



SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE: THE NIGERIAN EXPERIENCE

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Abstract

This paper is of the view that the practice of social responsibility (SR) by corporate organizations (CO) and wealthy individuals in Nigeria is incidental and individualistic as there are no known strong laws (legal, moral, ethical or otherwise) compelling corporate organizations and wealthy individuals to perform this function. Also, it is believed that weak corporate governance (CG) has been responsible for corporate failures in Nigeria. To justify these assertions, the paper looked at the concepts of social responsibility, corporate governance and their approaches. Social and Corporate Governance in Nigeria were discussed. The challenges of Social Responsibility (SR) and Corporate Governance (CG) were articulated, and recommendations to mitigate them were proffered. The paper concludes that leadership, corruption and lack of infrastructures have become the clog in the wheel of sustainable growth and development of Nigeria since independence.

Key Words: *Amalgamation, Commission, Corruption, Infrastructures, Otiosification, Stakeholders.*

INTRODUCTION

In every successful business corporations, corporate social responsibility (CSR) has been identified as a major contributory factor. Also, it is believed that corporate governance cannot be effective and efficient without effective corporate social responsibility. People often speak of the “responsibilities of the firm” or in a more common phrase, of the “social responsibilities of companies”. These expressions are often used very loosely and are given different meanings by different speakers. Some people assert that business organizations have the responsibilities which go beyond making profits. Often, what they have in mind is that it is proper for companies to support worthy community initiatives like universities, museums, hospitals, to reduce pollution to the minimum, going voluntarily beyond the standard set by the law.

Also, companies are expected to employ the physically handicapped; to refuse to invest in certain places in order to hasten desirable political objectives; and generally, to use their activities in a way which is not calculated to maximize their profits, but which will contribute to the common goal/good of the communities in which they operate. Other persons reject out rightly, the above position and argue that the only responsibilities of a business company are to obey the law and make profits for its shareholders. Still others think companies can legitimately concern themselves with some of the causes mentioned above, but not with others. It is often said that it is the duty of a company’s managers to maximize their company’s profits. This might be true if one considers the company’s success from the profit dimension, but a company cannot be said to be successful if it is not actively fulfilling its social responsibilities to the stakeholders.

Unfortunately, Corporate Social Responsibility (CSR) by corporate organizations and individuals in Nigeria is incidental and individualistic as there are no known strong laws compelling corporate organizations and wealthy individuals to perform this function. This is mainly due to the roles of government and its officials, corporate organizations and individuals in corporate governance in Nigeria Corporate governance is the principles and values that guide a company in the conduct of its day-to-day business and how stakeholders interrelate among one another. However, CSR by the few organizations in Nigeria that are socially responsible is targeted to every angles, arts, education, housing, health, social welfare, the environment and even to political contributions and commercial sponsorships of events. This they do in order to be relevant in the scheme of things and in the eyes of the political leaders, otherwise their businesses may be rendered functionally otiosified.



This paper took an exploration journey into the provision of social responsibility and corporate governance in Nigeria. In the process, the issues of social responsibilities, corporate governance and the history of corporate governance, basic principles of corporate governance, challenges of social responsibility and corporate governance were identified and discussed.

CONCEPTUAL/THEORETICAL FRAMEWORK

Social Responsibility

Social: Social relates to society or its organization. It is concerned with the mutual relations of human beings or of classes of human beings (Thompson, 1995:13919). **Responsibility:** To be responsible is to be morally accountable for one's actions; capable of rational conduct. In other words, to be of good credit, position or repute; respectable and evidently trustworthy. Responsibility, therefore, is the state or fact of being responsible. That is, the ability to act independently and make decisions (Thompson, 1995:1173).

Social Responsibility (SR): Simply put, social responsibility (SR) is acting with concern and sensitivity, aware of the impact of your actions on others, particularly the disadvantaged. It is an idea that companies should embrace its social responsibilities and not be solely focused on maximizing profits. Social responsibility entails developing businesses with a positive relationship to the society which they operate in. According to the International Organization for Standardization (ISO), this relationship to the society and environment in which they operate is "a critical factor in their ability to continue to operate effectively. It is also increasingly being used as a measure of their overall performance." (ISO, 26000).

Put differently, **Social responsibility (SR)** is an ethical ideology or theory that posits that an entity, be it an organization or individual, has an obligation to act to benefit society at large. Social responsibility is a duty every individual or organization has to perform so as to maintain a balance between the economy and the ecosystem. A trade-off always exists between economic development, in the material sense, and the welfare of the society and environment. Social responsibility means sustaining the equilibrium between the two, (that is, the organizations/individuals/society on the one hand, and the environment on the other). It pertains not only to business organizations but also to everyone whose action impacts the environment. This responsibility can be passive, by avoiding engaging in socially harmful acts, or active, by performing activities that directly advance societal goals. In an ideal political or economic environment, corporate organizations and wealthy individuals are expected to be actively involved in corporate social responsibilities.

Corporate Social Responsibility (CSR) is one of the newest management strategies where companies try to create a positive impact on society while doing business. There is no clear-cut definition of what CSR comprises. Every company has different CSR objectives though the main motive is the same. All companies have a two point agenda - to improve qualitatively (the management of people and processes) and quantitatively (the impact on society). The second is as important as the first and stake holders of every company are increasingly taking an interest in "the outer circle" - the activities of the company and how these are impacting the environment and society (Cadbury, 1992).

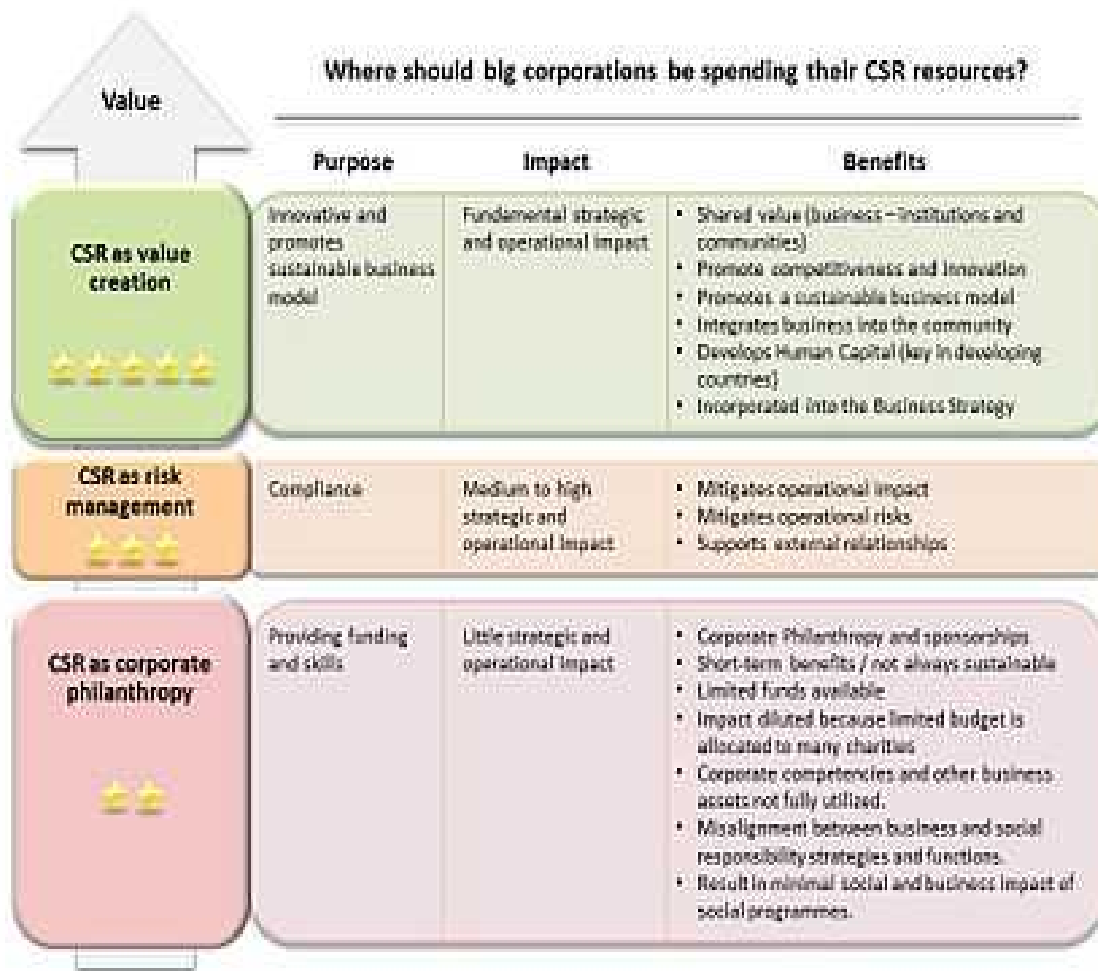
According to Jimi: "Corporate social responsibility is a family of concepts dealing with corporate philanthropy, corporate citizenship, community relations, community advocacy, corporate governance, accountability and transparency, corporate competence, corporate ethics, employee relations, human rights and so on" (Jimi, 2008). Also, Moir defines "corporate social responsibility as the capability of business (or any organization) to pay more attention to its relationship with society and multiple stakeholders, rather than focus narrowly on maximizing shareholder value" (Moir, 2004). In the same vein, the Wikipedia Free Encyclopedia defines corporate social responsibility as a: "concept that organizations (but not only) corporations have an obligation to seek the interest of customers, employees, shareholders, communities and ecological considerations in all aspects of their operations (Wikipedia). According to the World Business Council for Sustainable Development, Corporate



Social Responsibility is defined as: “the continuing commitment by business to behave ethically and contribute to economic development, while improving the quality of life of the work force and their families as well as the local community and society at large” (Cited by Jimi, (2008), Odunlami, (2008) , Oso and Semiu, (2012).

Generally, business corporations survive where good corporate governance is practiced, whereas the survival of corporate governance is tied to the effective application of corporate social responsibility. CSR is to aid an organization's mission as well as serve as a guide to what the company stands for and will uphold to its consumers. Development business ethics is one of the forms of applied ethics that examines ethical principles and moral or ethical problems that can arise in a business environment. ISO 26000 is the recognized international standard for CSR.

The UN has developed the Principles for Responsible Investment as guidelines for investing entities. Roaches



Source: United Nations Organization, Principles for Responsible Investment as guidelines for investing entities, Corporate Social Responsibility, Wikipedia (Retrieved on 31/10/2013)

CORPORATE GOVERNANCE

Corporate: Corporate is a duly formed corporation (corporate body or body corporate).It is a duly formed collectivity of many individuals working together to accomplish pre-determined goals.



Governance: The United Nations Development Programme (UNDP) view governance as “the totality of the exercise of authority in the management of a country’s affairs, comprising of the complex mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, and mediate their differences. It encompasses the political, economic, legal, judicial, social and administrative authority, and therefore, includes: government, the private sector and the civil society (UNDP, 1997a:9). Put differently, governance is seen as the process of steering the state, corporate organization and society towards the actualization of collective goals. **Corporate Governance:** Corporate governance is the principles and values that guide a company or institution in the conduct of its day-to-day activities or business and how stakeholders in the community or the larger society interact with it.

Corporate social responsibility (CSR):The term "corporate social responsibility" came into common use in the late 1960s and early 1970s after many multinational corporations formed the term stakeholder, meaning those on whom an organization's activities have an impact. It was used to describe corporate owners beyond shareholders as a result of an influential book by Edward Freeman, *Strategic management: a stakeholder approach* in 1984 (Freeman, 1984). **Corporate social responsibility (CSR)**, also called **corporate conscience, corporate citizenship, social performance, or sustainable responsible business/ Responsible Business**) is a form of corporate self-regulation integrated into a business model (OECD, 2004). CSR policy functions as a built-in, self-regulating mechanism whereby a business monitors and ensures its active compliance with the spirit of the law, ethical standards, and international norms. In some models, a firm's implementation of CSR goes beyond compliance and engages in "actions that appear to further some social good, beyond the interests of the firm and that which is required by law (Cadbury, 1992 and Sarbanes, 2002). CSR is a process with the aim to embrace responsibility for the company's actions and encourage a positive impact through its activities on the environment, consumers, employees, communities, stakeholders and all other members of the public sphere who may also be considered as stakeholders.

Corporate organizations (CO) have become major players in the political economy of many countries worldwide. In line with the contemporary neo-liberal economic philosophy they are regarded as the engine of economic and political growth and development. Based on this premise, the performance of these organizations is of paramount interest to both the government and the citizens. Basically, various techniques, measures, models and concepts have been developed globally and nationally to ensure that these corporate organizations do not only survive, but also operate in the best interest of all stakeholders which include the government and citizens. One of the most important concepts recently developed by business and financial experts is corporate governance (CG). For over two decades, the concept of corporate governance had been identified as key to the survival of business corporations the world over (Oso and Semiu, 2012:1). Corporate Governance (CG) like every other social concept is bedeviled with a plethora of definitions. However, for the purpose of this paper, some definitions are hereby presented below:

In the words of Jajashree: “corporate governance is a way of life and not a set of rules. It is more of way of life that necessitates taking interest in every business decisions, a key element of good corporate governance is transparency in projects through a code of good governance which incorporates a system of checks and balances between key players, board of management, auditors and shareholders” (Jayshree, 2006). Furthermore, Wilson defines corporate governance as: “the manner in which corporations are directed, controlled and held to account with special concern for effective leadership of the corporations to ensure that they deliver on their promise as the wealth creating organ of the society in a sustainable manner” (Wilson, 2006).

The importance of corporate governance on the economic and political performance of any nation can never be over-emphasized. Hence, Sanusi emphasized that: “the impact of good corporate governance on economic performance can be appreciated when it is recognized that growth is positively related not only to the size of the investment but also to the efficiency and transparency of its allocation. A good system of corporate governance



ensures that directors and managers of enterprises carry out their duties within a framework of accountability and transparency. This is imperative for financial institutions because of their responsibility to exert effective corporate governance in the other sectors of the economy. The benefit is that the overall efficiency and competitiveness of the economy will be enhanced thereby boosting confidence in the economy of the country” (Sanusi, 2006).

Philosophically, corporate governance hinges on a clear cut process of directing and controlling the whole essence of companies or business corporations based on the principles of integrity, honesty, transparency and accountability in order to satisfy the interests of all stakeholders. This basic wisdom enhances the wide-spread and acceptability of the concept in the contemporary time most particularly when the recent widespread corporate scandals and failures which were rooted in dishonest management decisions and outright cover-ups of illicit activities are considered (Oso and Semiu, 2012). Simply put the collapse or failure of many banks and the recent re-capitalization of the banking sector in Nigeria points to lack of corporate governance.

Corporate governance is relatively a new concept in Nigeria, and despite all efforts by stakeholders to institute sound corporate governance practices, Nigeria has continuously fared poorly in this regard. Between 1960 – 1999, there was serious lack of an effective corporate governance framework in Nigeria and the few senior managers of companies that attempted to practice corporate governance did so at the expense of other stakeholders. Ironically, the renewed interest in corporate governance in Nigeria can be traced to the change from military to civilian government in 1999, which brought about a new feeling about the political environment. Before 1999, expectations were high, as the whole world was watching. There was indeed an urgent need for total reformation of the Nigerian socio-political environment. A lot of people expected improvements in the fundamental human rights of Nigerians, judicial system, and the socio-economic environment as a whole. As a consequence, the Obasanjo-led civilian government began the introduction of reforms in different sectors of the Nigerian economy. The recent unraveling of bad corporate governance practices by senior managements of banks led to the collapse of many banks. More so, the recent downturn on the Nigerian Stock Exchange also brought to fore some of these practices by capital market operators as well. The development of the Nigerian Code of Corporate Governance Practices in 2003 was a welcomed development. The code laid emphasis on the role of board of directors and management, shareholders’ rights and privileges, and the audit committee in the corporate governance process. However, before the development of the Code of Corporate Governance Practices in Nigeria, the Company and Allied Matters Act (CAMA) had been in existence and it regulated the relationship among the board, shareholders and the management, including other stakeholders. There is no gainsaying that CAMA has not achieved much in fostering sound corporate governance practices in Nigeria.

SOCIAL RESPONSIBILITY AND CORPORATE GOVERNANCE: THE NIGERIAN EXPERIENCE

Brief History of Nigeria

Nigeria is a colonial imposition. Before 1914, there was no nation called "Nigeria". The people in what is known as "Nigeria" today consisted of 4 different 'empires', some of them extending into parts that are not part of current-day Nigeria, like parts of current-day Ghana, and current-day Cameroon. The Empires were: (1) The Northern Empire, (2) The Calabar Kingdom, (3) The Oduduwa Empire, and (4) The Benin Empire. In 1914, Nigeria was formed by combining the Northern and Southern Protectorates and the Colony of Lagos. The amalgamation of 1914 offered an opportunity for making changes in the unsatisfactory arrangement where the Southern and Northern Protectorates and the Lagos Colony were brought together under one unit in the economic interest of the British colonial masters. The amalgamation of these three units (which is regarded as a marriage of incompatibility) is seen as the genesis or evolution of the contemporary nation called Nigeria.

On 1st October, 1960, Nigeria gained independence from Britain. Also, in 1960, a Federal Government based on the Parliamentary system was created, and in 1963, Nigeria became a republic. Presently, Nigeria operates Presidential System with 36 states, a federal capital territory, and 774 Local Government Areas. According to the 2006 National Population Census, Nigeria has a population of 140,003,542 (NPC, 2006).



The nation operates a bi-cameral legislature (The House of Senate and The House of Representatives), and has the Executive and Judicial arms as well. Nigeria has had three types of rulership namely: (1) Colonial Administration, (2) Military Regime, and (3) Civilian Administration. Currently Nigeria is under Civilian Administration which commenced on the 29th May, 1999 to date.

SOCIAL RESPONSIBILITY IN NIGERIA

Corporate Social Responsibility (CSR) by corporate organizations and individuals in Nigeria is incidental and individualistic as there are no known strong laws compelling corporate organizations and wealthy individuals to perform this function. In Nigeria, oil exploration and exploitation started in Oloibiri in 1958 at a time when the country was still under the British Colonial rule. The British, in anticipation of likely environmental degradation, as a result of oil exploration and exploitation by the multinational oil companies (MNCs) and the need to fulfill social responsibilities of the companies to the inhabitants of the oil producing communities, the Niger Delta Development Board (NDDDB) was established by the colonial administration. Unfortunately, NDDDB was not able to operationalize the needed social responsibility to the inhabitants of the oil producing communities due to the otiosification of its activities by government and government officials. Thus, the MNCs failed to meet their social responsibilities to the people.

As a result of the failure of this agency (NDDDB), another government agency named: Oil and Mineral Producing Areas Development Commission (OMPADEC) was established to carry on the activities of the erstwhile NDDDB and by extension perform the social responsibilities to the oil producing communities. OMPADEC suffered from lack of planning and collapsed leaving numerous unfinished projects. Eventually, OMPADEC failed to solve the social responsibility problems in the Niger-Delta Region, thereby necessitating the need for the Federal Government to return to the drawing table in order to improve the situation (Iyoha, 2006:5).

In 2000, the Federal Government established the Niger Delta Development Commission (NDDC) amidst opposition from activists in the region that the Commission would not be accountable to the communities, and would suffer from mismanagement and corruption. Many Nigerians criticized NDDC, while the Commission's staff complained of inadequate funding. In 2004, NDDC prepared a Draft Master-Plan, which was estimated to cost US\$2.9 billion over a fifteen year period. Prophetically, Movement for the Emancipation of the Niger Delta (MEND is a militant group fighting for the development of both the human and other resources of their region) rejected NDDC and criticized the Commission on the ground that it was: "a channel for further looting of the meagre sums of money allocated to the development of the Niger-Delta Region". The woeful performance of NDDC culminated in the establishment of the Ministry of Niger Delta Affairs whose existence, performance and social responsibility to Nigerians have been in a state of coma for years now.

Human and aquatic lives in the Niger Delta has been and is being destroyed by the activities of the Multinational Oil Companies that are expected to provide meaningful social amenities that would have made and make life worth living for the people of Nigeria. Oil spillages occur on a regular basis as a result of worn out pipes used for the movement of crude oil and other petroleum products from one point to the other, and regrettably, the MNCs and the Nigerian government officials do not see it as any problem since it is not directly affecting them and their immediate family members.

Government encouragement of corporate organizations to be alive to their social responsibilities is not only low, but also skewed towards government officials and their cohorts. Consequently, instead of corporate citizens working towards providing for the generality of the people, such resources are targeted at government officials and other significant persons in the society, and the populace who suffer the negative consequences of these organizations are allowed to wallow in abject rejection and poverty, hence we can boldly say that Nigeria is a country of the survival of the fittest.



However, at the corporate organizational and individual levels, very few companies (MNCs, National and others) have been incidentally and individually involved in fulfilling their social responsibilities to Nigerians. For the purpose of identification, five of such organizations and individual are briefly discusses hereunder:

- **Shell Petroleum Development Company (SPDC) Limited:** This is the foremost multinational company that has been actively involved in oil exploration and exploitation in Nigeria for over five decades now. Although, this company has been involved in the environmental degradation and destruction of human and aquatic lives in the Niger Delta Region and even beyond, it has also, been active in fulfilling some of its social responsibility to Nigerians in the areas of road construction, building of schools, award of scholarships to worthy persons, just to mention a few. This company provides some elements of social responsibility to Nigerians, but when we compare the revenue they generate from Nigeria, their input into the society by way of social responsibility is not only insignificant, but also very negligible.
- **Etisalat Nigeria (EN):** This is a mobile telecommunication company. At Etisalat corporate social responsibility is about how business conducts itself with regards to all its activities which includes operating ethically and fairly in dealing with all stakeholders as well as sustainably impacting the communities in which it operates. Its CSR mission is to reach the Nigerian people by providing socially responsible products and services; enabling sustainable growth through projects in the areas of Leadership, Education, Health and Environment and building meaningful relations with stakeholders. Although, its tariffs are relatively high due to the insensitivity of the Nigerian government, the company is actively involved in fulfilling the most needed social responsibility to Nigerians. Some of its activities include, but not limited to the following:
 1. Education - Etisalat Msc in Telecoms: The Master of Science (M.Sc) in Telecommunications Engineering Programme is a strategic corporate social responsibility (CSR) initiative of Etisalat Nigeria launched on 16 May, 2013. It is a pioneer M.Sc. Course in Telecommunications Engineering in Nigeria, located in Ahmadu Bello University (ABU) in partnership with Plymouth University UK, Etisalat Academy, United Arab Emirate (UAE); and Huawei;
 2. Adopt-a-School Programme: The Adopt-a-School Initiative (ASI) is a Public Private Partnership between Lagos State Government and business organizations in the state. A.S.I is designed to improve the deplorable state of public schools in Lagos by urging corporate bodies to get involved in upgrading public schools through strategic support in areas they choose;
 3. Career Counseling for Students: The Career Counseling Scheme, an employee volunteering programme is an aspect of the internal CSR of Etisalat which falls under the Adopt-A-School Initiative. Through volunteering programme, employees have the opportunity to fulfill their desire of impacting the society positively;
 4. Etisalat Centre for CSR: The concept and practice of CSR is evolving and ways to ensure international best practices are constantly being explored. The need to employ CSR to ensure sustainability is apparent and urgent everywhere in the world but perhaps nowhere more so than in Africa;
 5. Etisalat Scholarship Awards: The Etisalat Scholarship Award is a scholarship scheme that offers university students the opportunity to secure a grant towards the completion of their programmes such as Electrical Electronics Engineering, Computer Science and Management Studies;
 6. Health - Fight Malaria Initiative: With about 250 million malaria cases and nearly one million deaths which put about 3.3 billion people (almost half of the world's population) at risk of malaria, Etisalat's focus on the health platform is on reducing the malaria scourge through the 'Fight Malaria' scheme;
 7. Regional Initiatives - Teacher Training Programme: Etisalat has specially designed initiatives for the different regions in the country. Some of these initiatives cut across the different CSR platforms and focus on capacity building, teacher training, support for students training to become teachers of those with special needs as well as vocational training.



- **First Bank of Nigeria (FBN) Plc:** This is a banking and finance company that started operations in Nigeria since 1894. The company is celebrating its 120 years of existence in Nigeria come 2014. It has been actively involved in the sustainable growth and development of Nigeria (even before Nigeria was born). The major areas of social responsibility of this company are:
 1. Health and welfare;
 2. Economic development;
 3. Education;
 4. Natural disasters management and assistance; and
 5. Other socio-economic issues.
- **Dangote Group of Companies (DGC):** This is a privately owned group of companies. Its founder and owner is Alhaji Aliko Dangote who is regarded as one of the richest Africans. He is a symbol and icon of social responsibility in all spheres of human endeavours. He is aggressively involved in providing social responsibility to Nigerians in the following areas:
 1. Community Involvement;
 2. Support for Humanitarian Crises;
 3. Annual Product Gifts and support for Sallah;
 4. Provision of water boreholes;
 5. Other regular community assistances to Nigerians.
- **United Bank for Africa (UBA) Plc:** This is another banking and finance Company established in 1961. United Bank for Africa (UBA) has operations in 19 African countries including Nigeria, as well as offices in New York, London and Paris providing broad-based banking services to over seven (7) million customers. The Group offers a bouquet of banking services and products designed to meet the specific banking needs of its Customers. The bank is committed to providing social responsibilities to Nigerians in the following areas:
 1. Education;
 2. Economic Empowerment;
 3. Environment and Special Project;
 4. Growth of Small and Medium Enterprises (SMEs);
 5. Sponsorship of Annual National Essay Competition;

CORPORATE GOVERNANCE IN NIGERIA

It is generally believed that weak corporate governance has been responsible for some recent corporate failures in Nigeria. In order to improve corporate governance, the Securities and Exchange Commission, in September 2008, inaugurated a National Committee for the Review of the 2003 Code of Corporate Governance for Public Companies in Nigeria to address its weaknesses and to improve the mechanism for its enforceability. In particular, the Committee was given the mandate to identify weaknesses in, and constraints to, good corporate governance, and to examine and recommend ways of effecting greater compliance and to advice on other issues that are relevant to promoting good corporate governance practices by public companies in Nigeria, and for aligning it with international best practices.

The Board of Securities Exchange Commission believed that this new code of corporate governance will ensure the highest standards of transparency, accountability and good corporate governance, without unduly inhibiting enterprise and innovation.

Whilst the Code is limited to public companies, the Commission encouraged other companies not covered by the Code to use the principles set out in the Code, where appropriate, to guide them in the conduct of their affairs.

Part A: Sub-Section 1.1 states that: "The Code of Corporate Governance shall apply to the following entities:

- (a) All public companies whose securities are listed on a recognized securities exchange in Nigeria;



- (b) All companies seeking to raise funds from the capital market through the issuance of securities or seeking listing by introduction;
- (c) All other public companies; (SEC Code of Corporate Governance, 2003)

HISTORICAL DEVELOPMENT OF CORPORATE GOVERNANCE IN NIGERIA

The history of corporate governance in Nigeria can be said to be somewhat distorted and confusing. Nonetheless, corporate governance cannot be divorced from Company Law in general. Prior to the time the expression “corporate governance” became popular, Company Law recognized and still recognizes two organs of a company: the board of directors and the company in general meeting. Corporate governance as a concept merely stressed the greater focus that should be paid on how a company should be run by those put in charge of the company’s affairs. Unsurprisingly therefore, the centrality of the board of directors in the institutionalization of the tenets of sound corporate governance in every company cannot be denied. The prominence of board of directors in corporate governance is evident in model definitions of corporate governance which in a nutshell regards corporate governance as the processes and structures by which the business and affairs of an institution are directed and managed in order to improve long-term shareholder value by enhancing corporate performance and accountability, while taking into account the interest of other stakeholders. It is necessary to discuss the historical development of corporate governance in Nigeria in periodic context. For this purpose, four periods are readily identifiable.

A. Pre-1990 era: Before 1990, the principal Company Law statute in Nigeria was the Companies Act 1968. This enactment was a comprehensive legislation modeled after the Companies Act 1948 of the United Kingdom. It contained elaborate provisions regarding the running of companies in relation to the roles of the board of directors and the members in general meeting. However, this statute was not without its legions of limitations. As a result of numerous criticisms from stakeholders, the Companies Act 1968 was repealed and replaced in 1990 by the then Companies and Allied Matters Decree No, 1 of 1990. With some minor modifications over the years, this statute which is now known as the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria 2004, is the principal statute regulating companies in Nigeria.

B. 1990 to 2003: The Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria 2004 was the product of a rigorous process championed by the Nigerian Law Reform Commission. It contained a lot of innovative provisions such as provisions on greater and more effective participation in, and control of, the affairs of a company through improved provisions in respect of meetings. It made provision for greater accountability by directors. Thus, the statute made general provisions on the administration of companies registered in Nigeria.

However, after the coming into force of the statute, some corporate challenges around the world brought the issue of corporate governance to the fore. Consequently, some countries started to review their corporate governance practices. This resulted in some countries issuing corporate governance codes to address issues neither specifically nor sufficiently addressed by their respective company legislation. The collapse of Enron, WorldCom and other major corporations in the early 2000s brought corporate governance consideration to the front burner all over the world.

In the case of Nigeria, its foremost formal corporate governance code could be traced to the Code of Corporate Governance for Banks and Other Financial Institutions in Nigeria which was issued by the Bankers’ Committee in August 2003. This Code was the outcome of the work of the Bankers’ Committee’s Sub-Committee on Corporate Governance. It was initiated in response to the financial crisis in Nigeria in the early 1990s and in the realization that poor corporate governance was one of the major factors in virtually all known instances of financial sector distress. As is evident from its nomenclature, the Code was applicable to all banks and other financial institutions operating in Nigeria at the time it was issued. Its major weakness was that it was not issued by a regulator having



been issued by a voluntary association of the Chief Executives of the banks in Nigeria, otherwise known as Bankers' Committee. Thus, not much is known about the Code.

In spite of the comprehensive provisions of the Code, it did not make much impact. A major factor that could have occasioned this was the issuance of the Code of Best Practices on Corporate Governance in Nigeria by the Securities and Exchange Commission in October 2003, about two months after the issuance of the Code.

C.2003 to 2011: The Code of Best Practices on Corporate Governance in Nigeria (2003 SEC Code) issued by the Securities and Exchange Commission in 2003 greatly impacted the corporate governance scene in Nigeria. In the first place, it was the first corporate governance code to be issued by any regulator in Nigeria. Secondly, it was applicable to all public companies registered in Nigeria.

The 2003 SEC Code was the outcome of the work of a 17-member Committee set up by the Securities and Exchange Commission in collaboration with the Corporate Affairs Commission on 15th June 2000. Membership of the Committee was carefully selected to cut across all sectors of the economy including members of professional organizations, organized private sector and regulatory agencies. The mandate of the committee was to: identify weaknesses in the current corporate governance practice in Nigeria and fashion out necessary changes that will improve the corporate governance practices in Nigeria.

Ironically, after the commencement of the 2003 SEC Code, various changes in the corporate world were obvious. Consequently, the provisions of the 2003 SEC Code became inadequate to address the new developments in the corporate scene; yet no amendment to it was forthcoming from the Securities and Exchange Commission. This oversight in amending the 2003 SEC Code to bring its provisions up to date with current realities resulted in some regulators of specific sectors issuing industry-specific corporate governance codes which not only took into account the current situations when those codes were made, but they also contained provisions on some matters peculiar to their respective sectors. Generally, three industry-specific codes were introduced as guiding principles for the affected industries and these were: (1) Code of Corporate Governance for Banks in Nigeria Post-Consolidation (2006 CBN Code); (2) Code of Corporate Governance for Licensed Pensions Operators (2008 PENCOM Code); and (3) Code of Corporate Governance for the Insurance Industry in Nigeria (2009 NAICOM Code).

In 2006, the Central Bank of Nigeria issued its Code of Corporate Governance for Banks in Nigeria Post-Consolidation (2006 CBN Code). Compliance with the provisions of this Code is mandatory for all banks operating in Nigeria. Essentially, the Code which was issued following the consolidation of Nigerian banks in 2005 was meant to address the identified weaknesses in corporate governance of banks in Nigeria and to resolve the challenges of corporate governance which are bound to occur in the post-consolidation era. Some of the corporate governance challenges addressed in the 2006 CBN Code were way outside the purview of the 2003 SEC Code. This situation decries the absence of regular amendment to the 2003 SEC Code and justifies the issuance of the 2006 CBN Code. However, it does seem that the lack of regular amendment that bedeviled the 2003 SEC Code necessitated the 2006 CBN Code. No doubt, the 2006 CBN Code is overdue for revision. It is noted though that the CBN issued an Exposure Draft of a Revised Code of Corporate Governance for Banks in Nigeria in the second half of 2012. To the best of our knowledge, this is yet to be finalized.

In 2008, following the reforms in the Pension Administration Sector which gave rise to greater private sector involvement in pension fund management, the National Pension Commission (PENCOM) issued the Code of Corporate Governance for Licensed Pension Operators (2008 PENCOM Code). The 2008 PENCOM Code sets out rules to guide Pension Fund Administrators (including closed pension fund administrators) and pension fund custodians on the structures and processes to be used towards achieving optimal governance processes. The Code outlines minimum corporate governance requirements, meant to ensure that governance policies are entrenched in



the companies. It was developed with a view to establishing overall economic performance and market integrity by creating incentives for pension schemes to impact positively on stakeholders with a view to gaining the confidence of the stakeholders. As expected, there are numerous developments in the corporate governance scene which the 2008 PENCOD Code has no provisions for (for example, corruption which is the bane of corporate governance in Nigeria was not aggressively addressed). Thus, it would not be out of place for the PENCOD to commence the process of amending this Code for continued relevance.

The third regulator to issue an industry-specific corporate governance code is the National Insurance Commission (NAICOM). In 2009, it issued the Code of Good Corporate Governance for the Insurance Industry in Nigeria (2009 NAICOM Code). The 2009 NAICOM Code which was effective from 1st March 2009 is mandatory for all insurance and re-insurance companies under the regulatory supervision of the NAICOM. The expectation of the NAICOM in issuing the 2009 NAICOM Code is to unleash the hidden potential of the insurance sector for maximum impact with a view to inducing strong economic growth in Nigeria. It is believed that sound corporate governance practice in the insurance industry would ensure transparency, accountability and enhanced shareholders value. The 2009 NAICOM Code recognized the following as basic principles of good corporate governance: (1) a proactive, responsible, responsive, accountable and committed Board/Management; (2) definite management succession plan; (3) culture of compliance with rules and regulations; (4) good knowledge about business and insurance matters with requisite experience; (5) disclosure and transparency; and (6) effective exercise of shareholders' rights.

The three industry-specific corporate governance codes discussed above addressed corporate governance issues peculiar to the respective sectors at the time of their issuance which the 2003 SEC Code did not address. Furthermore, the 2003 SEC Code lacked adequate provisions on other contemporary corporate governance issues. These include independent directors; critical board committees in relation to corporate governance; directors' appointment, tenure, remuneration and evaluation; ensuring the independence of the external auditors; whistleblowing procedures; sustainability issues; and general disclosure and transparency issues. It was therefore quite obvious that there was a need to update the 2003 SEC Code. Thus, on 1st April 2011, the Securities and Exchange Commission issued the Code of Corporate Governance in Nigeria which replaced the 2003 SEC Code.

D. 2011 to date: As already noted, as at 2011 there were four regulators that were active in the corporate governance scene namely: (1) the Securities and Exchange Commission; (2) the Central Bank of Nigeria, (3) the National Pension Commission, and (4) the National Insurance Commission. Each of these issued a corporate governance code. Thus, since 2009 to this period there have been four corporate governance codes in operation in Nigeria. Of these four corporate governance codes, three of them (those issued by the Central Bank of Nigeria, the National Pension Commission and the National Insurance Commission) are industry-specific. They are applicable to companies in the sector that the Commission concerned has authority. The corporate governance code issued by the Securities and Exchange Commission was applicable to ALL public companies registered in Nigeria irrespective of the sector in which such companies operated. Also, public companies were bound by the 2003 SEC Code whether they were listed on the stock exchange or not.

The SEC Code in operation in Nigeria until 1st April 2011 was the 2003 SEC Code. However, on 1st April 2011, the Securities and Exchange Commission issued the Code of Corporate Governance in Nigeria (2011 SEC Code) which replaced the 2003 SEC Code. The making of the 2011 SEC Code commenced in September 2008 when the SEC constituted a National Committee for the review of the 2003 SEC Code to address its weaknesses and to improve the mechanism for its enforceability. In addition, the Committee was mandated to "identify weaknesses in, and constraints to, good corporate governance, and to examine and recommend ways of effecting greater compliance and to advise on other issues that are relevant to promoting good corporate governance practices by public companies in Nigeria, and for aligning the Code with international best practices." In 2009, the Committee, after a thorough job, submitted its report together with a draft Revised Code of Corporate Governance



to the SEC. After consultations with other regulatory bodies, the SEC at its 43rd meeting reviewed the draft code submitted by the Committee and introduced some amendments to it. In the same year, the SEC exposed a Draft Revised Code of Corporate Governance to the public through the print media and its website, for further comments and suggestions from members of the public, before finalization. Subsequently, the 2011 SEC Code was released by the SEC with a commencement date of 1st April 2011. The 2011 SEC Code was expected to be the minimum standards expected of public companies in Nigeria. The 2011 SEC Code has been adjudged to be quite comprehensive. Nevertheless, it is not a perfect document; it still contains some flaws.

Interestingly, a few months after the 2011 SEC Code became operational, the Financial Reporting Council of Nigeria Act 2011 was enacted by the Federal government. This statute has far-reaching provisions regarding the operation of companies in Nigeria. One of the areas the Financial Reporting Council of Nigeria was given express jurisdiction over is corporate governance. Accordingly, sections 23(g) and 45 provide for the establishment of a Directorate of Corporate Governance for the Financial Reporting Council of Nigeria. Sections 50 and 51 stipulate the objectives and functions of the Directorate of Corporate Governance of the Financial Reporting Council of Nigeria to be the following: (1) to develop principles and practices of corporate governance; (2) promote the highest standards of corporate governance; (3) promote public awareness about corporate governance principles and practices; (4) act as the national coordinating body responsible for all matters pertaining to corporate governance; (5) promote sound financial reporting and accountability based on true and fair financial statements duly audited by competent independent Auditors; (6) encourage sound systems of internal control to safeguard stakeholders' investment and assets of public interest entities; and (7) ensure that audit committees of public interest entities keep under review the scope of the audit and its cost effectiveness, the independence and objectivity of the auditors. The Directorate of Corporate Governance of the Financial Reporting Council of Nigeria is further empowered to: (1) organize and promote workshops, seminars and training in corporate governance issues; (2) issue the code of corporate governance and guidelines, and (3) develop a mechanism for periodic assessment of the code and guidelines; (4) provide assistance and guidance in respect of the adoption or institution of the code in order to fulfill its objectives; and (5) establish links with regional and international institutions engaged in promoting corporate governance.

The impact of the Financial Reporting Council of Nigeria on the principles and practice of corporate governance in Nigeria is yet to be overtly noticed and enjoyed by Nigerians. Unfortunately and regrettably too, in view of the enormous powers vested on the Financial Reporting Council of Nigeria by the Financial Reporting Council of Nigeria Act 2011, much is yet to be seen, much is expected from it, because to whom much is given, much is also expected.

Basic Principles of Corporate Governance

For a good and successful practice of corporate governance the world over, the basic and commonly accepted principles must be adhered to. These principles are:

- (1) **Rights and Equitable Treatment of Shareholders:** This implies that there are certain fundamental rights of the shareholders which organizations must respect and strictly uphold. Shareholders should equally be allowed to exercise their rights without fear or favour. Organizations are duty bound to give clear interpretation of these rights for better understanding by the shareholders as well as ensuring shareholders' participation in the affairs of the corporation through general meetings.
- (2) **Interest of stakeholders:** Corporations are obliged to recognize, in their policies and other aspects of operations, their legitimate stakeholders as having legal and other obligations which should be fulfilled at all times;
- (3) **Role and Responsibility of the Board of Directors:** As a matter of fact, board members should be made up of people with the required knowledge and expertise. Put differently, technocrats of excellent skills and comprehensive understanding should form the board to be able to deal with various business issues in order to review and challenge management performance;



- (4) **Integrity and Ethical Behaviour:** This is quite central to the practice of good governance. It involves ethical and responsible decision making which is necessary in managing risk and avoiding lawsuits. Corporate organizations should evolve a clear cut code of conduct to guide the conduct of their directors and executives. This enhances their sense of duty and consciousness of the interest of all stakeholders;
- (5) **Disclosure and Transparency:** Corporate governance requires high level of accountability; hence organizations should make concerted efforts to publicize the roles and responsibilities of board and management in order to make them accountable to the stakeholders. Also, there should be set of procedures to ensure independent verification of the company's financial reporting to safeguard the integrity of the organization. All investors should equally have access to timely and balanced disclosure of materials and factual information concerning the organization (OECD, (2004), Cadbury, (1992), Sarbanes Act of 2002).

It is germane to mention that none of the various Codes of Corporate Governance discussed above has been able to enforce, compel or encourage companies to comprehensively operationalize all or at least majority of the basic principles of corporate governance due to the challenges inherent in Nigeria.

CHALLENGES OF SOCIAL RESPONSIBILITY (SR) AND CORPORATE GOVERNANCE (CG) IN NIGERIA

Social Responsibility and Corporate Governance in Nigeria are bedeviled with plethora of challenges and most prominent among them are the following:

- (1) **Corruption:** Corruption has been perceived by Rose-Ackerman in the context of the Public Service as "dishonest behaviour that violates the trust placed in a public official. It involves the use of a public position for private gain" (Rose-Ackerman, 2001). Furthermore, Aghayere and Idada see corruption as "a hydra-headed monster which permeates all facets of the Nigerian society. However, it is perceived, as the orchestrated intention of satisfying personal and selfish interests and purposes in the discharge of one's statutory responsibilities against established and accepted rules, regulations, norms and ethics in both micro and macro organizations (Aghayere and Idada, 2007). Corruption has been the bane of sustainable growth and development in all ramifications in Nigeria since independence in 1960;
- (2) **Leadership:** A good leader is that person, man or woman who shows the way without a signpost, roadmap or compass. Unfortunately, Nigeria has not been blessed with good and visionary leaders since independence; rather the nation has been blessed with **dealers**. Dealers are those persons who manipulate themselves into leadership positions. Their major watchword is the privatization of the collective wealth of the people. They are self-centred, self-serving, they loot the wealth of the nation for themselves and their immediate family at the expense of the citizens;
- (3) **Unconducive Operational Environment:** The environment for the practice of corporate governance in Nigeria has not only been very unconducive, but also very unencouraging, hence many corporate organizations are relocating to neighbouring African countries;
- (4) **Non-availability of the needed infrastructures:** The non-availability of the needed infrastructures for corporate organizational existence is another major challenge to corporate governance in Nigeria. For example, to be effective and efficient in organizational leadership, you have to provide your own electricity or power, water, security and even your own road for the transportation of your goods;
- (5) **Implementation Problems:** There is gross inadequacy or deficiency in the implementation strategy of corporate governance standard in Nigeria. Most leaders/dealers in Nigeria are very good in policy formulation, but ironically, very bad in the implementation of the policy;
- (6) **Inefficiency of some Regulatory Bodies:** The Regulatory institutions in Nigeria, such as the SEC, CBN, CAC, PENCOM, NAICOM and NDIC still have a lot more to do in ensuring that companies



entrench sound corporate governance practices in their business operations. Here, we must appreciate the efforts of the Central Bank of Nigeria in regulating the banking practice in Nigeria.

RECOMMENDATIONS

In view of the foregoing, I strongly recommend the following:

- (1) The establishment of separate legal system (courts) to handle corruption cases in Nigeria. It is my very strong recommendation that the Federal Government of Nigeria (FGN) should as a matter of urgency send a bill to the National Assembly for the promulgation of an Act to establish Special Corruption Courts to handle corruption issues which has not only become pervasive or endemic, but had also regrettably become the clog in the wheel of progress in Nigeria;
- (2) The present Corruption Agencies in Nigeria namely: Economic and Financial Crimes Commission (EFCC), and Independent Corrupt Practices Commission (ICPC) have become instruments of selective justice. Therefore, it is my very strong recommendation that they be more empowered in all ramifications and given all the needed independence to perform their functions of fighting corruption in Nigeria. The appointments of key officials of these agencies should be done by the National Judicial Commission and ratified by the National Council of States in order to eliminate favouritism (and corruption itself) in the appointments;
- (3) There should be compulsory induction training on Corporate Governance for new members of board of directors and regular structured training and attendance of seminars and workshops for senior management in order to strengthen their leadership quality;
- (4) The regulators should insist on efficient performance measurement system for senior management and the board. They should also encourage efficient process and performance evaluation and reporting to stakeholders;
- (5) There should be regular review of the Code of Corporate Governance Practices in Nigeria with a view to giving it greater legal backing in order to engender enforcement and in line with universal best practices;
- (6) There is the need for excellent relationship between the board, the management and other stakeholders. This can be achieved by regular consultations and an inclusive decision making processes;
- (7) The regulators, themselves, should be above board and should lead by example at all times. They should be firm, fair, equitable and transparent in their dealings, and policy initiation should always be by consensus opinion. Also, the regulators should encourage whistle blowing system in companies and the whistle blowers should be adequately protected;
- (8) There should be effective internal control systems in corporate organizations, and the role of the Internal Auditors should not only be recognized, but also protected fully by the organization through appropriate legal backing. Also, the system of independent Sub-Committees of the board, especially the finance and audit and remuneration committees of companies should be encouraged.

CONCLUSION

The practice of social responsibility (SR) by corporate organizations (CO) and wealthy individuals in Nigeria is incidental and individualistic as there are no known strong laws (legal, moral, ethical or otherwise) compelling corporate organizations and wealthy individuals to perform this function. Also, it is believed that weak corporate governance (CG) has been responsible for corporate failures in Nigeria. To justify these assertions, the paper looked at the concepts of social responsibility, corporate governance and their approaches. Social and Corporate Governance in Nigeria were discussed. The challenges of Social Responsibility (SR) and Corporate Governance (CG) were articulated, and recommendations to mitigate them were proffered. Finally, it is my submission that leadership, corruption and lack of infrastructures have become the clog in the wheel of sustainable growth and development of Nigeria since independence.



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