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CEO Duality and Firm Performance: An Integration of Institutional Perceptive with Agency Theory

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***Abstract*—**The recommendation of the committee on corporate governance for public companies in Nigeria, that the position of the CEO be separated from board chair has generated serious debate among scholars and practitioners. They have questioned the appropriateness of implementing corporate governance model that is based on Anglo-Saxon agency problem characterized by dispersed ownership structure; where markets for corporate control, legal regulation, and contractual incentives are the key governance mechanisms. This paper strives to resolve the argument by adopting an institutional perspective in testing the agency theory on board duality. The study developed a theoretical and empirical model to better understand how ownership structure influences agency conflict and how such affects firm performance. Hence, the study examines the relationship between CEO duality and firm performance using two institutional ownership structures – dispersed ownership and concentrated ownership structures. The empirical results show that CEO duality is negatively correlated with firm performance in Nigeria irrespective of the firm's ownership structure. The findings give credence to the recommendation of the Peterside Commission on the need to separate the position of CEO from board chair.

***Keywords*—**Corporate Governance, CEO-Duality, Firm Performance.

I. Introduction

CORPORATE governance is the oversight mechanisms, including the processes, structures and information for directing and overseeing the management of a company [1]. It encompasses the means by which members of the board of directors and senior managers are held accountable for their actions, and the establishment and implementation of oversight functions and processes. Corporate governance is holding the balance between economic and social goals and between individuals and communal goals [2]. Corporate governance "is concerned with the appropriate structuring of corporations and enterprises, with the fundamental importance to the performance of the economies, particularly in developing and transition economies [3].

Recent focus on corporate governance has accentuated due to the corporate scandals in different countries such as Enron, WorldCom, Tyco International in the United States, HIH Insurance in Australia, Paramalat in Italy [4]. The public disquiet after the Enron collapse led to the enactment of 'The Sarbanes-Oxley Act 2002' in the US and similar regulations (e.g., stock exchange rules or codes) in other jurisdictions. The objectives of these regulations have been to improve the effectiveness of boards and other corporate governance practices. Most policy recommendations adopted the Anglo-Saxon model characterized by dispersed ownership, where market for corporate control, legal regulation, and contractual incentives are key governance mechanisms [5]. The Anglo-Saxon model is influenced by the agency theory which posits that managers who possess superior knowledge and expertise about firms are in a position to pursue self-interest rather than shareholders interest [6]. Jensen and Meckling [7] assume that this agency problem can be resolved with appropriately designed contracts by specifying the rights belonging to agents and principals.

In Nigeria, the Securities and Exchange Commission (SEC), inaugurated a committee on Corporate Governance on 15 June 2000, and the committee's report titled "Code of Best Practices for Public Companies in Nigeria" was adopted in 2003 with minor revision in 2011. The Code made some recommendations on the following six governance practices: (a) a balance of executive and non-executive directors; (b) a clear division of responsibilities between the chairman and the chief executive officer; (3) the need for timely and quality information provided to the board; (4) formal and transparent procedures for the appointment of new directors; (5) balanced and understandable financial reporting; and (6) maintenance of a sound system of internal control.

This policy prescription enshrined in the Code of Best Practices for Public Companies in Nigeria relies on universal notions of best practice, which is influenced by agency theory. Scholars are of the opinion that country specific such as ownership structure, the enforceability of corporate regulations and culture, and diverse corporate governance mechanism need to be taken into cognizance in formulating functional corporate governance codes for any country. Nigeria is characterized by dispersed and concentrated corporate ownership structures, and most firms with concentrated ownerships are along family ties. An important research question is whether all firms in Nigeria, regardless of their ownership structure, should be submitted to the 'one-rule-fits all' separation of CEO and the chairman?

The purpose of this study, therefore, is to address this question. Despite the inconclusive findings on the link between CEO duality and firm performance in different

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jurisdiction [8], corporate regulators in Nigeria have advised firms to dismantle the practice of CEO duality [9]. Such ardent belief in the validity of the agency theory perspective in the absence of concrete empirical evidence motivated the researchers to contextualize the agency theory within Nigerian corporate environment and institutional perspectives. The rest of the paper is structure into: review of related literature and hypotheses formulation, research methodology, the research results and conclusion.

II. Literature Review and Statement of Hypotheses

It is widely accepted that the composition of the board of directors could play a vital role in determining corporate financial performance. Board of director is an important element of corporate governance, most especially in developing economies. Board role can be even more important, because of the relative weakness of other governance mechanisms and institutions, such as market for corporate control, financial markets, regulatory monitoring and legal system.

Studies on corporate governance have been influenced by agency. Agency theory posits that corporate managers are not owners but agents of the firm, contracted to manage the firm on behalf of the owners. Since they are not direct owners but managers, and thus have less personal wealth at stake, their natural pursuit of self interest could result in them taking riskier or even dishonest actions, which could bring harm to the firm or its owners [10], [7]. Proponents of this theory have long supported independent board, and argued for the separation of the position of the CEO from the board chair.

Agency theorists view the primary function of corporate board as monitoring the actions of agents in order to protect the principal. Decender [5] argues that “monitoring by the board is important because of the potential cost incurred when management pursues its own interest at the expense of shareholders’ interest”. Thus, the monitoring by boards of directors can reduce agency cost and improve firm performance [11], [12].

Whether CEO duality, the practice of one person serving as firm’s CEO and board chair contributes to firm performance is probably one of the controversial and inconclusive question in corporate governance research and practice. Proponents of CEO duality argue that duality leads to increase effectiveness, which will reflect improved performance [13]. CEO duality is perceived to connote clear leadership structure, and clear-cut specification as to who has authority and responsibility over a particular matter [14]. Anderson and Anthony [15] propose that the separation of board chair and CEO roles “is guaranteed to produce chaos both within the organization and in relationships with the board”. Such chaos is likely to have a negative effect on the formulation of corporate strategy and the responsiveness of the company to changes in the environment. These factors have the inherent capacity of promoting poor corporate financial performance [13].

However, opponents of CEO duality propose that a situation where the role of the board is compromised, the selfish interest of powerful mangers will lead to poor financial performance. A further argument against CEO duality which centered on the relative role expectation on each was proposed by Changanti, et al., [16]. They argue that a company CEO is involved in the day-to-day running of the organization, while the board chair is “often involved in special planning assignments, in policy review and formulation, and in public and stockholder relations”. Given the day-to-day running of the organization, the CEO will not be able to effectively perform the additional roles of chairperson. Stewart [17] highlighted several roles of board chair as monitoring (acting as coach and counselor, positively seeking to influence the [CEOs] behaviours), and consultant (giving advice to the CEO and other directors). Thus, the concentration of all these powers on one person will negatively influence firm financial performance.

Peng, Zhang and Li [18] investigated the impact of CEO duality of firm financial performance. Their results based on archival database covering 403 publicly listed Chinese firms, showed that CEO duality promotes firm financial performance. Sridharam and Marsinko [19] studied the impact of CEO duality on the market value of the firm by examining the evidence from the paper and forest product industry, over the period: 1988-1992. Their result showed that firms with CEO duality have superior performance in terms of margins and productive utilization of assets which is reflected in a higher market value of the firm. Also, Dey, Engel and Liu [20] examined the determinants and performance of board leadership structure. Their result showed that firms with greater information flows, stronger governance and more powerful CEO are likely to have a leadership structure that combines the CEO and the chair roles. Their result showed that dual firms with greater net benefits from combining these roles outperform firms with separate roles.

However, some empirical results indicated that there is no significant relationship between CEO duality and firm performance. For example, Norman, Iskandar and Rahmat [21] investigate the effectiveness of some board characteristics in monitoring management behaviour with respect to their incentives to manage earnings. The result shows that the ratio of independent board members is not significantly related to earnings in firms with duality status. Hambrick and D’Aveni's [22] study of 57 bankrupt firm and 57 matched survivors and found that CEO dominance was significant predictor of bankruptcy.

Most studies along this line are in developed countries, with stable and developed external governance environment and institutions to support the internal firm governance [23]. While these studies has advanced our understanding of the link between governance structure and firm performance, there is increasing realization that the efficiency of these internal governance mechanisms may be dependent on the quality of external governance and institutions [18]. This particularly more important for Nigeria that lacks the institutions needed to promote efficient internal firm governance. It is an established fact that Nigeria does not have such well developed external control mechanism such as market for corporate control, mergers and acquisition laws, and efficient law enforcement.

The unique context of the Nigerian corporate environment influenced the researchers to investigate the impact of CEO duality on firm performance using an integration of the agency theory with the institutional perspective. Specifically, we investigate two aspects of firm characteristics in Nigeria – disperse ownership and concentrated ownership. In doing so, this paper contributes to the governance literature, by providing a more holistic theoretical framework and empirical findings in developing economies.

There are 212 public companies under 37 industrial classifications in Nigeria as at 2010. The classification include, agriculture/agro-allied, airline services, automobile and tyre, aviation, banking, breweries, building materials, chemicals and paints, commercial/services, conglomerates, construction, emerging markets, engineering technology, food/beverages and tobacco, footwear, healthcare, hotel and tourism, industrial/domestic products, information communication and telecommunication, insurance, leasing, machinery (marketing), maritime, media, mortgage companies, memorandum quotations, other financial institutions, packaging, petroleum marketing, printing and publishing, real estate, real estate investment trust, road transportation, textiles and foreign listing [24].

Aside industries like banking, conglomerate, petroleum marketing, and food/beverages and tobacco that have dispersed ownership structure and foreign ownership dominance, other industries are predominantly owned by local nationals such as family business. These family owned firms have the characteristics of being young, small in terms of assets, with concentrated ownership structure and strong family influence or ties.

Thus, ownership structure is an important feature of the Nigerian corporate environment, and has thrived due to policy inducement and institutional voids. The principles of company laws in Nigeria were derived from English law, which could be traced to the influence of colonization. Also, the early companies that operated in Nigeria were British based companies. After independence from the colonial rule in 1960, the Nigerian government in responding to the agitation that the Nigerian economy was dominated by direct foreign investment capital, promulgated and implemented the Nigerian Enterprise Promotion Decree of 1972 (also known as the Indigenization Decree of 1972 amended in 1977), which was targeted at promoting indigenous participation in industrial activities. This policy induced excessive disperse ownership structure for private businesses in Nigeria. In addition to several restrictions on foreign participation, there was conspicuous absence of institutions needed for efficient functioning of public corporations. With the explicit sub-optimal functioning of public corporations, the government succumbed to international pressure and privatized public corporations, which also led to disperse corporate ownership structure in Nigeria.

In disperse ownership firms, shareholders do not have the incentive to monitor managers individually, since they do not have sufficient payoff to expand resources for monitoring the behaviour of managers or agents. Agency problem arises when "(a) the desires or goals of the principal and agent conflict and (b) it is difficult for the principal to verify what the agent is actually doing". This pursuit of self-interest by agents increase the costs to the firm, which may include the costs of restructuring the contacts, cost of monitoring and controlling the behaviour of the agents, and loss incurred due to sub-optimal decisions taken by the agents. It is argued that the most effective way of mitigating this agency problem is to have an independent board that will monitor the activities of the agents [7]. Consequently, we expect that the separation of CEO from board chair will positively influence firm performance for companies with dispersed ownership structure. Accordingly, we hypothesize;

Hypothesis 1: *CEO duality for ownership dispersed firm will be positively associated with firm performance.*

The corporate governance laws and governance standards are not strong in Nigeria in spite of progress made in recent years. The Nigerian stock market is relatively new, and firms are still learning effective strategies for operating in the Nigerian volatile economy. Thus, promoters of companies are unwilling to relinquish their controlling shares thus leading to concentrated ownership structure. Also, most family owned firms still strive to ensure that the family maintains higher stake in the company. Company and Allied Matters Act 1990 as amend also made this possible through the inclusion of pre-emptive rights which allow existing shareholders to subscribe a certain percentage of shares that is proportionate to the percentage of their initial shareholding in a company before issuing to other members of the public. In concentrated ownership, agency problem is reduced since the concentrated shareholders can effectively influence and monitor the management, sometimes by personally sitting on the board. Shleifer and Vishny [25] argue that large shareholders have strong incentives to monitor managers because of their significant economic stakes. In such arrangement, the board may be designed to assist management. The presence of CEO on the board will be beneficial, as it will improve the information flow towards the board members [5]. We expect that if the CEO is also the chairman of the board, the interaction and discussion of the CEO with the board members may lead to more valuable advice and better financial performance. Accordingly, I hypothesize;

Hypothesis 2: *CEO duality for ownership concentrated firm will be positively associated with firm performance.*

III. Methodology and Description of Variables

The study employs secondary data collated from the annual reports and statement of accounts of all publicly listed firms in Nigeria. The use of listed firms is due primarily to data availability and reliability since companies are required by law to provide a true and fair view of their end of year financial position. The companies are categorised into two based on their ownership structures. The sample size constitutes all companies listed in Nigerian Stock Exchange for the period: 1992 -2009 for ownership dispersed firms and 2003-2009 for ownership concentrated firms

The primary thrust of this paper, as identified above, is to explore the impact of CEO duality, using an integration of agency theory with institutional perspective, on corporate performance in Nigeria. The study specifically examines the relationship between corporate performance and CEO duality, while at the same time controlling for other exogenous variables that have been found by previous researchers to be capable of influencing performance. While return on asset serves as the dependent variable, CEO duality serves as the independent variables. Also, firm size and firm age are included in the model as the controlled variables. With firm-year records, the study applies the Pooled Ordinary Least Square (OLS) regression to estimate the hypotheses. In line with the OLS model, the dependent variable is firm performance (ROA), while the independent variable is CEO duality (see Table I for details).

TABLE I
OPERATIONAL DEFINITION OF VARIABLES

Variables	Notation	Operational Definitions	Proxies
Firm Performan ce	ROA	Return on Asset Employed	*PBIT/Total Assets*
Firm Size	LogTA	Log of Total Assets	*LogTA*
Firm Age	LogAge	Log of Years since Incorporation	*LogAge*
CEO Duality	Bduaity	If the Same Person is Chairman and CEO 1 If the Chairman is Separate from the CEO 0	*Bduality*

IV. Results

A. Descriptive Statistics

A total number of 120 firms with dispersed ownership structure and 90 firms with concentrated ownership structure were selected based on data availability. Table II presents the descriptive statistics of ownership dispersed firms while Table III presents the descriptive statistics of ownership concentrated firms.

TABLE II
DESCRIPTIVE STATISTICS OF OWNERSHIP DISPERSED FIRMS

Variable	Obs	Mean	Std. Dev	Min	Max
BDuality	2078	.4456208	.4971537	0	1
LogTA	1868	5.607853	1.076507	1.52	9.09
ROAE	1924	.2478586	8.351945	-281.55	213.5
LogAge	2041	1.458702	.2479898	0	2.37

Source: Computed from Handpicked Data (Using Stata- Computa Analytical Package).

TABLE III
DESCRIPTIVE STATISTICS OF OWNERSHIP DISPERSED FIRMS

Variable	Obs	Mean	Std. Dev	Min	Maxi
BDuality	688	.7194767	.4246053	0	1
LogTA	658	6.307153	1.080093	1.785	9.455
ROAE	681	.4636138	6.798239	-13.443	162.727
LogAge	662	1.441956	.2867659	0	1.886

Source: Computed from Handpicked Data (Using Stata- Computa Analytical Package)

Board duality is a dummy variable taking the value of 1 if the CEO of the firm is also the chairman and 0 if otherwise. The result from Fig. 2 shows on the average that 55% of the firms in the observations separated the position of CEO from the board chair, while 45% of the selected firm allowed one person to function simultaneously as manager and board chairman for ownership dispersed firms. The descriptive statistics results in Fig. 3 show that 28% of the selected firms separate the position of CEO from board chair, while 72% of the selected firms merged the two positions. The results did not contradict theoretical arguments that as firms get older and larger, they separate the position of CEO from the board chairman in order to ensure effectively monitoring of management. The results from the descriptive statistics also supported the a priori expectation that ownership dispersed firms are naturally inclined to separating the CEO position from board chair to mitigate the agency problem, while ownership concentrated firms normally allow for the unification of these two positions since large shareholders have the incentive to monitor management self-serving behaviour.

Considering the accounting measure of return on asset, it is found that the average return on assets is approximately 25% for ownership dispersed firms and 46% for ownership concentrated firms. The interpretation of this result is somewhat slippery. The result suggests that smaller firms outperform larger firms in terms of return on asset employed. This result might have been influenced by the measure used. For example, profit before interest and tax ignores firm leverage which is common with large firms and the tax shield. Generally, the result is interpreted to suggest that managers effectively manage the assets of the companies in terms of converting them into income.

However, one common trend among the companies is the fact that approximately 75 per cent of board chair are occupied by a retired Army General or persons connected to the government. This shows a strong case of crony capitalism in the Nigerian corporate environment. Crony capitalism is an economic system which the allocation of resources and the adjudication of commercial disputes are generally made in favour of those who have a close relationship with political leaders or government officials, by blood (nepotism) or by bribes (corruption).

Most board chairmen in Nigeria are retired military generals, ex-ministers and relations of ex-Nigerian leaders. This arrangement allows well-connected economic agents to earn returns above those that would prevail in an economy which the factors of production were priced by the market.

Firms use these cronies to attract government patronage and shield from the axe of the law. This also would have influenced the accounting measure result.^

B. Correlation Matrix

TABLE IV
CORRELATION MATRIX OF OWNERSHIP DISPERSED FIRMS

Variable	BDuality	LogTA	ROAE	LogAge
BDuality	1.0000			
LogTA	-0.0319	1.0000		
ROAE	0.0221	0.0685*	1.0000	
LogAge	-0.0064	0.0794*	0.0265	1.000

*correlation is significant at the 0.05 level (2-tailed).

TABLE V
CORRELATION MATRIX OF OWNERSHIP DISPERSED FIRMS

Variable	BDuality	LogTA	ROAE	LogAge
BDuality	1.0000			
LogTA	-0.0176	1.0000		
ROAE	-0.0267	-0.1015	1.0000	
LogAge	0.0851	-0.1035	0.0095	1.000

*correlation is significant at the 0.05 level (2-tailed).

Tables IV and V present the correlation matrixes of ownership dispersed firms and ownership concentrated firms respectively. The correlation between firm age and return on assets employed is weakly positive for both ownership structures. Though the non-significant relationship may create the impression that these two variables are not important, but the arising statistics tend to prove that the age of the firm has a positive relationship with the profitability of the firm, and justifies the inclusion of the variable as control variable. Most of the coefficients, as observed, whether positive or negative, significant or non-significant are weak. This indicates at first glance, that although likely cases of multicolinearity may exist, the degree of such may be too remote to affect the results of the regression estimates.

C. Regression Results

TABLE VI
POOLED REGRESSION RESULTS OF OWNERSHIP DISPERSED FIRMS

.regress ROA_BDuality LogTA LogAge				
Source	SS	Df	MS	Number of obs = 1795
Model	41.4175641	3	14.139188	F (3,1791) = 3.05
Residual	8301.87811	1791	4.6353116	Prob>F = 0.0276
Total	8344.29567	1794	4.6512239	R-Squared = 0.0051
				Adj R-Squared = 0.0034
				Root MSE = 2.153

ROA	Coef.	Std Err.	T	P>/t/	[95% Conf	Interval]
BDual	-.1578114	.10222893	-1.54	0.123	-.3584303	.0428075
LogTA	-.1060291	.0478133	-2.22	0.027	-.1998048	-.0122534
LogAge	.3319436	.2088508	1.59	0.112	-.0776733	.7415605
_con	.4515175	.3967606	1.14	0.255	-.3266448	1.22968

Source: Stata Analytical Software Computations.

TABLE VII
POOLED REGRESSION RESULTS OF OWNERSHIP CONCENTRATED FIRMS

.regress ROA_BDuality LogTA LogAge						
Source	SS	Df	MS	Number of obs = 629		
Model	23.3180163	3	7.77267209	F (3,625) = 0.97		
Residual	4995.56709	625	7.99290735	Prob>F = 0.4053		
Total	5018.88511	628	7.99185527	R-Squared = 0.0046		
				Adj R-Squared = -0.0001		
				Root MSE = 2.8272		
ROA	Coef.	Std Err.	T	P>/t/	[95% Conf	Interval]
BDual	-.1489808	.2643398	-0.56	0.573	-.6680825	.3701209
LogTA	-.1668431	.1046516	-1.59	0.111	-.3723544	-.0386683
LogAge	.0557649	.3949295	0.14	0.888	-.7197846	.8313144
_con	1.231439	.9199554	1.34	0.181	-.5751391	3.038017

Source: Stata Analytical Software Computations.

The results from Tables VI and VII were used to test the influence of board duality on the financial performance of Nigerian firms along ownership structure in line with hypotheses 1 and 2. The coefficient of the proxy, as can be seen in Fig. 5 and 6 were negative and non-significant in predicting the financial performance of Nigerian firms. An interpretation to this result is that, since board duality is a dummy variable with value of 1 consecutively assigned to firms where the position of CEO and board chairman is merged, the more dominance of board duality, the more negative impact it will have on the firm performance. On the other hand the less cases of duality a firm has in its corporate board structure, the less negative impact it will have on the firm. This finding is consistent with the agency theory which posits that board duality promotes CEO entrenchment by reducing board monitoring effectiveness and impedes firm performance.

This result re-enforces the theoretical underpinning of the board's monitoring function derived from agency theory, which describes the potential for conflict of interest that arises from the separation of ownership and control in organizations [6]. Agency theorists see the primary function of boards as monitoring the actions of "agents"- managers - to protect the interests of "principals" -owners [7]. Monitoring by the board is important because of the potential costs incurred when management pursues its own interests at the expense of shareholders' interests. Monitoring by boards of directors can reduce agency costs inherent in the separation of ownership and control and, in this way, improve firm performance.

The results show that such separation is important irrespective of the ownership structure, most especially in developing economies with weak external governance laws. Nigeria represents a good case where the governance structures are weakened by both the presence of regulatory inadequacies that offers incentives to managers to misbehave. The most effective measure of mitigating this agency problem is to separate the position of the CEO from the board chair in order to ensure proper monitoring.

V. CONCLUSION

The unique context of emerging economies raises empirical questions, as the governance arrangements found in these countries are quite different from those found in developed countries. For example, firms often arrange themselves in the form of business groups through pyramidal ownership in countries that lack the institutions needed for efficient market based financial system. Such governance arrangements may make traditional governance mechanism, such as the presence of independent directors in the board redundant. The independent board chairman may be ceremonial, and therefore may not be effective, and their role may be limited to satisfying the statutory requirements [26]. The findings of the study shows that board duality, irrespective of the ownership structure impacts negatively on the financial performance of Nigerian firms. A priori, it is expected that concentrated ownership by providing better monitoring incentives should lead to better performance. However, with weak external governance mechanism, it might also lead to the extraction of private benefits by controlling blockholders at the expense of minority shareholders, and hinders firm performance. This study addresses on important question of whether or not, the emphasis of corporate codes in Nigeria should focus frontally on resolving agency conflict using the agency theory prescription. The findings reveal that while the separation of the position of CEO from board chair may be important to firm performance, the focus should be on regulation that will foster strong external governance laws in Nigeria.

VI. Policy Implication

Institutional peculiarities in corporate governance arrangements in different countries have raised the advocacy for institutional perspective of agency theory in corporate governance research, most especially, developing economies. One of the striking differences between countries corporate governance systems is the ownership and control structures that exist among countries. While some systems are characterized by dispersed ownership structure, others tend to tilt towards concentrated ownership structure like family holding, bloc alliance, or financial institutions acting through a holding company [27]. These characteristics also influenced the nature of corporate governance problems found in those jurisdictions. The findings of this study reveal that the ownership structure argument should be relegated to the shadows, since these arrangements do not resolve self serving behaviour of corporate managers in Nigeria. The effectiveness of corporate governance systems is influenced by product market competition, the structure of capital and labour markets, and the regulatory and legal framework.

On the regulatory and legal framework, Shleifer and Vishny [25] argue that much of the differences in corporate governance systems around the world stem from varying regulatory and legal environments. In Nigeria, there is, near lack of basic infrastructures, corporate frauds, tax evasion, inexperience management, incessant changes in government macroeconomic and fiscal policies, communal and civil unrest, among others in Nigeria. Governments and host communities have ways of meddling with the affairs of firms. In some other cases, corporate owners and managers deliberately embark on acts that serve more of self than the overall wellbeing of the affected firms. Most board members perceive their role as mere advisory, and do not in any many strive to resolve the excess power of overbearing CEO.

Policy recommendations should take into cognizance the peculiarity of Nigeria corporate environment. The search for good practice should be based on the identification of what works in Nigeria. Ultimately, the sustainability of reforms in Nigeria will depend on the institutional infrastructure within the country to enforce the rules on a consistent and fair basis, and a gradual but firm culture change. Thus, the corporate governance infrastructure will have to be developed. This will include developing a strong cadre of directors, auditors, regulators, and other professionals who understand their roles and exercise their responsibilities within the system. It will require significant investment in training and recruiting of competent and ethical individuals, as well as enforcement of the rules in a timely and fair manner. It is also very urgent to rethink company laws in Nigeria, and devise a proactive compliance culture and enforcement mechanism.

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