Environmental Factors Influencing Corporate Governance: The Nigerian Reality

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Abstract
With the enthronement of democratic governance in Nigeria, there is the expectation that democracy would strengthen political institutions, regulatory institutions, and governance effectively, and by so doing, create an enabling environment for good corporate governance practices to thrive. This research uses data from World Bank Governance indicators for three countries, Nigeria, South Africa, and Egypt, and examines how institutional quality has changed from 1996 to 2012. The research methodology used in investigating this research is a cross-country research analysis. The findings of this research reveal that the adoption of democratic institutions has not significantly increased the institutional quality of political and regulatory institutions in Nigeria. On the contrary, there has been an increasing trend of political instability and violence; however, there appears to be significant improvement in freedom of the press, democracy has allowed pressed freedom to thrive.

Keywords
corporate governance, business law and business ethics, management, social sciences, Africa, area studies, humanities, organizational communication, human communication, communication studies, communication, economic development, economic science

Introduction
Nigeria, since its independence from Britain, has been governed more by unelected military elite and, more recently, by political elite whose regimes have been riddled with institutionalized corrupt practices (Adegbite, 2010a). After nearly more than three decades of military rule, Nigeria embraced democracy in 1999 and for the first time in the history of the country, it has had more than 15 years of civilian rule without military intervention (Adekoya, 2011). With the embracing of democratic culture, it is expected that Nigerians would enjoy the dividends of democracy; democracy is expected to strengthen Nigeria’s political institutions, regulatory institutions, and corporate governance practices at country-level governance. In the literature on corporate governance on Nigeria, several researchers have raised concerns about the quality of governance institutions. Specific concerns have been raised about the quality of political institutions, economic institutions, and regulatory institutions (Afigbo, 1989; Bakre, 2007; Okuaru, 2006).

In Nigeria, the enabling environment that creates a conducive environment for corporate governance to thrive is enormously limited by the lack of durable networks, stable electricity supply, potable water, efficient telecommunication facilities, as well as safe and efficient roads, railroads, and ports. Small and medium enterprises capable of making immense contributions to the economy have thus been limited by the poor economic infrastructure of the country (Ahunwan, 2002). Forthrightly stated, Nigeria is an undeveloped country, lacking in the basic social amenities, public and private infrastructure. Unusually high levels of unemployment for its teeming youthful population, high rates of poverty, rising incidence of bank and armed robberies, kidnapping, corruption, church proliferation, militancy, and youth restiveness in the northern and southern regions of Nigeria, among others, are some of the prevailing socio-economic issues that are plaguing the Nigerian state (Adegbite, 2010b; Adekoya, 2011; Bakre, 2007).

Nigeria and Egypt share a similar history: Both countries have been ruled by a group of unelected military elite. The socio-economic conditions in Egypt are similar to that of Nigeria: the prevalence of teeming unemployed population, high rates of poverty, rising incidence of bank and armed robberies, kidnapping, corruption, church proliferation, militancy, and youth restiveness in the northern and southern regions of Nigeria, among others, are some of the prevailing socio-economic issues that are plaguing the Nigerian state (Adegbite, 2010b; Adekoya, 2011; Bakre, 2007).

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population, high level of inflation, an overwhelming debt service burden, an economy that is heavily import dependent, and rising levels of poverty (Samaha & Dahawy, 2011). Egypt has embarked on a number of corporate governance reforms aimed at enhancing corporate governance practices. In 2006, Egypt published its first corporate governance code for best practice State Owned Enterprises (SOEs) and also corporate governance code for best practice for the private sector (Dahawy, 2008).

A number of changes have been introduced to the legal and regulatory framework, these changes were intended to do the following: require companies to institute board-level audit committees, strengthen disclosure rules, and tighten insider trading-related provisions in-line with international standards (Samaha, Dahawy, Hussainey, & Stapleton, 2012). Nevertheless, Bremer and Elias (2007) evaluated the progress of corporate governance in Egypt and they concluded that Egypt has several integral factors that hinder the development of corporate governance in Egypt: family-owned or closely held corporations dominate the Egyptian private sector, inefficient and corrupt ridden SOE still play a major role in the Egyptian economy, lack of independence of the board, and abysmal low levels of corporate governance disclosures.

Again, Nigeria has similar ties to South Africa: Nigeria and South Africa earn most of their economic income from mining, both countries are regarded as the two largest economies in Africa. South African economy has a large private sector and an expanding private tax base. It has also been called the “financial hub of Africa” as a result of becoming the continent’s richest nation. 

The selection of Nigeria, Egypt, and South Africa for this research was done for three primary reasons. First, Nigeria, Egypt, and South Africa are regarded as the three largest economies in Africa in terms of economic productivity and output. Consequently, they are most likely to have an environment that attracts significant corporate governance activities, corporate governance problems, and issues. Third, Nigeria, Egypt, and South Africa share similar institutional challenges such as institutionalized corruption, weak enforcement of corporate governance regulations, and a lack of political will to prosecute errant offenders.

This research intends to add to the budding debate on institutional quality in Nigeria by examining six key governance variables in Nigeria: political stability and the absence of violence, voice and accountability (VA), governance effectiveness, regulatory quality (RQ), rule of law (RL), and corruption. The literature on corporate governance in Nigeria has examined in some detail some institutional problems that restrain the adoption of good corporate governance practices in Nigeria. However, few research papers have given due consideration as to whether the embracing of democracy has improved institutional quality and corporate governance practices in Nigeria. This research examines how institutional quality influences corporate governance practices in Nigeria. The research question this article intends to investigate is as follows:

**Research Question 1:** What influences do political stability, RQ, and freedom of press and media have on corporate governance in Nigeria?

This article thus attempts to fill the research vacuum as there is a dearth of research studies from an institutional perspective in corporate governance in Nigeria.

**Institutional Theory**

Institutional theory can be regarded as an important theory in explaining, understanding, and assessing organizational behavior; it has become one of the dominant theories in the business management and corporate governance literature. The postulation that sound and stable institutions are an essential ingredient for good corporate governance practices to thrive has received considerable attention (Meyer, 2007). As a matter of fact, the message this statement is conveying is that incentives do matter and rightly so, because institutions are created with the sole purpose of shaping incentives that people face for behaving in one way or another way (Amenta & Ramsey, 2010).
In the literature, institutions have been defined in various ways and it appears that there is a contention on what the term institution means (Amenta & Ramsey, 2010). Initially, the definition of institutions tended to focus more on formal institutions. The reasons for this are simple: formal institutions are easy to identify, quantify, estimate, and measure (North, 1990). Berger and Luckmann (1966) suggested that institutions are mechanisms that are considered as objective and are designed to constrain the behavior of individuals. Hodgson (2006) stated that institutions are the type of structure that matter most in the social realm: They make up the substance of social life. Generally, institutions can enable and constrain human behavior (Campbell, 2004). The existence of rules in itself implies that there are constraints. Nevertheless, constraints can be very useful. They tend to open up possibilities: They could enable the possibility of choice and actions that would otherwise not have existed (Bell, 2002).

However, research has provided substantial evidence to show that formal institutions alone cannot explain, and is not responsible for explaining how human behavior is enabled and constrained (Eggertsson, 1996; Tsai, 2006). Informal institutions do have a significant role to play in shaping and influencing human behavior (Estrin & Prevezer, 2011; Helmke & Levitsky, 2003). Informal institutions were largely ignored by economists as well as other social scientists for the following reasons: They are quite difficult to single out, pin point, appraise, and most times relate to aspects of society culture that social scientists are not comfortable dealing with, particularly because of the difficult policy-related issues that promptly arise when informal institutions are given their due consideration (Sauerwald & Peng, 2013). For the purpose of this research, the definition of institution will take into consideration formal and informal structures. Thus, institutions will be defined as norms, outlines, and human-devised regulations that enable and constrain the behavior of social actors and make social life significant and predictable (DiMaggio & Powell, 1991).

As can be seen, there is very little consensus on the definitions on key concepts, methods, or measures within the institutional theoretical framework. Institutional theory has neither been able to develop a central set of standard variables nor is it closely associated with a standard research methodology or even a set of methods (Davis & Thompson, 1994). The implication of this is that when researchers and scholars use particular versions of institutional theoretical approach, they may have different empirical evidence and may also make very different predictions about institutional behavior, and consequently proffer conflicting policy prescription to the same problem even though the research were conducted using what could be described in a nominal sense as the same theoretical approach (Peters, 2000). Researchers and scholars relying on the institutional framework have relied on a variety of techniques such as cross-sectional regression, case study analysis, and longitudinal models (Scott & Meyer, 1994).

At the core of institutional theoretical postulation is that institutional environments can greatly influence the development of formal and informal structures in an organization, often more profoundly than market forces and pressures (Lounsbury, 2005). Institutional theory addresses the deeper and more resilient elements of social structure: It takes consideration of the processes by which structures, including norms, rules, routines, and schema, become instituted as authoritative parameters or guidelines for social behavior (Scott, 2004). It investigates how these elements are constructed, adopted, diffused, and adapted over time and space, and how they tend to fall into decay, decline, and disuse (Scott, 2001). In a general sense, institutional theory tends to focus on those factors or environmental pressures that the individual decision maker appears to be powerless to resist in the long run even in situations where the individual’s self-interest is opposed to the decision that has been imposed by the environment (Carpenter, Cheng, & Feroz, 2007).

**Isomorphism**

Isomorphism can be regarded as a very important element of institutional theory. Hawley (1968, p. 329) defined isomorphism as “a constraining process that forces one unit of the population to resemble other units that face the same set of environmental conditions.” Dillard, Rigsby, and Goodman (2004) defined it as “Isomorphism refers to the adaptation of an institutional practice by an organization.” Thus, isomorphism can simply be described as the process by which the firms adapt institutional practices. The theory of institutional isomorphism may help explain the observation that organizations are becoming more homogeneous.

In their seminal paper, DiMaggio and Powell (1983) identified three types of isomorphism within institutional theory. The first type that they identified was “coercive” isomorphism, which stems from threats to public legitimacy and/or governmental oversight and monitoring. Coercive isomorphism is caused by both formal and informal pressures that are exerted on the organization which they depend on and also by cultural values and expectations in the society inside which an organization functions. Following the philosophy and logic of this influential work, it can be said that one of the central influencers that is responsible for the adherence to effective corporate governance within a country is the presence of institutions that are capable of forcing organizations to adopt and embrace transparent and fair corporate governance practices (Judge, Douglas, & Kutan, 2008). Greenwood, Oliver, Suddaby, and Sahlin (2008) maintained that cohesive isomorphism occurrence results because organizations tend to be motivated to avoid sanctions available to them that they are dependent on. For example, in Canada, coercive economic pressures and regulative institutions were responsible for influencing the adoption of business planning models in Canadian hospitals (Lozeau, Langley, & Denis, 2002) and museums (Oakes, Townley, & Cooper, 1998).
In the case of Mimetic isomorphism, it refers to circumstances where an organization tends to imitate another organization’s structure, and it tends to occur in situations where there is uncertainty and an organization is faced with a difficulty or problem with ambiguous causes or unclear solutions to the difficulty. In this case, mimicking another organization perceived as legitimate becomes a “safe” way to proceed. Normative isomorphism on the other hand posits that change is driven by pressure associated with professionalization. For example, external actors can influence an organization to conform to its peers by requesting it to perform a particular task and specifying the process or how it should be done.

Isomorphic processes have been empirically analyzed in a number of areas, from college textbooks to administrative reforms (DiMaggio & Powell, 1991). Tolbert and Zucker (1983) investigated the diffusion and institutionalization of change in a governmental organization, using data on the adoption of civil service reform by cities. They conclude that when civil service procedures are required by the state, they tend to diffuse rapidly and directly from the state to each city. However, when the procedures are not so legitimated, they tend to diffuse gradually and the underlying sources of adoption change over time.

**Institutional Influence on Corporate Governance Practices**

Institutions will always matter and will continue to influence or affect how corporate governance is practiced (Bell, 2002). One of the principal institutions that coerces individuals and business organizations to comply with societal norms and culture is a free and fair elected government. In some countries, the government is held responsible for the societal welfare and is penalized when it is unsuccessful and rewarded when it successful. In other countries, the government is not held accountable for its failures or successes. One of the principal instrument by which a government is held accountable is through a free and fair democratic election process (Keohane, 2005).

As a result, the first institutional quality investigated in this study is political stability and the absence of violence, which is defined as “the perception of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including politically motivated violence and terrorism” (Kaufmann, Kraay, & Mastruzzi, 2004, p. 3). For corporate governance to thrive at country governance level, it is essential for a country to have stable political institution and government (Amenta & Ramsey, 2010). The government is responsible for making a country’s rules, laws, and regulations as well as enforcing the rules with measurable degrees of success. In relation to this study, the government makes the laws, rules, and regulations that shape, influence, and affect corporate governance practices. At the same time, it is also involved in monitoring compliance to the laws, rules, and regulations. There is the expectation that if a government is democratically elected, it would lead to better corporate governance because government functionaries and officials can be held accountable by the general public and are likely to be punished or sacked for not supervising business adequately (Caddy, 2001).

The law and finance theory posits that in countries where legal and regulatory systems enforce the rights to private property, protect the legal rights of local or foreign investors, and are supportive of private contracts arrangements, investors are more inclined to invest in firms and the capital markets thrive (Beck & Levine, 2005; La Porta, Lopezde-Silanes, Shleifer, & Vishny, 2000). However, the opposite is likely to occur in countries where weak legal and regulatory institutions are neither supportive of the right to private property nor do they honor private contractual agreements, and by so doing distort the flow of capital and stunt capital market development (Aguilera & Jackson, 2010; Claessens, 2006; Klapper & Love, 2002).

In their own assessment, La Porta, Lopezde-Silanes, and Shleifer (2002) found that best practice in corporate governance cannot thrive in the absence of sound legal and regulatory framework. For corporate governance framework to be effective, it is essential that the legal and regulatory institutional establishments are sound and investors can rely on them when they enter into contractual agreement. Developed countries such as the United States and Germany have better corporate governance laws that protect the rights of investors and encourage greater financial disclosure attracting a greater measure of external finance than countries in Latin America, Asia, and Africa (La Porta et al., 2000). Emerging and developing nations are yet to develop the legal and regulatory framework, enforcement capabilities, and resources as well as private sector establishments needed to support an effective corporate governance system (Gregory & Simms, 1999). Sadly, the case of Nigeria is not any different.

From the above, it is clear that having a well-designed legal code with an effective enforcement mechanism can be very instrumental in forcing economic agents to abide by the rules and not engaging in questionable behavior. In the nonexistence of a robust legal infrastructure, economic and corporate governance activities are likely to suffer and capital flows will be restricted and limited. Regrettably, at the moment, there are no known research papers that methodically examine the relationship between a country’s level of democratic accountability and its overall corporate governance practices. Notwithstanding, there is evidence to suggest that a clear relationship exists between close proxies of corporate governance. For example, cross-national research studies have established that countries with bigger capital markets tend to have better enforcement standards of the RL (LaPorta, Lopez-de-Silanes, Shleifer, & Vishny, 1997), better and faster economic growth (Grigorian & Martinez, 2001), and a much smaller underground economy (Bovi, 2003).

A second institution capable of shaping and influencing corporate governance practices is the press and news media.
The press and news media play a vital institutional role in enlightening and educating members of the society so as to ensure they have an educated voice (Judge et al., 2008). The most essential function of the press is to keep in public attention every discussion and decision made by the government, because every activity undertaken by the government is done based on public interest and the people’s behalf (Kim, 2003). Consequently, the consistent spotlight is likely to apply continual pressure on public office holders, but it is this pressure that enables them to keep their role and responsibility as public office holders, it ensures that the public officers fulfill the interest of the public, instead of fulfilling their own personal interest (Dyck, Moss, & Zingales, 2005).

The more diverse the information the citizen receives from the press and the media, the more precise, truthful, and accurate social valuations the citizens can make. Nonetheless, if an issue is misconstrued, misinterpreted, or muted in the media as a result of government propaganda or corporate pressure, there is the likelihood that the quality of the debate will suffer and no nation can accurately diagnose its problems or prescribe solutions to it in this manner (Jackson & Stanfield, 2004).

The press and the media can play an effective role in corporate governance by affecting reputation in two ways (Dyck & Zingales, 2002). In the first instance, the media attention is capable of driving politicians to initiate corporate governance law reforms/improvement in the belief that inaction is capable of harming their political careers or embarrass them in the eyes of public opinion, both on the domestic front and overseas. Second, the media attention affects both board members’ and managers’ reputation in the eyes of future employees, shareholders, and in the society at large.

There are several notable examples all over the world that reveal that a lack of press freedom is indirectly or directly associated with poor corporate governance practices. For example, a free and fair media is capable of exposing and limiting corporate fraud, unethical business practices, and criminal activities in general (Chowdhury, 2004). The international news media is responsible for putting pressure on corporate boards of multinational companies conducting business in South Africa during the apartheid regime (Anonymous, 1985). In Latin America, the maltreatment, victimization, and imprisonment of journalists have led to limited press freedoms and consequently this has had a negative impact on business activity (Perkins, 2001).

Sadly, at the moment, there are no known systematic research studies that have examined the relationship between freedom of the press and corporate governance effectiveness (Judge et al., 2008). However, there are a few closely related studies that suggest a positive relationship between press freedom and corporate governance practices. For example, Pantzalis, Stangeland, and Turtle (2000) found that there is a positive relationship between press freedom and corporate market returns in 30 countries during a 21-year period (1974-1995). In a nutshell, a free press and media is capable of uncovering and informing a nation of unethical business practices and illegal acts as well as trumpet exemplary corporate governance practices.

A third institutional quality that can significantly affect the way corporate governance is practiced is corruption. McMillan and Zoido (2004) documented that corrupt exchanges may actually be highly institutionalized. Montesinos, the secret-police chief of Peru under Fujimoro, methodically bribed judges, politicians, and the news media with signed contracts detailing the obligations held by the parties, and even written receipts for the transactions. This probably represents an extreme case, however. The view of corruption suggested here would more commonly relate to the informal realm, where corruption works as an informal system of asymmetric exchange within organizational hierarchies (Teorell, 2007).

Corruption can be classified into three distinctive categories: “Political corruption occurs when politicians take bribes using their positions of power, bureaucratic corruption occurs when officials take bribes, and grand corruption meaning misuse of public power by heads of states, ministers, and top officials for private, pecuniary profit” (Osbourne, 1997, p. 10). Even though corruption can result in enormous gains of wealth from a short-term perspective, it has several negative consequences and effects. To begin with, it creates an enabling environment for the uneven distribution of wealth in which the poor are overlooked and the wealthiest of society obtain an unfairly large portion. Furthermore, corruption can be regarded as an unsustainable practice that increases running costs of government and business enterprise, it endangers and threatens fair competition and can cause large distortions to economic growth. A great inducement for corporations to steer clear of corruption is not essentially their approach toward creating sustainable business models, but their dread of losing their reputation and brand image (Alford, 2012). In addition, corruption hampers sustainable development, which makes it one of the principal challenges for companies and governments (Wu, 2005).

Previous literature illustrates a strong relationship between corporate governance and corruption and suggests that in countries with high levels of corruption, firms do not demonstrate good corporate governance practices. Similarly countries with deficient corporate governance practices and low levels of compliance to these standards by firms breed corruption leading to a wide range of transparency dilemmas. In a developing country such as Nigeria, corruption is considered a serious issue affecting corporate governance practices (Adegbite, 2010a; Okike, 2007). These unethical practices such as bribery and corruption have shockingly become the norm and portend serious consequences for corporate governance in Nigeria (Ahuwan, 2002). It creates an un-conducive environment for corporate governance and business to thrive. It encourages gross violation of the RL, business norms, and regulations with impunity, because politically connected business owners can easily get away
with unethical business practices (Oyejide & Soyibo, 2001). It sends the wrong signals and messages for genuine business men and women who are doing business in Nigeria. More importantly, it weakens institutions as it creates an unhealthy business environment which is largely uncompetitive as it allows for unfair competition and business rivalry.

**Method**

To investigate the influence of institutional quality on corporate governance, we employ the use of Worldwide Governance Indicators (WGIs). The WGIs utilize cross-country indicators of governance. The WGIs consist of six composite indicators of broad dimensions of governance covering more than 200 countries since 1996: political stability and the absence of violence/terrorism (PV), government effectiveness (GE), regulatory quality (RQ), rule of law (RL), and control of corruption (CC). These indicators are based on several hundred variables obtained from different data sources, capturing governance perception as reported by survey respondents, non-governmental organizations, commercial business information providers, and public sector organizations worldwide. Estimate of governance ranges from approximately −2.5 [weak] to 2.5 [strong] governance performance.

PV captures the perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means including politically motivated violence and terrorism. VA captures the perceptions of the extent to which a country’s citizens are able to participate in selecting their government as well as freedom of expression, freedom of association, and a free media. GE captures the perceptions of the quality of public services, the quality of civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government commitment to such policies. RQ captures the perceptions of the ability of the government to formulate and implement sound policies and regulations that permit and promote private sector development. RL captures the perceptions of the extent to which agents have confidence in and abide by the rules of society and in particular the quality of contract enforcement, the police, the courts, as well as the likelihood of crime and violence. CC captures the perceptions of the extent to which public power is exercised for private gain, including both petty and grand forms of corruption as well as “capture” of the state by elite and private interests.

**Trend in Institutional Quality of Corporate Governance in Nigeria**

The time series of the Worldwide Governance Index and its components for three African countries (Nigeria, Egypt, and South Africa) can be seen in Figures 1 to 3. As shown in Figure 1, a significant increase in political instability and absence of violence/terrorism have been recorded in Nigeria and Egypt, although with varying intensity, whereas in the case of South Africa, there appears to be marginal improvements in PV. Sadly, the findings from the data reveal that the embracing of democratic culture has not enhanced and strengthened political stability and reduced political violence and terrorism in Nigeria. On the contrary, it appears that there is an increasing level of violence in the country. Militancy and youth restiveness tends to ravage both northern and southern part of Nigeria. Electoral violence during...
the periods of election has continued to increase in intensity and duration, with wanton destruction of lives and property. Comparisons of the percentile rank for political stability and the absence of violence/terrorism were done for Nigeria, South Africa, and Egypt for the years 1996 and 2012. The findings of the result for Nigeria reveal that Nigeria appeared more politically stable under a military regime in 1996 than a civilian regime in 2012. In the 16-year period, political stability declined from 13% to 3% for Nigeria and for Egypt the decline was more severe from 26% to 8%. The data also have a similar finding for Egypt were political stability under a military regime is more stable than after the onset of the Arab Spring. In the case of South Africa, an improvement of political stability appears to have occurred with percentile ranking rising upward from 32% in 1996 to 44% in 2012.

With regard to VA, which examines press and media freedom, it is worth noting that improvements in the Worldwide Governance Index on VA in Nigeria has been larger on average than that witnessed by Egypt, which also exhibits levels of the index generally lower than that of South Africa. South Africa tends to have a much better VA record in comparison with Nigeria and Egypt. Prior to the enthronement of democracy, the press and media were continually hounded by the military, freedom of expression tended to be an exception rather than the norm. Human rights abuse and extra-judicial killings were not considered an aberration. However, it does appear that there is a significant improvement in the way and manner the press and the media are being treated. The data on VA in Nigeria suggest that the press and media are being given some leeway to operate. In Table 1, the percentile rank for VA in 1996 for Nigeria was an abysmal 4.3%, however by 2012, the VA percentile rank rose to 27%. In the case of Egypt the VA ranking nose-dived in 2001 and since then VA in Egypt on the average has been behind that of Nigeria, although the difference can be regarded as marginal. In 1996, the VA percentile ranking in Egypt was 27% and in 2012 it declined to 24%, decrease in 3%. South Africa consistently outpaces Nigeria and Egypt by significant margins. South Africa in 1996 had a percentile ranking of 73% and it declined to 65% by 2012.

In the area of corruption, the Worldwide Governance Index on corruption shows that Nigeria has performed woefully in comparison with Egypt and South Africa. In Figure 3, it does show that the embracing of democratic culture marginally improved the corruption, but in the year 2000, there seemed to be steady decline in corruption, some marginal improvement was recorded in 2007, after which, a steady decline in corruption continued unabatedly. Nigeria is not the only country in which there was deterioration in Worldwide Governance Index on corruption, Egypt and South Africa suffered similar blows. Both countries suffered significant decline in their WGI corruption index, although on the average South Africa WGI corruption index remains significantly better than Nigeria and Egypt. In Table 1, the percentile corruption index for Nigeria in 1996 was 9% and it climbed to 15% by 2012. In Egypt, the percentile corruption index in 1996 was 57% and it dropped to 34% in 2012. The story appears to be the same for South Africa whose percentile ranking for corruption in 1996 was 79% and it plummeted to 54%.

### Discussion and Conclusion

Although Nigeria has embraced democratic culture, we find that coercive isomorphism with regard to Nigeria’s political and regulatory institutions remains rather weak. It seems that there is an inability of the government to exercise governmental oversight and monitoring. According to Judge et al. (2008), one of the central influences responsible for adhering to effective corporate governance in a country is the presence of institutions capable of forcing organizations to comply with the RL, embrace transparent and fair corporate governance.

| Indicators            | Year | Percentile rank | Estimate | Percentile rank | Estimate | Percentile rank | Estimate |
|-----------------------|------|-----------------|----------|-----------------|----------|-----------------|----------|
| Political stability   | 1996 | 13.0            | −1.17    | 32              | −0.43    | 26              | −0.58    |
|                       | 2012 | 3.0             | −2.05    | 44.0            | 0.0      | 8               | −1.48    |
| Voice and accountability | 1996 | 4.81            | −1.66    | 73.56           | 0.85     | 24.04           | −0.76    |
|                       | 2012 | 27.0            | 0.73     | 65              | 0.56     | 27              | −0.74    |
| Government effectiveness | 1996 | 15.0            | −0.98    | 79              | 0.88     | 48              | −0.21    |
|                       | 2012 | 16.0            | −1.00    | 64              | 0.33     | 25              | −0.77    |
| Regulatory quality    | 1996 | 23.0            | −0.82    | 63              | 0.34     | 52              | 0.01     |
|                       | 2012 | 25.0            | −0.72    | 63              | 0.38     | 7               | −1.42    |
| Rule of law           | 1996 | 11.0            | −1.26    | 50              | −0.01    | 54              | 0.05     |
|                       | 2012 | 10.0            | −1.18    | 58              | 0.08     | 40              | −0.45    |
| Control for corruption | 1996 | 9               | −1.15    | 79              | 0.76     | 57              | −0.07    |
|                       | 2012 | 15.0            | −1.13    | 54              | −0.15    | 34              | −0.57    |

Source: World Bank (2012).
practices. This finding is consistent with the works of La Porta et al. (2002), Klapper and Love (2002), and Beck and Levine (2005); they conclude that it is impossible for best practice in corporate governance to exist in the absence of sound political, legal, and regulatory institutions. Corporate governance in Nigeria should focus on strengthening existing institutions, entrenched democratic practice, and the RL. In the case of Nigeria, ensuring political stability should be imperative. Effective corporate governance practices can only thrive in an environment of political stability.

Thus far, Nigeria has made some commendable progress in embracing democratic culture, but so far, democracy is far from entrenched, there are still some concerns about political stability, electoral violence, and fraudulent electoral practices that continue to tarnish existing democratic culture. Of foremost importance is the need to ensure that democratic political culture is institutionalized; as such, strengthening existing political institutions to ensure that credible elections are held as at when due would be a step in the right direction. Even when elections are conducted, it is not uncommon to have political disputes between political rivals; developing an effective judicial system that can resolve these issues in an unbiased and timely manner is of critical importance.

Of particular significance to note is the positive role the press and media is playing in promoting good corporate governance practices in Nigeria. It can be stated that the enshrinement of democratic culture has had significant benefits for the press and media. Coercive isomorphism with regard to government respecting and enforcing the right of the press and media to air their views, without being hounded, beaten, and abused, especially in regard to criticizing government policies and practices has improved significantly from what it used to be during the military era in Nigeria. Giving room for freedom of press and media to function is an essential requirement that is needed for improved corporate governance practices to occur.

Corruption has bitten deep into the Nigerian fabric, although there is evidence to suggest that there is marginal improvement in the Worldwide Governance Corruption index. There has been some effort on the part of government to combat corruption as two institutions have been established: the Independent Corrupt Practice Commission and the Economic Financial Crime Commission (Okike, 2007). So far, the effectiveness of these institutions in tackling corruption has been called into question and allegations of political intervention in tackling corrupt public and private officials has reduced the effectiveness of the institutions’ ability to address allegations of corrupt office holders (Adekoya, 2011). The Transparency International index assessment on corruption in Nigeria appears to reach a similar conclusion; currently Nigeria is ranked as one of the most corrupt countries in the world. In the 2012 ranking by Transparency International, Nigeria was ranked 139 out of a total of 174 countries in the International Global Corruption Perception Index.

Consequently, this indicates that irrespective of the numerous laws and institutions designed to fight corruption, the plague continues to persist within Nigeria and it is probably getting worse. In a sense, Mimetic Isomorphism tends to be prevalent in the area of corruption, both private and public business enterprises are aware that corrupt practices not only go on unpunished, but also, there is the possibility that corporations that engage in unethical business practices are more likely to win lucrative business contracts in the process (Ahunwan, 2002). Because the risk of being punished is slim, and the rewards for engaging in unethical practices are lucrative, there is a tendency for businesses to respond to these negative incentives as a means of enhancing their competitiveness.

In Nigeria, regulatory institutions such as the Nigerian Security and Exchange Commission (SEC) has been very proactive in introducing some corporate governance reforms in the area of code of best practice on corporate governance for publicly listed companies (Okike, 2007). In 2003, for the first time, SEC unveiled a code of best practices on corporate governance for publicly quoted companies in Nigeria. However, the flaws of the codes became apparent in the implementation. A discovery of rampant incidence of insider trading in the banking sector led to a revision of the code. The introduction and revisions of codes of best practice in corporate governance in Nigeria can be regarded as evidence of Normative Isomorphism. Corporate governance codes of best practice can be regarded as a set of “world standard” principles and guidelines targeted at maximizing corporate value by enhancing the transparency and efficiency of corporations (Solomon, 2010). In Europe, United States, and Asia, codes of best practices in corporate governance have been used as a tool to boost investors’ confidence, and also as a means for corporations’ procurement of long-term loan-able funds under a blanket of stability, it has become indispensable to have a governance structured acknowledged internationally (Claessens, 2006).

This article has examined institutional quality of corporate governance in Nigeria such as political stability, RQ, and freedom of the press and media. The research was examined from an institutional theoretical research paradigm. The findings of the research have identified weakness of the political institutions due to long periods under the rule of an unelected military elite as well as the weakness in the legal and regulatory institutions as partly responsible for the poor corporate governance practices in Nigeria. Strengthening the existing institutions as well as creating needed institutions, where none exist, will undoubtedly further enhance the corporate governance practices in Nigeria.

**Future Research**

Further research could explore the use of a larger number of African countries to investigate the influence of institutional quality on corporate governance; it would be interesting to
see whether such institutional qualities such as political stability and RQ tend to have a significant influence on corporate governance. In addition, future research could examine institutional quality that influences corporate governance not only from an environmental perspective, but also examines firm-level characteristics that influence corporate governance in Nigeria to ascertain which characteristics tend to have more influence on corporate governance practices in Nigeria, institutional qualities/characteristics or firm-level qualities/characteristics.

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