



**A CRITICAL ANALYSIS OF CORPORATE GOVERNANCE
AND LEADERSHIP STYLES IN NIGERIAN
MANUFACTURING COMPANIES**

Module: Visions for the Future: Theoretical Perspectives on Management

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EXECUTIVE SUMMARY

This is an overview of the literature review on Corporate Governance (CG) challenges in Nigeria, organisational theory, and leadership theories. It focuses on the complexities of Cg and its challenges in the XX context, the insights from organisational theory, and various leadership theories. It discusses the application of these concepts to the XX manufacturing sector, particularly with respect to "Organisation X," and proposes innovative solutions to CG problems in that sector.

CG is a multifaceted concept encompassing structures and practices that ensure accountability, goal setting, risk management, and performance optimisation in organisations. Key principles of CG include board independence, ethical decision-making, and shareholder rights. Various CG theories and frameworks, such as Agency Theory, Stewardship Theory, and more, highlight its intricate nature, viewed from operational, relationship, stakeholder, and societal perspectives, including the diverse global CG models.

In the XX context, Hofstede's Cultural Dimensions, specifically Power Distance, sheds light on how cultural values impact power dynamics and decision-making. The challenges in Nigeria arise due to high power distance and collectivism, influencing stakeholder interactions and leadership styles.

Organisational Theory, as proposed by Chester Barnard, emphasises the importance of understanding psychological and sociological aspects in managing organizational dynamics. It underscores the role of leadership in shaping individual behaviour within organisations. An exploration of leadership theories highlight the dynamic nature of leadership and its impact on organisational outcomes. Innovative solutions were also proposed.

In conclusion, effective CG in Nigeria necessitates a comprehensive approach, taking into account cultural, organisational, and leadership factors. It is recommended that

the adoption of a hybrid framework while maintaining a strong focus on transparency and stakeholder engagement, will see improvements in governance in Nigeria.

Keywords: Corporate Governance, Nigeria, Board of Directors, Stakeholders, Power Distance Theory, Practice Theory, Organisational Theory, Leadership Theories,

Word Count:

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1. LITERATURE REVIEW OF CORPORATE GOVERNANCE CHALLENGES IN NIGERIA, ORGANISATIONAL THEORY AND LEADERSHIP THEORIES

1.1. CORPORATE GOVERNANCE THEORIES AND FRAMEWORKS

Introduction to Corporate Governance

Corporate governance (**CG**) encompasses the structures and practices governing the strategic direction and control of organisations (Raut, 2003). Over time, CG has evolved, leading to various definitions, theories, and principles aimed at enriching the field (Oruh and Dibia, 2020). It serves as a system for holding those in authority accountable for corporate actions (Clarke, 2004) and guides organisational goal setting, risk monitoring, and performance optimisation (Bhagat and Bolton, 2008). The primary objective of CG is to ensure the efficient and effective operation of organisations, maximising shareholder value (Alodat et al., 2022).

The foundation of CG lies in adherence to guiding principles, including the independence of the board (Clarke, 2004), ethical decision-making and stakeholder engagement, integrity in financial reporting, timely disclosures, and respect for shareholder rights (Bhagat and Bolton, 2008). These principles significantly influence the credibility and effectiveness of organisations (Oruh and Dibia, 2020).

However, despite the advantages associated with good CG, challenges persist in implementing effective practices (Hunjra et al., 2021), stemming from issues such as ownership concentration, conflicts of interest, and the difficulty of measuring and monitoring CG compliance (ibid).

Overview of Corporate Governance Theories

A taxonomy of CG theories (Appendix 1) based on Stiles (1997) cited in Clarke (1998) and representative studies carried out by L'Huillier (2014) offers valuable insights into the theories of CG. Tricker (2021) in highlighting the complex nature of CG stated that it lacks a unified paradigm- and a widely accepted definition. The major theories in CG are:

1. **Agency Theory:** This theory posits a principal-agent relationship between shareholders and executive management (EM) resulting in a misalignment of interests due to the separation of ownership and control in organisations (Jensen and Meckling, 1976; Bui and Krajcsak, 2023). Key agency problems include conflicts of interest and information asymmetry (L'Huillier, 2014). CG mechanisms are necessary to control the excesses of EM and reduce agency costs (Monks and Minow, 2011; Adegbite et al., 2012).
2. **Stewardship Theory:** This theory emphasises trust, cooperation, and collaboration between EM and shareholders (Davies et al., 1997). It asserts that EM act as stewards of the organisation and have a responsibility to act in its best interest of the organisation (Donaldson, 1990).
3. **Resource Dependence Theory:** This theory suggests that organisations rely on external resources influenced by relationships with external stakeholders (Pfeffer, 1972). Effective CG is essential to manage these relationships and ensure access to necessary resources (Bui and Krajcsak, 2023).
4. **Managerial Hegemony Theory:** It posits that real power and decision-making resides with EM, with the BOD serving superficially to validate the decisions of EM (Mace, 1971; Mahadeo et al., 2012).
5. **Transaction Cost Theory:** Organisations engage in transactions incurring costs beyond monetary value. Effective CG can minimize these costs by establishing clear transaction rules and procedures (Bui and Krajcsak, 2023).
6. **Multi-Governance Theories:** These emerging theories, such as Agency-Stewardship theory (Laing and Weir, 1999; Turnbull, 1997) and Stakeholder-Agency theory (Hill and Jones, 1992), explore the complexity of human behavior in governance structures.

Perspectives in Corporate Governance

CG involves the exercise of power over an organisation, encompassing the BOD and relationships with stakeholders (Tricker, 2019). Figure 1 provides a schematic view of those involved in the various perspectives on CG.

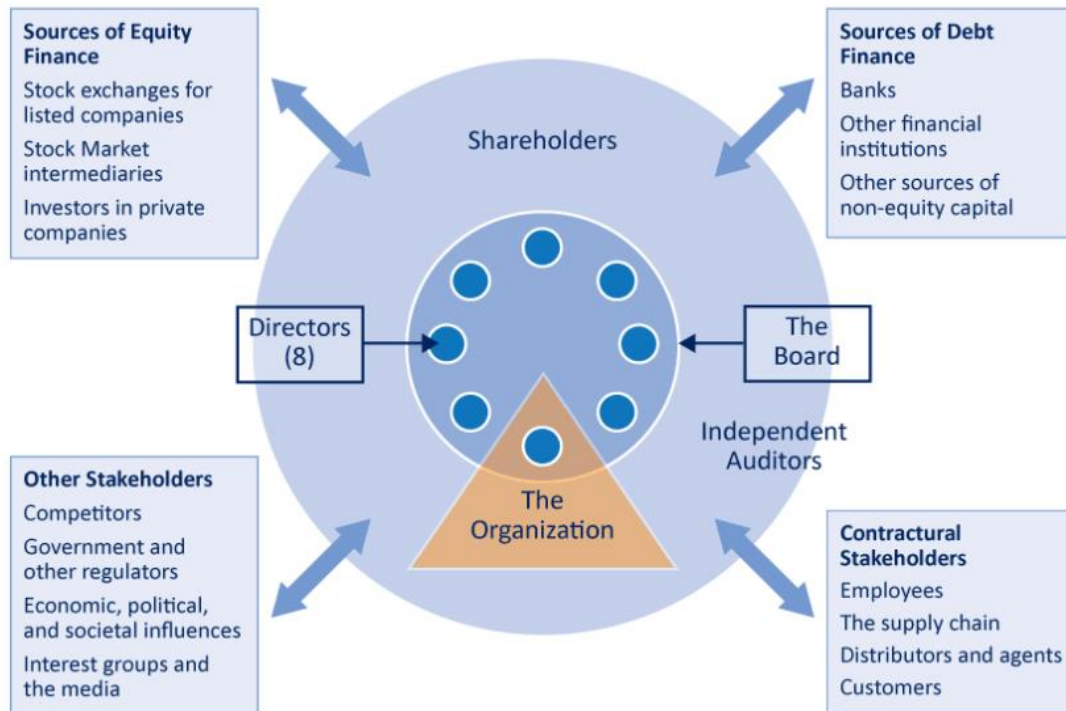


Figure 2: The scope of corporate governance. (**Source: Tricker, 2019**)

The definitions of CG can be viewed from various perspectives which are not mutually exclusive but rather overlap with each other (ibid). These perspectives include:

- a. **Operational Perspective:** This perspective focuses on the structures, processes, and practices directing and controlling organisations, emphasizing the roles and interactions between shareholders, the BOD, and EM (Cadbury Code, 1992).
- b. **Relationship Perspective:** It extends the perspective to encompass other stakeholders, emphasizing the role of the BOD, EM, and various stakeholders, including employees (Tricker, 2019).
- c. **Stakeholder Perspective:** Demb and Neubauer (1992) advocate for a stakeholder perspective, while Shleifer and Vishny (1997) approach CG from a financial economics standpoint, emphasizing the return on investment for finance providers.

- d. **Societal Perspective:** Considering the societal impact, this perspective involves stakeholders both within and outside the organisation whose interests can be influenced by corporate behavior (Tricker, 2019).

Corporate Governance Frameworks

Three traditional models of CG are often associated with Western approaches, and these are:

1. Anglo-Saxon "Rules-Based" Model: This focuses on shareholders and immediate financial returns and employs the unitary board system. It relies on prescriptive regulation and the law to enforce compliance (Sugeno, 2023).
2. Principles Model (United Kingdom): Adopting a unitary board system, this model encourages organisations to report voluntary application of the Code or provide explanations for non-compliance (Tricker, 2019).
3. Continental European Two-Tier Model: This model features an executive board composed of EM overseen by a supervisory board of non-executive directors (NEDs) representing shareholders and employees.

In contrast, there are three Eastern approaches which are influenced by Western models and include:

1. Japanese "Keiretsu" Model: Focused on stakeholder relationships, this model considers the interests of employees, customers, and suppliers, in promoting long-term organisational goals (Shishido, 2001).
2. South Korean "Chaebol" Model: This model is characterized by family interests and uses circular corporate shareholdings to expand local organisations while maintaining control (Lee, 2017).
3. Asian Family-Based CG Model: This model relies on family control, state ownership, and informal governance mechanisms with a strong focus on personal networks and cultural values (Filatotchev et al. 2011).

1.2. CORPORATE GOVERNANCE CHALLENGES IN NIGERIA

Corporate Governance (CG) is integral to the functioning, viability, and sustainability of companies. While it primarily emphasises the roles of the board of directors (BOD), executive management (EM), and stakeholders, this research extends its focus to include the regulator as a significant stakeholder within the CG framework in Nigeria (Shleifer & Vishny, 1997).

a. Hofstede's Cultural Dimensions Power Distance Theory

Hofstede's (1980) cultural dimensions theory offers valuable insights into how cultural values impact the behaviour of individual behaviour and decision-making. While initially designed for examining national cultural differences, this theory can be applied to understand the potential influence of cultural factors on BOD dynamics in Nigeria.

Culture has gained significant attention in recent years due to its impact on various aspects of life. It is a learned behavior that distinguishes different groups of people from one another. Culture encompasses multiple layers and influences our actions in numerous ways (The Culture Factor Group).

National Culture and Organisational Culture differ in their foundations. National Culture is based on shared values, while Organisational Culture is rooted in practices within the organisation. National Culture changes slowly over time, often influenced by past experiences and historical factors. Conversely, Organisational Culture can vary significantly between organisations and is influenced by leadership and management (ibid.).

The Hofstede (1980) model of National Culture offers a framework to understand a country's culture through its values, aiding cross-cultural cooperation. This model comprises six dimensions (Hofstede, 1980; Hofstede, 2011).

- a. Power Distance Index (PDI) which measures acceptance of unequal power distribution.
- b. Individualism (IDV) which examines preference for self-reliance in a loosely-knit social structure.

- c. Motivation towards achievement and success (formerly Masculinity versus Femininity) (MAS) which contrasts achievement-oriented, competitive cultures (masculinity) with cooperative, quality-of-life-focused ones (femininity).
- d. Uncertainty Avoidance Index (UAI) which evaluates comfort with uncertainty; whether to control or accept the unknown.
- e. Long Term Orientation versus Short Term Normative Orientation (LTO) which addresses balancing tradition with preparation for the future. Low scores favour tradition, while high scores promote pragmatism and education.
- f. Indulgence versus Restraint (IVR) which describes societies permitting open gratification of human drives (indulgence) versus those regulating needs through strict social norms (restraint).

The Hofstede model aids businesses in understanding how these cultural dimensions impact organisations (The Culture Factor Group). It recognises that cultural variations influence decision-making, teamwork, and relationships within organisations and impact business outcomes (ibid.). By considering these dimensions, organisations can adapt strategies, policies, and practices to foster intercultural understanding and success in an increasingly globalised world (ibid.). The researcher's focus is on one dimension - **Power Distance** – which is the measure of how societies view inequalities among individuals. It assesses the extent to which less powerful members accept unequal power distribution. As shown in Figure 2, in Nigeria, this dimension scores high at 80 (High Power Distance (HPD)), indicating a strong acceptance of hierarchical structures without needing justification (The Culture Factor Group).

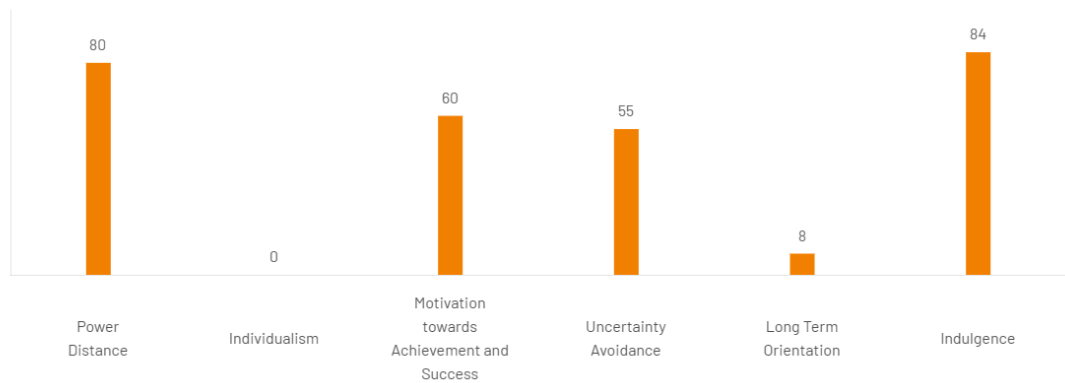


Figure 2: The scope of corporate governance. (**Source: The Culture Factor Group**
<https://www.hofstede-insights.com/country-comparison-tool?countries=nigeria>)

This HPD culture promotes hierarchical relationships and reverence for authority figures (ibid.). Within this context, we investigate how HPD culture can undermine the ability of stakeholders to hold superiors, such as the BOD and EM, accountable for actions which breach CG principles (Oruh and Dibia, 2022) and which amount to a failure of leadership.

National culture plays a pivotal but often overlooked role in CG, shaping an organisation's adherence to CG principles (Hofstede, 1980). The national culture within an organisation's environment significantly influences its organisational practices (McRay, 2015).

In Nigeria, there is typically a higher acceptance of power inequalities, indicating a significant power distance within the culture (Oruh and Dibia, 2020; Umar and Hassan, 2014). This can have implications for BOD interactions with other stakeholders, where members may be inclined to defer to the authority of the BOD, EM who are dominant personalities in leadership roles. It is the researcher's submission that recognizing the impact of power distance is essential for identifying potential challenges in fostering open and honest discussions, constructive dissent, and inclusive decision-making processes within the organisation (The Culture Factor Group).

XX culture places a strong emphasis on collectivism (Adegbite, 2015), valuing group harmony and collective goals. This orientation can affect decision-making within the BOD, with members prioritising consensus-building and maintaining harmony over expressing individual opinions.

Nigeria tends to have a more masculine cultural orientation which leans towards trait leadership, emphasising assertiveness, competition, and material success. This can manifest in the boardroom and the organisation as a competitive atmosphere, a focus on financial performance, and a preference for assertive leadership styles. Understanding the influence of masculinity can help promote a balanced approach to decision-making, considering both financial outcomes and broader stakeholder interests.

It is crucial to note that while Hofstede's cultural dimensions provide valuable insights, they should not be viewed as definitive or deterministic in predicting individual behaviour or organisational dynamics. Cultural dimensions offer broad generalisations and should be applied with caution, recognizing the diversity of individuals and their experiences within a cultural context. BOD should also consider additional factors such as education, professional backgrounds, and personal values when analysing their dynamics and decision-making processes. In summary, applying Hofstede's cultural dimensions to organisational decision making in Nigeria can enhance the understanding of how cultural factors may influence their functioning. Recognising these cultural influences allows BOD to navigate leadership challenges effectively and promote more inclusive and effective decision-making processes (The Culture Factor Group).

Practice Theory

Bourdieu's practice theory (Bourdieu, 1984) offers a framework explaining how social realities shape attitudes and behaviours. Nakpodia et al. (2023) employs this theory to explore how social mechanisms influence executive decision-making concerning CG regulation. This perspective goes beyond legal descriptions, elucidating how executives interact with their socio-cultural environment and how

their leadership style preferences and self-interests can lead to non-compliance with regulation.

An under-explored facet of CG regulation pertains to executives' willingness to promote good CG (Nakpodia et al., 2023). Academic literature underscores the importance of Indigenous laws, capital market requirements, and executive decisions in CG structures (Filatotchev et al., 2013). Governance mechanisms are deeply rooted in respective business systems, influenced by political, social, and legal macro-institutions (Armitage et al., 2017). Some scholars argue that weak institutional arrangements in developing economies hinder effective CG structures (Nakpodia et al., 2023; Nakpodia et al., 2018; Kumar and Zattoni, 2016; Adegbite, 2010). It is important to note that weak institutional arrangements are not synonymous only to Nigeria with some examples found in Japan (Shishido, 2001), China (Yang, 2011), and Malaysia (Cooke and Wallace, 1990; Radebaugh and Gray, 1992).

Nakpodia et al. (2023), relying on Bourdieu's practice theory, identifies situational and cultural influences that inform the attitude of executives toward CG regulation, impacting their decision-making and invariably their leadership styles. These influences, described as "field factors" (outdated regulations, benchmarked penalties, political interference, political godfatherism, corruption, passive whistleblowing, firm performance measurement frameworks, consequentialist thinking, and a focus on cost reduction), significantly affect executive behavior in response to CG regulation (Nakpodia et al., 2023).

1.3. ORGANISATIONAL THEORY

In the sphere of management theories, the researcher's preference is in organisational theory, of Chester Barnard. It is crucial to acknowledge the evolution and interplay of various management theories over time (Hope and Player, 2012). Barnard's theory provides valuable insights into organisational social systems, particularly how leadership styles influence individual behaviour

and, consequently, decision-making. While originally developed for examining internal organisational dynamics, this theory can be applied to enhance the leadership and decision-making approach of BOD in their interactions with stakeholders in Nigeria.

Barnard's (1938) seminal work, stemmed from his multidisciplinary studies (Gabor and Mahoney, 2013). It presents a comprehensive systems approach to understanding organisations, encompassing a psychological theory of motivation and behaviour, a sociological theory of cooperation and intricate interdependencies, and an ideology grounded in meritocracy (ibid).

Barnard's interest in the psychological and sociological facets of management (Gabor and Mahoney, 2013) was informed by his personal experiences in EM. He exemplified that effective governance is the primary means of securing public acceptance of organisational objectives, demonstrating this through his expertise in organisational development and unwavering commitment to corporate welfare policies (Gabor and Mahoney, 2013).

Viewing organisations as complex social systems, Barnard emphasized the intricacies of the human element within organisations, understanding the psychological forces guiding human behaviour, and developing strategies to manage and navigate the complexities and limitations inherent in human behaviour (Barnard, 1938; Gabor, 2000). In his view, formal organisations represent "organic and evolving social systems," with the central challenge of management being the facilitation of cooperation among stakeholders within this social system, all in the pursuit of organisational goals. This core challenge aligns closely with the contemporary decision-making difficulties faced in the realm of CG in Nigeria.

It all boils down to the culture of an organisation. To bring about lasting change in an organisation, it is crucial to focus on Organisational Culture. This because changing people's values, rooted in their National Culture, is challenging (The Culture Factor Group). Aligning practices with organisational goals is key to

achieving sustainable transformation. Evaluating current practices, identifying necessary changes, and implementing them effectively are essential steps toward this goal (ibid.).

Gabor and Mahoney (2013) contend that Barnard believed in the crucial importance of balancing both the technological and human dimensions of an organisation. The researcher concurs with this perspective, recognising that a sole emphasis on the technological dimension, while neglecting the human dimension, is bound to foster conflict within any organisation.

Barnard's concept of management authority rested on persuasion rather than mere command (Golembiewski and Kuhnert, 1994; Rabin, 1994). Furthermore, he stressed that legitimate management authority is derived from functional skills rather than hierarchical positions (Gabor, 2000). In Barnard's view, an individual within an organisation accepts a communication as authoritative when it is understood, aligns with the organisation's purpose, corresponds to their self-interest, and can be feasibly implemented (1938; Schmidt, and Biniecki, 2023). This notion leads to the idea of a "*zone of indifference*" for each individual, where orders are accepted without a conscious challenge to management's authority (ibid). This will be discussed in detail in section 2 focusing this on the XX context.

1.4. LEADERSHIP THEORIES

Leadership theories provide the foundation for leadership and demonstrate how these theories have evolved over time. There are several leadership theories, and the researcher has analysed below some of the theories applicable to her work which are:

1. Behavioural Approach Theory (BAT)

BAT explores leadership through the lens of observable behaviour and their impact on leader effectiveness. This theory posits that leadership can be learned and improved by modifying behaviour (Amanchukwu et al, 2015). It focuses on four key categories of leader behaviour.

- a. Task-oriented behaviour which is closely associated with transactional leadership. This involves leaders creating structure and setting specific goals for the organisation.
- b. Relational-oriented behaviour which is closely associated with transformational leadership. This fosters trust and encourages business units to act in the best interests of the organisation. This behaviour emphasises participation and open communication.
- c. Change-oriented behaviour, which is a hallmark of transformational leadership. It aims to drive innovation and change within the organisation by setting compelling missions and visions.
- d. Passive behaviour which are exemplified by laissez-faire leadership. It involves leaders taking minimal action and addressing issues reactively (Derue et al., 2011).

BAT suggests that effective leadership behaviour can be identified through observation and feedback from stakeholders. Consideration and initiating structure have been linked to leader effectiveness and motivation, and this demonstrates the importance of these behaviour (Judge et al., 2004). Leadership development has shown success in reducing negative behaviour associated with conventional and laissez-faire leadership but with limited impact on positive leadership behaviour (Larsson et al., 2017). Behaviour change in leaders can influence how they are perceived and trusted by stakeholders with transparent decision-making and communication playing a pivotal role (Westaby et al, 2010).

Although BAT enhances our understanding of leadership behaviour and its impact, further research is needed to address whether these behaviour can be effectively taught to enhance leadership effectiveness. Furthermore, situational factors and context may play a role in the effectiveness of specific leadership behaviour, which requires a deeper exploration (Tuuli et al., 2012).

2. Transactional and Transformational Leadership

Transactional and Transformational Leadership are leading leadership theories that evolved from BAT. These theories offer different approaches to leadership and focus on specific interactions between leaders and stakeholders.

Transactional leadership emphasizes setting clear goals, specifying tasks, and providing rewards contingent on performance. It comprises three factors - *contingent reward leadership*, *active management by exception*, and *passive management by exception* (Aga, 2016). The focus of transactional leaders is to achieve short-term organisational goals and tasks through structured exchanges with stakeholders.

Conversely, the focus of transformational leadership is the individual. Transformational leaders inspire and motivate their followers by articulating a compelling vision, fostering creativity, and encouraging personal growth. They motivate individuals to go beyond self-interest for the greater good of the organisation (Bass, 1985). Transformational leadership has been linked to improved job satisfaction, commitment, and individual and team performance (Nguyen et al., 2017).

Leaders can exhibit both transactional and transformational leadership traits, leveraging them when needed. This versatility can positively impact stakeholder outcomes and trust in leaders (Ismail et al., 2010). Both styles have their unique strengths, with transactional leadership being task-oriented and transformational leadership being people-oriented.

3. Authentic Leadership

Authentic Leadership is a modern leadership theory that emphasizes self-awareness, moral values, and transparency. Authentic leaders are self-aware and are guided by their core beliefs and values. Authentic leaders aim to align their leadership style with their true selves while considering societal values (Walumbwa et al., 2007).

Authentic leadership consists of four elements - self-awareness, internalized moral perspective, balanced processing, and relational transparency (Duncan et al., 2017). Self-awareness encompasses understanding one's beliefs and feelings; internalized moral perspective denotes an adherence to ethical standards; balanced processing entails making decisions free from personal biases, and relational transparency implies open and transparent communication.

Authentic leadership has been associated with increased job satisfaction, organisational commitment, and team performance (Ribeiro et al, 2018). Authentic leadership has been linked with increased readiness for organisational change (Azanza et al, 2014; Bakari et al, 2017).

4. Emerging Leadership Styles

Several emerging leadership styles, such as ideological, pragmatic, ethical, responsible, spiritual, integrative public, and shared/distributed leadership, have surfaced in recent years (Anderson and Sun, 2017). These styles address unique aspects of leadership and require further research to understand their effectiveness fully.

Ideological leadership focuses on a leader's vision rooted in personal values and standards, while pragmatic leadership emphasizes practical problem-solving (Anderson and Sun, 2017). Ethical leadership centers on a leader's moral character and ethical decision-making, while responsible leadership considers the consequences of actions on all stakeholders (Castor-Gonzalez et al, 2019).

While these emerging styles hold promise, research is needed to validate their effectiveness and understand their applicability in diverse contexts.

1.5. SUMMARY

CG as a multifaceted field, plays a crucial role in shaping the direction and performance of organisations. It is guided by various principles, theories, and

perspectives, each offering unique insights into its dynamics. Additionally, different CG frameworks, distinct from the traditional western approaches are influenced by cultural and regional factors and further enrich the understanding of CG practices globally. These diverse elements contribute to the complexity and richness of the field, making it an essential aspect of modern corporate management.

In addition, this review critically analyses the existing literature on high-power distance, practice theories, and their relevance to CG in Nigeria. Understanding the distinction between national culture and organisational culture is vital. While national culture is deeply rooted in values and changes slowly, organisational culture is more adaptable and influenced by practices within the organisation. To foster lasting change, a focus on aligning CG practices with organisational goals is necessary, considering the impact of the extant national culture. It also examines the organisational theory of management and leadership theories. The BAT emphasises observable leader behaviours and its impact on effectiveness. Transactional and transformational leadership offer different approaches, with the former focusing on tasks and rewards and the latter on inspiration and growth. Authentic leadership centres on self-awareness, moral values, and transparency, while emerging styles like ideological and pragmatic leadership require further exploration. Leadership is a dynamic field continually evolving to meet the demands of contemporary society and organisations.

Nigeria earlier ran with the Rules based model but currently operates the UK Principles based model. However, some gaps have been identified. It would appear from a review of the Eastern frameworks, that the researcher suggests a combination of Chaebol and Keiretsu models for purposes of board appointments to supplement the Principles based model which it currently operates. This will incorporate the required cultural context and provide a workable solution for some of the CG challenges faced in Nigeria. The subsequent sections will explore the

application of these theories and frameworks to address challenges and propose innovative solutions.

2. SECTOR FOCUS – MANUFACTURING

2.1 Brief Introduction to the XX Manufacturing Sector

The critical significance of manufacturing as a key driver of growth, productivity, and competitiveness cannot be over-emphasised. The robustness and performance of this sector can significantly influence a nation's overall economic growth trajectory.

KPMG (2023) elaborates on the sector's importance by highlighting key aspects:

- a. **Employment:** Manufacturing is a labour-intensive sector, creating both direct and indirect employment opportunities. According to the World Bank, in 2021, industry employment accounted for 13% of total employment in Nigeria, and further development and investments in the sector can boost this ratio.
- b. **Revenue Generation:** The sector contributes to expanding the tax base and increasing tax returns, bolstering the nation's revenue. Currently, manufacturing accounts for approximately 30% of Nigeria's Non-Import VAT and 26% of its Company Income Tax. Its potential to drive skill development, boost exports, enhance global competitiveness, and improve infrastructure can impact revenue generation across various sectors.
- c. **Economic Diversification and Reduced Oil Dependency:** Nigeria's heavy reliance on oil revenue necessitates diversification. Manufacturing has the potential to reduce oil dependency and shield the economy from volatile oil prices.
- d. **Infrastructural and Human Capacity Development:** This requires substantial investments to address infrastructural gaps, such as power supply and transportation networks which is endemic in Nigeria. These investments benefit the broader economy by attracting more investment, reducing waste, and lowering production and transportation costs (Obikaeze et al., 2023).
- e. **Transfer of Technology, Research, and Innovation:** Manufacturing demands high-level skills, attracting organisations with advanced technical expertise. This fosters the transfer of technological innovation, with far-reaching cross-sectoral effects.

The prevalent challenges in this sector include high inflation, foreign exchange deficit, production costs, demand distribution; complex tax structures; infrastructural deficits and competitiveness issues; limited access to affordable finance; inconsistent policies and implementation; and security concerns (KPMG, 2023).

To drive industrial growth and enhance the manufacturing value chain, Nigeria must transcend traditional manufacturing approaches. By the incorporation of technology, research and development, and innovation, Nigeria will compete more effectively on the global stage (KPMG, 2023). This transformation will enable Nigeria to add value to its manufacturing sector, fuelling prosperity and sustainable economic development.

2.2 Application to “Organisation X”

Organisation X is a publicly traded company in Nigeria's consumer packaged goods sector (Ijewere and Omede, 2023). The company is renowned for producing and distributing a range of well-established brands, operating in various markets such as hygiene and beauty products, food and nutrition, home maintenance, and electricity. Some of its prominent brands hold leading positions in their respective markets (ibid.). It has operated in Nigeria for 124 years and is a subsidiary of an international Company.

2.3 Discussion

As previously discussed in section 1, an individual within an organisation recognises a communication as authoritative when it meets several criteria: comprehension, alignment with the organisation's objectives, harmony with personal interests, and practical feasibility (Barnard, 1938). Consequently, this concept gives rise to the notion of a “*zone of indifference*” for each individual, where

directives are accepted without the need for active questioning of managerial authority (ibid; Schmidt, and Biniecki, 2023).

This concept finds resonance in the XX context, especially in the dynamics between the BOD and shareholders, particularly minority shareholders. It becomes evident during the review and approval of organisational communications that require decision-making, typically through Annual General Meetings (AGMs). In cases where such communication lacks clarity regarding the organisation's intentions, conflicts with organisational purpose, or impacts the self-interest of shareholders (e.g., profit maximisation), it is not deemed authoritative, and leads to potential resistance and opposition exemplified in the XX case as shareholder activism (Ashiru et al., 2023).

One of the primary challenges faced by shareholders in Organisation X is the difficulty in accessing accurate and timely information related to the company's affairs, reasons for asset disposal and strategic decisions, financial performance, and risk factors. This lack of transparency hinders shareholders' ability to make informed decisions, ultimately compromising their capacity to hold management accountable and safeguard their investments (Nwakoby and Nwakoby, 2023).

A significant dilemma within XX company law is the dominance of majority shareholders, allowing them to exert disproportionate influence and prioritise their interests over minority shareholders (Nairametrics, 2023; Nwakoby and Nwakoby, 2023) and this raises concerns regarding equitable treatment, fair distribution of dividends, and access to relevant information for effective decision-making.

The absence of comprehensive protections for minority shareholders compounds this dilemma, leaving them susceptible to exploitation and the dilution of their rights (Nairametrics, 2023). This raises a pressing need to enhance minority shareholder protections by strengthening disclosure requirements and improving regulatory oversight (Nwakoby and Nwakoby, 2023).

A real-world example in the XX context is the recent corporate announcement by Organisation X, in which they proposed acquiring the stake of minority shareholders and delisting from the XX Exchange Limited (NGX), pending approval from PZCN's BOD, shareholders, and relevant regulatory authorities. This communication has encountered resistance from certain shareholders and shareholder groups, who have cited lapses in CG by the BOD, concerns regarding the policies of the majority shareholder, allegations of indiscipline and board disagreements, accusations of asset stripping, and a perceived lack of regulatory oversight which favours imposing sanctions for non-compliance with the principles of CG than carrying out oversight functions (Nairametrics, 2023; The Guardian, 2023).

The challenges faced by minority shareholders in Nigeria have far-reaching implications for CG and investor confidence. Addressing these issues are essential to fostering a more equitable and transparent business environment in Nigeria (Nwakoby and Nwakoby, 2023).

In conclusion, Chester Barnard's organisational theory, rooted in his multidisciplinary approach and insights as a practicing executive, provides valuable perspectives for understanding and addressing contemporary challenges in organisational leadership and decision-making, particularly within the context of CG in Nigeria. Barnard's emphasis on balancing the technological and human dimensions of organisations and his nuanced view of management authority based on persuasion and functional skills offer practical insights that resonate with the complexities of modern CG dynamics in Nigeria.

3. INNOVATIVE SOLUTIONS TO CG PROBLEMS IN THE XX MANUFACTURING SECTOR

This study proposes the following innovative solutions to improve CG in the manufacturing sector in Nigeria. : To establish a robust solution, PwC (2023) recommends key practices for Organisation X, aimed at revamping its CG framework. This revamp is essential to provide clear direction for the BOD and EM, enhance transparency in roles and responsibilities, ensure accountability to stakeholders, and foster sustainable business practices. CG is central to an organisation's success, improving overall performance and cultivating trust among all stakeholders.

- a. **Governance Frameworks:** Governance frameworks, often overlooked, form the foundation of organisational governance. They must be designed to ensure effective boards, transparency in roles and responsibilities, stakeholder engagement, and the promotion of sustainable business practices (The Guardian, 2023). The current governance structure in Nigeria, the XX Code of Corporate Governance (NCCG Code) 2018 adopts the Principles-based approach of comply or explain the non-compliance. It is suggested that a hybrid model infusing some cultural learnings from the Eastern frameworks into the current Principles-based Code will provide some solutions to the existing challenges in Nigeria. Furthermore,. regulatory oversight is critical in ensuring the proper functioning of the CG framework to avoid sanctions which are agency costs (ibid.; Anumaka, 2020).
- b. **Governance Documentation:** Accurate and up-to-date governance documentation is imperative. These documents establish governance rules, outline shareholders' rights and obligations, and provide evidence for regulators and stakeholders regarding governance processes and procedures. This ties into the submission in (a) above.
- c. **Organisational Policies in Line with Law and Regulations:** Policies and guidelines should address crucial issues, to ensure compliance with laws and regulations, and reflect organisational culture, by guiding decision-making, risk

management, and streamlining internal processes. These policies and guidelines should align with legislation, regulations, and the organisation's goals and strategy, and be easily accessible to all stakeholders by publication on its website. These policies should also be shared with the BOD for approval.

- d. Documenting processes and procedures: Adequate documentation of governance processes and procedures is crucial. Many organisations have sound CG practices but lack proper documentation of their processes. There must be an audit trail of the standard operating procedures in an organisation.
- e. Effective Board Reporting: Boards benefit from high-quality reports that provide sufficient information for informed decision-making and long-term business strategy development. Challenges in preparing board reports include time-consuming processes, inconsistent styles, and difficulty in determining the board's objectives. In addition, in some cases, EM deliberately fail to circulate these reports timely, and this impacts decision-making at the board level due to failure of robust deliberations.
- f. Agenda and Minutes: Efficient board meetings require well-structured agendas and clear, concise minutes. Minutes are the definitive record of the BOD, and require unambiguous content which provides key discussion points, decisions, reasons, and agreed-upon actions. This is the domain of the Company Secretary who must be skilled and preparing agenda agreed with the Board Chairman and CEO and also providing robust Minutes.
- g. Director Training and Board Evaluations: The BOD must stay updated on regulations and legislation, which can be challenging. Increased responsibilities and regulatory demands heighten expectations for board performance. Common issues from board evaluations include insufficient time spent on strategy, lack of skill diversity, delayed information, and inadequate governance documentation.

h. **Subsidiary Governance Policies:** Given the prevalence of subsidiaries in modern business structures, it is essential to establish subsidiary governance frameworks and policies. These frameworks should respect subsidiary decision-making while ensuring alignment with CG principles, providing guidance to subsidiary boards on roles, responsibilities, and reporting requirements to the parent company. This is a key requirement for Organisation X to fulfil given the rhetoric from shareholders of alleged unwholesome policies of the majority shareholder who is also the parent company (Nairametrics, 2023).

The BOD can promote good CG practices to address the issue of HPD by adopting clear policies and practices, foster a culture of transparency where all decision-making processes are clear. This will breed trust and accountability. In addition, shareholder engagement and inclusion in the decision-making processes is key especially minority shareholders who should have a voice in all deliberations. The appointment of capable, independent directors, in particular INEDs will bring fresh perspectives and unbiased decision-making, thus minimizing HPD in an organisation. Independence should also be extended to the role of the internal auditor with proper reporting lines to the Audit and Risk Committees outside the control of EM. Annual board performance evaluation and CG evaluation should be conducted by an external service provider in compliance with the NCCG Code for issues to be caught early and interventions deployed to address such issues.

By empowering shareholders with knowledge about corporate operations, their legal rights, and financial literacy, they can actively participate in organisational decisions. They can question and challenge corporate actions, holding companies accountable, and fostering a more democratic environment. This is key to restore balance in a HPD culture like Nigeria where decision-making tends to be concentrated among a few. Furthermore, a culture of open dialogue and communication is a necessary strategy. Regular meetings and forums where

stakeholders can voice their views fosters engagement. In addition, structured feedback mechanisms, will encourage feedback (NCCG Code, 2018). CG can be enhanced by instituting policies that distribute authority more evenly. Transparency cannot be over stressed. All shareholders should have access to comprehensive, timely, and genuine information about business performance and decisions of the BOD. Ethical conduct, enforceable through a code of ethics or conduct, checks power abuses. Finally, clear conflict of interest policies helps avoid the dominance of small, vested-interest groups. Regulators: Regulators can be empowered by strengthening legal frameworks (PwC, 2023). This is achieved by providing them with the necessary training and capacity for enforcement which will in turn deter negative corporate behaviour. In addition, by fostering inter-agency collaboration and coordination, which will improve regulatory outcomes and deter companies from cherry-picking regulation which has a lesser penal regime. Finally, capacity building is vital to enhance regulatory capacity and better position regulators to monitor and enforce compliance.

Implementing these CG practices will enable Organization X to establish a robust governance framework, promoting effectiveness, transparency, and long-term sustainability.

REFERENCES

