used in this study were explained in relation to the variables of the study.

The study examined the effect of board attributes on performance of selected public enterprises in Nigeria. Board attributes used in this study are board size, board independence and board meeting while performance is the dependent variable. The data were obtained from primary source through questionnaire.

The model used for the study estimated the relation between board attributes and performance of selected public enterprises in Nigeria. The study, in the process of data analysis the study used multiple regression methods of estimations. The results of the analysis of the study revealed that board size and board independence have positive significant effect on performance of Government corporation in Nigeria. while board meeting revealed a negative significant effect on performance of selected public enterprises in Nigeria.

## **5.2 Conclusion**

Arising from the result of the analysis that was carried out in chapter four, the following conclusions can be made:

Board size has positive and significant relationship with the performance of selected public enterprises in Nigeria. the study concludes that the larger board should be encouraged because this will make the decision-making power of the board more effective with the involvement of more people. The study also concludes that audit board independence has positive and significant effect on the performance of selected public enterprises in Nigeria. signifying that board independence is a significant determinates of performance of Government owned organization. The study confirms the importance of corporate board meetings in enhancing the monitoring function of Board of Directors. The significant negative effect of frequency of Board Meetings on performance was an indication that more frequency of Board Meetings reduces performance.

## **5.3 Recommendations**

The following recommendations are made in line with the findings of the study:

- i. Public enterprises should have adequate board size to the scale and complexity of the enterprise's operations and be composed in such a way as to ensure diversity of experience without compromising integrity and accountability.
- ii. Majority of the Board members should be non-executive directors whom should be independent directors.

- iii. Government should come up with a policy that will encourage less meeting. This will be possible if government clearly shows its concern by compelling enterprises to abide by the establishment policy.

#### **5.4 Limitation of the Study**

Some variables of audit board characteristics were not included, the prominent of these is board diversity. Therefore, cognizance should be taken on the fact that other variables of audit board characteristics might have varying relationship with performance of Government-owned enterprises in Nigeria.

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## Appendix A

### Research Questionnaire

#### Section A: Board Size

Please indicate by marking an (X) or a check mark (√) in the column that appropriately fits your organization.

Key: 4 = Strongly Disagree; 3 = Partly Disagree, 2 = Partly Agree, 1 = Strongly Agree

S/n	BS	4	3	2	1
1	Board of directors that is large in size may need to deal with more conflicts among board members and thereby have difficulty in reaching consensus				
2	Large size boards are more adept at providing resources				
3	Larger boards benefit by providing effective oversight of management and available necessary resources so that larger boards may help in improving performance of an organization				
4	Smaller board size enhance enactment				
5	Working as a team, the board has the right blend of skills, expertise and personalities, and the appropriate degree of diversity, to enable it to face today's and tomorrow's challenges successfully.				

#### Independent directors

1	The Board has a sufficient number of independent directors				
2	The Board is provided with all relevant information, within sufficient time for study and analysis, to enable independent directors to exercise their duties of guiding corporate strategy, monitoring performance and providing oversight to top management.				
3	The board has a clear set of objectives that are independent of those for the organization				
4	A senior independent director role exists to				

	strengthen the position of the non-executives				
5	The Board have actively functioning committees or sub -committees (compliance, nomination, compensation, risk management), composed mainly of independent directors.				

### Board Meeting

1	Board meetings are held according to a regular schedule, agendas prepared in advance, minutes prepared and approved.				
2	Board meetings and study sessions provide sufficient opportunity to explore key issues.				
3	The Chair leads meetings well with a clear focus on the big issues facing the organisation and allows full and open discussion before major decisions are taken.				
4	Board meetings are held according to a regular schedule, agendas prepared in advance, minutes prepared and approved				
5	Board meetings are conducted in an orderly efficient manner.				

### Organizational Performance

1					
2	The board gets early-warning signals of problems ahead that will adversely affect key outcomes				
3	Management provides a thorough analysis of performance against budget, targets and key outcomes, and discusses any necessary remedial action.				
4	The Board regularly reviews its alignment with organizational values.				
5	The Board reviews progress towards organizational goal achievement using appropriate metrics and scorecards				

## Appendix B

BS1	Freq.	Percent	Cum.
Strongly Disagree	20	10.87	10.87
Partly Disagree	67	36.41	47.28
Partly Agree	87	47.28	94.57
Strongly Agree	10	5.43	100.00
Total	184	100.00	

-> tabulation of bs2

BS2	Freq.	Percent	Cum.
Strongly Disagree	11	5.98	5.98
Partly Disagree	7	3.80	9.78
Partly Agree	153	83.15	92.93
Strongly Agree	13	7.07	100.00
Total	184	100.00	

-> tabulation of bs3

BS3	Freq.	Percent	Cum.
Strongly Disagree	8	4.35	4.35
Partly Disagree	9	4.89	9.24
Partly Agree	153	83.15	92.39
Strongly Agree	14	7.61	100.00
Total	184	100.00	

BS4	Freq.	Percent	Cum.
Strongly Disagree	40	21.74	21.74
Partly Disagree	77	41.85	63.59
Partly Agree	37	20.11	83.70
Strongly Agree	30	16.30	100.00
Total	184	100.00	

-> tabulation of bs5

BS5	Freq.	Percent	Cum.
Strongly Disagree	16	8.70	8.70
Partly Disagree	21	11.41	20.11
Partly Agree	133	72.28	92.39
Strongly Agree	14	7.61	100.00
Total	184	100.00	

BI1	Freq.	Percent	Cum.
Strongly Disagree	110	59.78	59.78
Partly Disagree	28	15.22	75.00
Partly Agree	23	12.50	87.50
Strongly Agree	23	12.50	100.00
Total	184	100.00	

BI2	Freq.	Percent	Cum.
Strongly Disagree	25	13.59	13.59
Partly Disagree	79	42.93	56.52
Partly Agree	74	40.22	96.74
Strongly Agree	6	3.26	100.00
Total	184	100.00	

-> tabulation of bi3

BI3	Freq.	Percent	Cum.
Strongly Disagree	19	10.33	10.33
Partly Disagree	19	10.33	20.65
Partly Agree	96	52.17	72.83
Strongly Agree	50	27.17	100.00
Total	184	100.00	

-> tabulation of bi4

BI4	Freq.	Percent	Cum.
Strongly Disagree	19	10.33	10.33
Partly Disagree	4	2.17	12.50
Partly Agree	151	82.07	94.57
Strongly Agree	10	5.43	100.00
Total	184	100.00	

-> tabulation of bi5

BI5	Freq.	Percent	Cum.
Strongly Disagree	16	8.70	8.70
Partly Disagree	12	6.52	15.22
Partly Agree	150	81.52	96.74
Strongly Agree	6	3.26	100.00
Total	184	100.00	

BM1	Freq.	Percent	Cum.
Strongly Disagree	23	12.50	12.50
Partly Disagree	10	5.43	17.93
Partly Agree	131	71.20	89.13
Strongly Agree	20	10.87	100.00
Total	184	100.00	

-> tabulation of bm2

BM2	Freq.	Percent	Cum.
Strongly Disagree	8	4.35	4.35
Partly Disagree	12	6.52	10.87
Partly Agree	138	75.00	85.87
Strongly Agree	26	14.13	100.00
Total	184	100.00	

BM3	Freq.	Percent	Cum.
Strongly Disagree	18	9.78	9.78
Partly Disagree	16	8.70	18.48
Partly Agree	134	72.83	91.30
Strongly Agree	16	8.70	100.00
Total	184	100.00	

-> tabulation of bm4

BM4	Freq.	Percent	Cum.
Strongly Disagree	39	21.20	21.20
Partly Disagree	20	10.87	32.07
Partly Agree	43	23.37	55.43
Strongly Agree	82	44.57	100.00
Total	184	100.00	

-> tabulation of bm5

BM5	Freq.	Percent	Cum.
Strongly Disagree	15	8.15	8.15
Partly Disagree	24	13.04	21.20
Partly Agree	121	65.76	86.96
Strongly Agree	24	13.04	100.00
Total	184	100.00	

tabulation of per1

PER1	Freq.	Percent	Cum.
Strongly Disagree	19	10.33	10.33
Partly Disagree	25	13.59	23.91
Partly Agree	128	69.57	93.48
Strongly Agree	12	6.52	100.00
Total	184	100.00	

-> tabulation of per2

PER2	Freq.	Percent	Cum.
Strongly Disagree	31	16.85	16.85
Partly Disagree	64	34.78	51.63
Partly Agree	71	38.59	90.22
Strongly Agree	18	9.78	100.00
Total	184	100.00	

-> tabulation of per3

PER3	Freq.	Percent	Cum.
Strongly Disagree	19	10.33	10.33
Partly Disagree	73	39.67	50.00
Partly Agree	38	20.65	70.65
Strongly Agree	54	29.35	100.00
Total	184	100.00	

-> tabulation of per4

PER4	Freq.	Percent	Cum.
Partly Disagree	10	5.43	5.43
Partly Agree	107	58.15	63.59
Strongly Agree	67	36.41	100.00
Total	184	100.00	

-> tabulation of per5

PER5	Freq.	Percent	Cum.
Strongly Disagree	13	7.07	7.07
Partly Agree	78	42.39	49.46
Strongly Agree	93	50.54	100.00
Total	184	100.00	

# Appendix C

```

Test scale = mean(unstandardized items)

```

Item	Obs	Sign	item-test corr.	item-rest corr.	interitem cov.	alpha	Label
bs1	184	+	0.8970	0.8224	.2611715	0.7961	BS1
bs2	184	+	0.8770	0.8161	.3049616	0.8118	BS2
bs3	184	+	0.8559	0.7921	.3203106	0.8213	BS3
bs4	184	+	0.6624	0.3997	.3410994	0.9399	BS4
bs5	184	+	0.8963	0.8290	.2725162	0.7974	BS5
Test scale					.3000119	0.8627	mean(unstandardized items)

```

. alpha bi1 bi2 bi3 bi4 bi5, item label

```

```

Test scale = mean(unstandardized items)

```

Item	Obs	Sign	item-test corr.	item-rest corr.	interitem cov.	alpha	Label
bi1	184	+	0.7952	0.6259	.4392126	0.9383	BI1
bi2	184	+	0.9382	0.9025	.4303922	0.8606	BI2
bi3	184	+	0.9493	0.9116	.3857854	0.8529	BI3
bi4	184	+	0.8458	0.7744	.4891057	0.8886	BI4
bi5	184	+	0.8395	0.7714	.5032916	0.8915	BI5
Test scale					.4495575	0.9071	mean(unstandardized items)

```

Test scale = mean(unstandardized items)

```

Item	Obs	Sign	item-test corr.	item-rest corr.	interitem cov.	alpha	Label
bm1	184	+	0.8038	0.6800	.3026253	0.7438	BM1
bm2	184	+	0.7910	0.6968	.3391938	0.7544	BM2
bm3	184	-	0.8485	0.7590	.2964481	0.7260	BM3
bm4	184	+	0.7834	0.5477	.2793419	0.8192	BM4
bm5	184	+	0.6301	0.4501	.3778411	0.8086	BM5
Test scale					.31909	0.8068	mean(unstandardized items)

```

. alpha per1 per2 per3 per4 per5, item label

```

```

Test scale = mean(unstandardized items)

```

Item	Obs	Sign	item-test corr.	item-rest corr.	interitem cov.	alpha	Label
per1	184	+	0.8128	0.7139	.4201562	0.8600	PER1
per2	184	+	0.9678	0.9417	.3161083	0.7991	PER2
per3	184	+	0.9614	0.9234	.2916023	0.8041	PER3
per4	184	+	0.4484	0.2979	.5757355	0.9305	PER4
per5	184	-	0.8447	0.7480	.3904579	0.8509	PER5
Test scale					.3988121	0.8830	mean(unstandardized items)

## Appendix D

Notes:

1. (/v# option or -set maxvar-) 5000 maximum variables

.(25 variables, 184 observations pasted into data editor)

. regress per bs bi bm

Source	SS	df	MS	Number of obs =	184
Model	78.1917154	3	26.0639051	F( 3, 180) =	532.62
Residual	8.80828463	180	.048934915	Prob > F =	0.0000
				R-squared =	0.8988
				Adj R-squared =	0.8971
Total	87	183	.475409836	Root MSE =	.22121

per	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
bs	.1397151	.0377169	3.70	0.000	.065291 .2141393
bi	.5533702	.0314785	17.58	0.000	.4912559 .6154846
bm	-.8015183	.0300406	-26.68	0.000	-.8607954 -.7422412
_cons	3.323079	.1166384	28.49	0.000	3.092925 3.553234

. estat hettest

## Appendix E

(obs=184)

	per	bs	bi	bm
per	1.0000			
bs	0.6207	1.0000		
bi	0.6778	0.7111	1.0000	
bm	-0.6457	-0.1067	0.0165	1.0000

## Appendix F

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity

Ho: Constant variance

Variables: fitted values of per

chi2(1) = 2.09

Prob > chi2 = 0.1482

. estat vif

Variable	VIF	1/VIF
bs	2.08	0.480266
bi	2.06	0.485669
bm	1.03	0.971323
Mean VIF	1.72	

(obs=184)