Global Outsider Corporate Governance Reforms in the Context of Insider Governance: A Perspective from Sub-Saharan Africa

Abstract

This study examines the applicability of the global outsider corporate governance reforms to the predominant insider corporate governance in Sub-Saharan Africa (SSA). Drawing on the neo-institutionalist perspective, the study employed a qualitative research method involving documentary analysis and in-depth semi-structured interviews with relevant stakeholders in SSA-Nigeria. The findings reveal how the predominance of the insider structure in Nigeria leads to the emergence of a relational governance framework that challenges global reforms but complements corporate governance efficiency. While the dynamics of corporate governance practices in Nigeria contest the principles of global reforms, nonetheless, corporate accountability is not deterred. This study re-conceptualises the principles on which global corporate governance reforms are premised. In particular, it reappraises the interconnectivity of the notions of independence, responsibility and accountability in governance reforms. Essentially, the study contributes to the policy and practice debate on *'good'* governance by exploring an alternative relational approach to corporate governance efficiency.

Keywords: Corporate governance reforms, Global principles, Corporate accountability, Neo-institutional theory, Insider structure, Sub-Saharan Africa.

1. Introduction

Corporate governance reforms signify the adoption of codes of *'good'* governance aimed at innovations and improvements of governance practices (Aguilera & Cuervo-Cazurra, 2004; Zattoni & Cuomo, 2008). While the codes of '*good'* governance are global best practice prescriptions regarding the characteristics of the board of directors and other governance mechanisms (Zattoni & Cuomo, 2008), they are critiqued as promoting the market-based (outsider) system of corporate governance (Soederberg, 2003). Thus, this study evaluates the integration of the global market-based (outsider/dispersed ownership) reforms with a predominantly insider/concentrated ownership corporate governance in Sub-Saharan Africa (SSA). This is an important inquiry, as the global agency theory orientations emphasise that corporate governance mechanisms are designed to prevent shareholders (mainly outsiders) from agency problems or managerial opportunism (Fama & Jensen, 1983a, 1983b). Conventionally, global corporate governance reforms are thus focused on improving the protection of outsider shareholders' interests (Aguilera & Cuervo-Cazurra, 2004).

Along this line, efficient corporate governance is underpinned by the universal principles of *Transparency, Accountability, Responsibility, Independence,* and *Fairness* (TARIF) (Kaptein, 2004; Wibowo & Gunawan, 2015). From the viewpoint of global reforms, the overarching idea is that adhering to these principles is requisite to the achievement of '*good*' governance and, in turn, corporate accountability (Brennan et al., 2016). However, global reforms mainly target the underlying assumptions of agency problems that are characteristic of the outsider (market-based) system (Fama & Jensen, 1983a). While the outsider system is popularised, the key features of the alternative insider corporate governance system contravene the conditions of such an outsider system. In the insider system, companies are mainly governed by owner-managers rather than agent-managers (Clarke, 2007; 2016). In this respect, it is not clear how the agency-theorised prescriptions of the global reforms are yet applied to this insider management system.

A stream of research has sought to understand the implication of the outsider governance mechanisms for insider corporate governance (*see* Renders & Gaeremynck, 2012; Sauerwald & Peng, 2013; Ward & Filatotchev, 2010; Young et al., 2008). However, these studies have focused on investigating the principal-principal (PP) conflicts that arise between the controlling insider and minority outsider shareholders, in such insider systems. Thus, the findings are limited in explaining the workings of insider structure within the context of the global outsider corporate governance system. Furthermore, Gnan et al. (2015) explores the role of the insider (family) council in the insider system vis-à-vis the outsider mechanisms. The study finds that the family council partially substitutes the outsider mechanisms of shareholders' meetings and the board of directors, in the respective corporate governance roles of ownership and monitoring. Such a study has shown that elements of the insider system substitute some of the key roles in the outsider system. However, despite this discovery, it is not clear how such substitutions impact corporate governance efficiency and accountability given the agency-theorised global outsider reforms. From this perspective, this study seeks to understand how corporate accountability is achieved in the insider governance structure where agency obligations are very minimal or largely unrecognised. Thus, our key research question is *to what extent does Nigerian insider corporate governance integrate the principles of the global reforms and what is the implication for corporate accountability?* In essence, this study advances knowledge by providing an explanation of the workings of insider governance structures within the context of global outsider governance mechanisms. Our proposition promotes an understanding of whether agency-theorised governance principles are inevitable for efficient (good) governance or whether efficient (good) governance can yet be achieved in the absence of such prescribed principles of global reforms.

This inquiry is especially important to the Sub-Saharan African (SSA) context where studies have found that socioeconomic factors are profoundly mirrored in corporate governance. An evaluation of traditional African ethics in corporate governance reforms within SSA reveals incompatibility between the market-based (outsider) system and the exposition of African values (West, 2006). Also, there is a blurred distinction between societal and organisational ethos, which makes it difficult to clarify global corporate governance practices in SSA (Ferry et al. 2021; Osemeke & Osemeke, 2017; Rwegasira, 2000). Previous research has highlighted the importance of institutionally anchored management practices (Bottenberg et al., 2017). In this respect, we employ the neo-institutional theory perspective which enables deeper assessments of global reforms by directing attention to the impacts of the social system (dynamics, symbolic and systemic), rather than merely contextual factors (Zara & Delacour, 2021). A social system can be regarded as a self-sustaining system of shared belief about a salient way the game is repeatedly played. The "way in which the game is repeatedly played" refers to rules that are endogenously created through strategic interactions of agents and held in the minds of agents (Aoki, 2001). In advancing previous studies (Bottenberg et al., 2017; Zara & Delacour, 2021), we contribute to neo-institutional theory by enabling an understanding of the dynamics of relational corporate governance and their implication for global corporate governance regulations. Consequently, we enable an in-depth assessment of the universality of the global '*good'* governance principles, amidst socioeconomic boundaries in the SSA. Our investigation not only advances knowledge on the 'applicability' of the universal corporate governance principles but, also, their implications for 'corporate accountability.' In this respect, the rest of this paper is structured as follows: First, we provide a literature review and a discussion of our adopted neo-institutional theoretical framework. Next, our research method is outlined. Following this, we present our research findings and discussions, and finally our contributions.

2. Literature Review and Theory

2.1 Conceptualising global corporate governance reforms

The modern corporation particularly reflects the situation of entrepreneurial relationship, between agents (managers) and principals (owners) (Fama & Jensen, 1983a). Given the separation of finance and management (or ownership and control) (Fama & Jensen, 1983a; Jensen & Meckling, 1976), agency problems arise because of the potential conflicting interest between shareholders and managers (Fama & Jensen, 1983b; Jensen & Meckling, 1976). As Shleifer and Vishny (1997) queried, 'how then do suppliers of finance get managers to return some of the profit to them? Or how do owners make sure managers do not use the money on bad projects?' (Shleifer & Vishny 1997, p.737). From this standpoint, financial economists argue that much of the subject of corporate governance concerns the constraints that managers put upon themselves or those that shareholders put upon them, to ensure that owners' funds are not misused (Clarke, 2007; Jensen & Meckling, 1976; Shleifer & Vishny, 1997). Thus, 'corporate governance, to a large extent, is a set of mechanisms through which outside investors protect themselves against expropriation by the insiders' (La Porta et al., 2000, p.4), and involves controls that will steer the agents (managers) to secure the interest of the principals (owners), who are usually dispersed (Fligstein & Shin, 2007).

Generally, corporate governance efficiency means practices or procedures that ensure 'accountability' to the principals (Keay & Loughrey, 2015). However, the global corporate governance reforms agenda is reinforced by the agency theorisation of corporate governance (Krenn, 2014, 2015; Soederberg, 2003; Udayasankar & Krishnamurti, 2005). The global best practices promulgated by the Organization for Economic Cooperation and Development (OECD) are based on the key agenda of protecting dispersed shareholders (outsiders) of public companies, an attribute fundamental to market-based economies (OECD, 1999). Thus, within the global reforms, efficiency and accountability relate specifically to securing the interests of the 'outsiders' (Brennan & Solomon, 2008; Krenn, 2014). In line with the latter, *Transparency, Accountability, Responsibility, Independence,* and *Fairness* (TARIF) principles have become the hallmarks of '*good*' governance (Wibowo & Gunawan, 2015), and adhering to these principles would guarantee intended accountability (Aguilera, 2005). Thus, in the global reforms, these principles are objectivised as codes that are operationalised through internal corporate governance mechanisms. These mechanisms exist as board composition – for example, the existence of non-executive (independent) directors (NEDs); expansive reporting and disclosure practices; executive compensation schemes; separation of chairperson and Chief Executive Officer (CEO) or non-CEO duality; shareholders voting rights, among others (Al Farooque et al., 2019; Brennan & Solomon, 2008; Huyghebaert & Wang, 2012).

While the principles, codes and mechanisms stipulate standard prescriptions for the global reforms, nonetheless, they largely represent the market-based (outsider) system of corporate governance (Clarke, 2016; Soederberg, 2003). Thus, despite extant studies on efficient corporate governance, the focus has been on examining efficiency given the dominant agency theory assumptions of the outsider system (*see* Filatotchev & Wright, 2011; Weir et al., 2002). Studies have mainly concentrated on the implications of global reforms for agency problems, information asymmetry, managerial opportunism, or wealth maximisation (Agyei-Mensah, 2017; Sakawa & Watanabel, 2019; Siebels & zu Knyphausen-Aufseß, 2012). Consequently, the global definition of corporate governance efficiency and accountability is established against this backdrop (Brennan et al., 2016). Although some research has found that the adoption of the prescribed outsider mechanisms does not guarantee efficient corporate governance (Bhagat & Black, 1999; Randøy & Jenssen, 2004), the credibility of accounting reports is yet noted to be enhanced by companies adopting international shareholder-focused reporting standards (Florou et al., 2017).

With such a restrictive view in the foregoing, the applicability of the global reforms with insider corporate governance is largely taken for granted. The literature has yet to provide an encompassing evaluation of the achievement of the *accountability* objective. In the main, there is a lack of knowledge about how the principles of the outsider systems apply to alternative (insider) systems, especially as the outsider mechanisms may be constrained/repressed within such systems. It is unclear whether efficient corporate governance and accountability are determined by the governance system or more generically by the prescriptions of global reforms. We fill this gap and contribute fresh insights to corporate governance reforms literature. In doing this, we examine the functionality of the insider governance system vis-à-vis the global accountability principles, drawing on neo-institutional theory.

2.2 Neo-institutional theorising of corporate governance reforms

The neo-institutional theory provides a stronger complement in examining corporate governance reforms, than the most adopted mainstream institutional theory (Sarhan & Ntim, 2018). Although agency theory provides a significant assessment of internal governance mechanisms, this is inadequate in interpreting corporate governance practices (Aguilera et al., 2018). A critical perspective on corporate accountability from the agency theory perspective argues that the nature of obligations that managers have to financiers and the differences in the interpretation of these obligations will depend on variances in corporate governance systems across countries (Shleifer & Vishny, 1997). Thus, global corporate governance reforms are rationalised on the basis of isomorphism/harmonisation. In this respect, the global prescriptions should standardise organisational structures and practices through *coercive, mimetic and normative* isomorphic pressures (DiMaggio & Powell, 1983). That is, 1) "coercive isomorphism that stems from political influence and the problem of legitimacy; 2) mimetic isomorphism resulting from standard responses to uncertainty; and 3) normative isomorphism, associated with professionalisation" (DiMaggio & Powell, 1983, p.150). Consequently, the TARIF principles are proposed as the tenets of 'good' governance and, in turn, accountability, in line with the global adoption (*isomorphism)* of the outsider system.

However, despite the intention to standardise corporate governance (Aguilera, 2005; Krenn, 2014), corporate governance and the reforms are embedded in the institutional context (Aoki, 2001). Thus, conventionally, organisational studies have focused on explaining the activities of actors and social exchanges in organisational reforms (Meyer & Rowan, 1977; Giddens, 1993). Despite this pursuit, the existing framework for corporate accountability typically privileges economic growth over social needs (Saravanamuthu, 2004). But neo-institutional theory provides a much-needed lens to assess the specific impact of human actors, among other institutional factors, on corporate accountability. From the neo-institutional theory perspective, organisational reforms often entail orders and transformations which although emergent, can likewise be an intentional product of actors (Misangyi et al., 2008). The theory relates the studies of organisations to their contexts and considers the effects of external expectations on the development of structures and practices within organisations, as they seek to establish their legitimacy (Barbu & Baker, 2010). An underlying assumption of the neo-institutional perspective on corporate governance reforms is that actors are not only competing for resources ("efficiency"), but they are also seeking ultimate legitimacy and social acceptance ("legitimation") (Scott, 2001; Ntim & Soobaroyen, 2013). Thus, since corporate actors are equally social actors, corporate governance is reasonably linked to social values (Hatch, 2012; Judge et al., 2008).

While in the dominant outsider system, the fiduciary duty of agents to principals is obliged (Fama & Jensen, 1983a), in the insider (principal-principal) governance system, such a sense of responsibility is largely implicit. Nonetheless, insider (concentrated) ownership is found to 'increase the likelihood that a large shareholder closely monitors managerial actions, and an influential second shareholder monitors potential expropriation by the largest shareholder' (Hope et al., 2012). As a result, the propensity to hire a higher-quality auditor (Big 4 auditor) is found to decrease as ownership concentration increases (Hope et al., 2012). To this end, within the insider system, the principals and managers (owners) could be more inclined to a social contract (as co-owners) than an agency contracting. In this respect, there are questions about the extent to which the agency-theorised universal principles apply to the insider governance scenario, *and/or* how accountability is otherwise rationalised. The literature on the neo-institutional theorisation of corporate governance reforms is lacking in such knowledge. Notably, past studies have advanced comparative views on corporate governance reforms in the insider system (*see* Renders & Gaeremynck, 2012; Sauerwald & Peng, 2013; Ward & Filatotchev, 2010; Young et al., 2008), however, their contributions are delimited by the focus on dominant agency problems perspective. Thus, are yet to clearly understand the functionality of the insider governance structure and the implications for corporate accountability, in the context of global reforms.

A major implication of this gap in understanding is our limited knowledge about corporate accountability in the insider system. In furtherance of knowledge about the insider system vis-à-vis the outsider corporate governance mechanisms Gnan et al. (2015) reveals that family councils existing in family SMEs partly substitute corporate governance mechanisms. Meanwhile, the neo-institutional theory argues that organisations are highly attentive to social and/or symbolic pressures arising from their institutional context (Suddaby et al., 2013). In this respect, in insider systems, the principles of corporate governance could be susceptible to influences by social systems and thus the perception of accountability may differ between institutional contexts. Also, in such emerging/developing countries, large family businesses, often organised around business groups and run by family members, are most common (Peng et al., 2005; Young et al., 2008). These institutional circumstances may rather abet social system influences in corporate governance.

2.3 Corporate governance regulations in Sub-Saharan Africa (SSA)

The SSA region presents a good opportunity to examine how the global corporate accountability principles integrate with the insider system. SSA offers a distinct dimension against the prototypes of developed market economies. While the underlying motivation for global reforms is safeguarding the interests of dispersed (outsider) shareholders, corporate governance in SSA is predominantly characterised by concentrated ownership. Arguably this type of ownership exists in other regions of the globe (Young et al., 2008), however, they have more profound implications for SSA (Tsamenyi et al., 2008). Concentrated ownership structures have been noted to produce positive impacts in the SSA, especially in compensating for the deficient accountability mechanisms. Shareholder concentration generally results in improvements to the financial performance of companies in SSA (Puni & Anlesinya, 2020). Also, the disclosure of forward-looking information by companies in SSA is sometimes attributed to ownership concentration (Agyei-Mensah, 2017). Furthermore, large memberships of shareholders aid conflict prevention and accountability in corporate governance (Uche & Atkins, 2015). However, despite these benefits, concentrated corporate governance could further limit the already weak regulatory context of SSA. Particularly, family-concentrated ownership can constrain corporate governance, in such an institutionally deficient context (Morck & Yeung, 2004; Okpara, 2010). Family ownership governance structure also has a higher likelihood of reflecting social orientations. There is a noted lack of distinction between societal and organisational values in the SSA resulting in high infiltration of sociocultural values into corporate board and management functions (Osemeke & Osemeke, 2017; Rwegasira, 2000). Some of such African sociocultural values that predominantly influence corporate governance include: shared understanding or value system; elitism; value for private properties; extended family system and large family practice; dignity and harmony through relationships and communal good ideology; a sense of social wealth (Adegbite et al., 2020; Adekoya, 2011; Amaeshi & Idemudia, 2015; Munisi, 2020; Nakpodia & Adegbite, 2018; Nussbaum, 2003; Okpara, 2010; Sanda, 2011). Thus, in SSA informal networks and patronage interfere with the nomination and work of non-executive board members, which hinders the possibility of independent monitoring of executive management (Kimani, et al., 2021).

Second, in line with mimetic pressures, whereas the typical rationale for the adoption of the global reforms is efficiency, reforms are primarily adopted for legitimacy reasons in the SSA (Soobaroyen & Devi Mahadeo, 2008). Prior research has found that global best-practice prescriptions to empower shareholders produce unexpected results in this region (Ahmed & Uddin, 2018). Along this line, although the implementation of internal mechanisms such as the absence of CEO duality, non-executive directors and board committees, etc., may signal the adoption of best practices, outside shareholders rarely draw on these to demand accountability (Amao & Amaeshi, 2008; Nakpodia et al., 2022). Thus, it has been queried whether the dominant outsider (market-based) system reflects the institutional circumstances of the SSA countries (Adegbite, 2015; Okike, 2007; Rwegasira, 2000; Soobaroyen & Devi Mahadeo, 2008). To this end, there is a need to understand the extent to which the principles of the global reforms are applicable in the SSA (*see* Areneke et al., 2022). Perhaps, the universal '*good*' governance principles might be much more subjective to social factors than is understood.

Our investigation into the integration of universal governance principles in this context is a topical contribution to the literature. Our analysis enables an explanation of the functionalities of the insider system in light of the global guiding principles, which are lacking in the literature. Against this backdrop, the Nigerian context provides a specific understanding of the influence of endogenous factors on the global corporate governance reforms, in the SSA. Nigeria has usually been pivotal to the global corporate governance reforms in SSA. Arguably, this relates to the expectation of the country to trigger intended mimetic (imitative) isomorphism, as a central economy in SSA (*World Bank*, 2019). Corporate governance in Nigeria has historically been guided by the Companies and Allied Matters Act (CAMA,1990) (Nmehielle & Nwauche, 2004) modeled after the UK Companies Act 1985, as a former British colony. Similarly, following the global trend in corporate governance reforms, Nigeria launched the first code of corporate governance in 2003 which is a replica of the global OECD principles. This code, known as the Securities and Exchange Commission (SEC) code of best practices on corporate governance, precipitated the wave of corporate governance reforms across Nigeria (SEC, 2003). Thus, while corporate governance reforms are eminent in Nigeria, they reinforce the global (outsider) corporate governance prescriptions. Despite the commitments to the global reforms' agenda, Nigerian corporate governance is highly susceptible to institutional factors. Corporate ownership in Nigeria is dominantly an elitist practice (Nakpodia & Adegbite, 2018). The large proportion of family-owned companies in Nigeria has historically given rise to the prevalence of unsophisticated *outsider* governance mechanisms (Ahunwan, 2002). When individual block-holders are affiliated with top management, this can challenge the ability of the board, a key mechanism of outsider governance, to monitor (Arowolo & Ahmad, 2017). In addition, in Nigerian companies, political, cultural, and religious groups have noted connections with corporate governance (Osemeke & Osemeke, 2017).

Generally, principles are representations of the norms, standards, traditions, values, ideals, or beliefs, whereby norms are specific but tacit standards of what is socially and individually acceptable (Vickers, 1973). Thus, while principles could be symbolic of the social contract in a company's context, the universal TARIF principles remain the generic hallmark for *'good'* governance. However, from the neo-institutional theory perspective, our research proposes that an appropriate description of *'good'* would relate to the specific governance system in place and how it mirrors social expectations (*see* Witherell, 2002 – *OECD observer*). Specifically, we hypothesised that '*good'* governance goes beyond global aspirations to incorporate institutional, social, systemic and symbolic factors. As the largest economy in Africa (*World Bank*, 2019), the Nigerian economic, political, social and cultural circumstances are arguably a representation of the context of corporate governance in the SSA (Ahunwan, 2002; Amao & Amaeshi, 2008; Ojeka et al., 2017; Osemeke & Osemeke, 2017). This concentration of the conditions and concerns in corporate governance in Nigeria will better aid the investigation of the insider governance phenomenon as it relates to the global prescriptions. As such, a qualitative research method is ideal in populations where there is a higher concentration of the phenomenon of inquiry (Bryman & Bell, 2011). While we do not claim that a single country encompasses all the sociocultural nuances in the SSA, however, there are recognised commonalities among core African sociocultural values that are well presented in Nigeria (*see* Adegbite et al., 2020; Adekoya, 2011; Munisi, 2020; Nakpodia & Adegbite, 2018; Nussbaum, 2003; Okpara, 2010; Sanda, 2011). Thus, our focused attention on Nigeria provides a lens into the rest of the SSA and helps theorise corporate governance efficiency and accountability against the aspirations of global reforms.

3. Methodology

This research is part of a larger research project, which examined corporate governance reforms in a developing economy-*Nigeria*. It relies on the social constructionist perspective and thus employs a qualitative research approach involving largely *in-depth interviews* supported with *documentary (archival)* research. Our methodology is consistent with the corporate governance literature in Nigeria and similar empirical settings (Adekoya, 2011; Okike, 2007; Yoshikawa et al., 2007). Purposive (judgment) sampling was used to select relevant participants for the interviews. This involves a process where the researchers purposely chose data participants that fit the parameters of the research question (Tracy, 2013). To validate the aim of this study which relates to corporate governance reforms, the primary participants in this study were key stakeholders from the Nigerian corporate governance operational and regulatory space.

Nigerian corporate statutes, such as the Companies and Allied Matters Act (CAMA), reflect the substantial influence of the UK market-based (Anglo-American) corporate governance and common law systems (Nmehielle & Nwauche, 2004). Thus, Nigerian corporate governance regulations involve mechanisms that are identical to a market-based system. Against this backdrop, the selection of the participants in this study was designed to capture this regulatory context. To achieve triangulation, by *multiple sources* (Hennink et al., 2011), participants were engaged from the Nigerian corporate governance context under three categories as ***regulators and policymakers***; ***listed company officials***; and ***notable corporate governance contributors***, as shown in Table I below.

Table 1: Categorisation of Participants and Institutional Affiliations

Category of participants & Institutional affiliations	**Interviews**	**Designation**
Regulators and Policymakers	**(R1 - R16)**	
Nigerian Securities and Exchange Commission (SEC).	R1	Director (Regulations)

Corporate Affairs Commission (CAC).	R2	Head of Department (Compliance)
Nigerian Stock Exchange (NSE).	R3	Director (Regulations)
Central Bank of Nigeria (CBN).	R4	Director (Regulations)
Financial Reporting Council of Nigeria (FRCN).	R5	Deputy Director (Policy)
Institute of Chartered Accountants of Nigeria (ICAN).	R6	Deputy Director (Regulations)
National Pension Commission (PENCOM).	R7	Deputy Director (Policy)
National Insurance Commission (NAICOM).	R8	Head of Department (Policy)
	R9	Head of Department (Policy)
	R10	Deputy Director (Regulations)
	R11	Director (Compliance)
	R12	Head of Department (Compliance)
	R13	Deputy Director (Policy)
	R14	Deputy Director (Policy)
	R15	Head of Department (Regulations)
	R16	Director (Regulations)
Listed Companies and Affiliates	**(C1 -C12)**	
Listed and public Interest Companies:	C1	Company Secretary
Companies on the Nigerian Stock Exchange Listing and	C2	Company legal counsel
multiple stakeholder companies (NSE Listing).	C3	Chief Executive Director and board member
	C4	Senior Manager (Accounting)
	C5	Head of Section (legal department)
	C6	Company Secretary
	C7	Head of legal services and compliance
	C8	Company accountant
	C9	Executive Director
	C10	Company board member (Non-Executive Director)
	C11	Company Secretary
	C12	Executive director
Other Corporate Governance Contributors/Observers	**(O1 - O9)**	
The Society for Corporate Governance Nigeria (SCGN).	O1	Financial analyst and rating agent
Institute of Directors (ID).	O2	Senior academic and CG steering committee member
Chartered Institute of Bankers of Nigeria (CIBN).	O3	Audit partner and accountant
Independent Auditors and Consultants.	O4	CG consultant and rating agent
Academics.	O5	Company solicitor
Other Professional bodies.	O6	Company auditor and consultant
Rating Agents.	O7	Academic and CG consultant
	O8	Legal practitioner

	O9	Company auditor and consultant

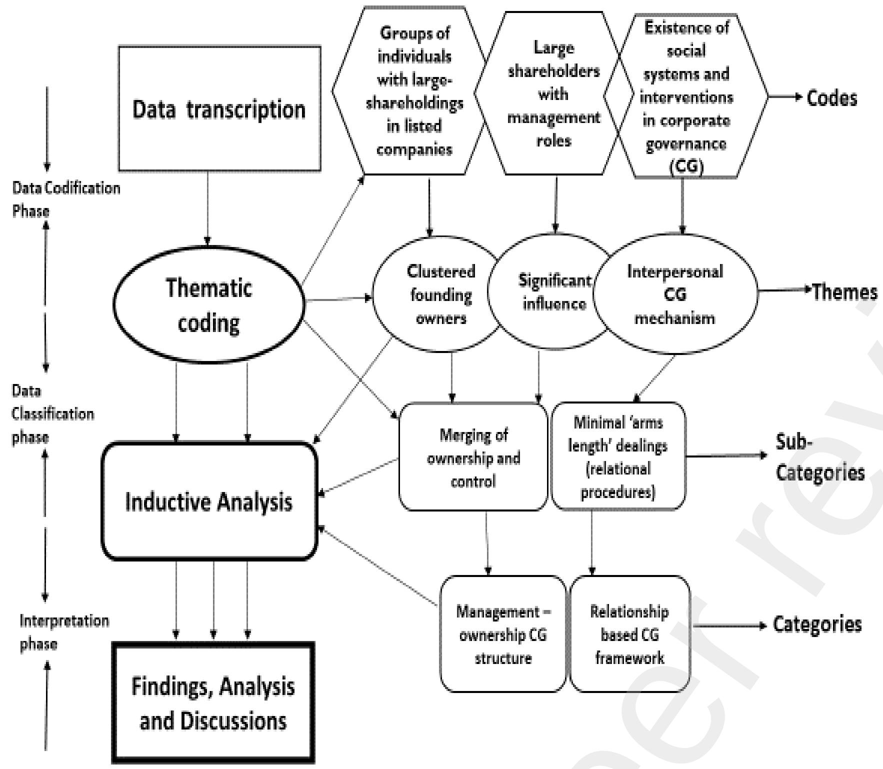
Based on our purposive sampling method, the regulators and policymakers' category represents all organisations that regulate, launch, administer and oversee corporate governance matters and reforms in Nigeria. The institutions in this category of participants are informed by the literature and the corporate laws, statutes and regulations, in Nigeria. Corporate governance reforms in Nigeria and other jurisdictions embody economic procedures administered by distinguishable parastatals or agencies. Specifically, the literature on corporate governance in Nigeria provided us with a detailed description of the relevant organisations for the study, within the context (*see* Ahunwan, 2002; Okike, 2007). These include market-oriented corporate regulators and policymakers such as the Securities and Exchange Commission (SEC); the Corporate Affairs Commissions (CAC); the Financial Reporting Council of Nigeria (FRCN); the Central Bank of Nigeria (CBN); Nigerian Stock Exchange (NSE), etc. These parastatals were respectively contacted either electronically or physically, to seek participation. The institutions then designated officials (*see* Table I above) to participate. Designated officials were identified as people in charge of corporate governance best practices or compliance within the respective organisations. In total, 16 officials from across all the organisations represented by this categorisation, were interviewed.

The second category of participants included listed companies and public interest corporations/affiliates in Nigeria, which represent entities that are primarily mandated to comply with the provisions of the corporate governance codes in Nigeria (SEC code, 2003, 2011). The sample included a mix of companies from all 12 sectors on the Nigerian Stock Exchange (NSE) listings [1]. Three companies from each of the 12 sectors were selected for the analysis, making a total of 36 listed companies that were contacted. Similarly, selected organisations were contacted to ask for participation, via identified company officials or gatekeepers. Where consent to participate was granted, an official in charge of corporate governance matters and responsibilities, from the respective company, was designated to participate at a specified date. In the end, 12 listed companies participated in this study.

The major corporate governance contributor group includes people or organisations that have significantly contributed to or were involved in corporate governance reforms in Nigeria. These people or organisations were selected based on their identified knowledge of the topic of inquiry and contributions to corporate governance reforms in Nigeria. These are persons who were or have been members of committees inaugurated to address corporate governance matters or reforms (e.g., the SEC code 2003, 2011 steering committee, FRCN corporate governance reforms' committee). Originally, 30 people were contacted, however, nine people were eventually interviewed.

In addition to potential participants in the study being contacted directly, the snowball sampling approach allowed access to hidden or hard-to-reach populations, through the recommendations and referrals of some respondents (Atkinson & Flint, 2003). This study involved three months of fieldwork, between December 2015 and March 2016, in Nigeria. Each interview was between 60-90mins and conducted using an interview guide. The interview guide was structured into three categories consisting of similar questions but reflecting the different capacities of the participants. The regulators and policymakers presented the perspectives of *administrators* of the reforms. The listed companies presented the perspectives of the *regulated* entities. The major contributors provided the views of other key corporate players, thus acting as a form of the *control group* (*see* an illustration of the interview questions in *Appendix A*). The interview guide was designed based on the research inquiry, perspectives from neo-institutional theory, and conceptualisations of global corporate governance reforms. Given the semi-structured nature of the interviews, the questions formally served as a guide while the interviewees were given leeway to express themselves based on their experiences. The language of exchange was English, which is the official language of Nigeria. At the start of the fieldwork, the first three early interviews from each category (RI-R3; C1-C3 and O1-O3) served as a piloting process. These helped to assess the understandability of the questions to ensure the wording was unequivocal, in addition to providing data. The interviews were tape-recorded in conjunction with note-taking where respondents did not permit recording. Overall, 37 interviews were conducted with high-profile individuals and professionals from the Nigerian corporate governance system, who were accustomed to the issues of interest of our research inquiry. Our methodology also included documentary (archival) research, to substantiate the evidence obtained through the interviews. The documentary research followed the practice of data gathering through secondary data (*see* Sarantakos, 2012; Yin, 2010). These include sources containing information relating to corporate governance and the reforms in Nigeria. In the documentary research process, thematic coding was used to extract necessary data. Here, sources were scrutinised for concepts (codes) relating to the research question and emerging ideas were collated as themes (patterns), which were then used in subsequent data analysis, alongside the interviews.

The data gathering was undertaken until data saturation, in terms of breadth and depth, was reached. Data saturation, in this respect, represents the stage when duplicate information began to emerge in the process (Simons et al., 2008). The documentary research, on the other hand, constitutes a sustained source of information, throughout the study, as current information through online resources, such as company reports, media, articles, corporate governance codes, etc. becomes available. In line with the overall qualitative research paradigm, a structured approach to data analysis was carried out in phases, as shown in the illustration in Figure 1 below:



<u>Figure 1: An illustration of the data analysis framework</u>

The data consulted and generated from our data collection process, along with documentary data, was a part of the above-mentioned larger research project. At first, the data collected through interviews were transcribed. Following this, the data analysis process involved three main phases. The *first phase* was the data codification phase, where thematic coding (qualitative content analysis) was carried out to analyse the data (Simons et al., 2008). The research analysis was data-driven, that is, there was no existing coding frame consisting of pre-conceived codes. This stage involved the sorting and classification of the raw data through a systematic procedure using an MS Word processor (Matthews & Ross, 2011). The procedure engages the '*constant comparison analysis*' technique (*see* Leech & Onwuegbuzie, 2007), where the transcripts were read through to get an idea of the main matters arising and extract distinguishable words, phrases and concepts, as codes. Each line of the transcript was constantly compared against the previous ones, for distinct codes to be captured. The transcripts were then further scrutinised with NVivo data analysis software, to verify all occurring codes.

The *second phase* was that of data classification which identified codes that represent the smallest units of analysis, and conveyed discernible ideas, from the transcript. Codes providing similar insights were grouped to constitute emerging themes (*see* Hsieh & Shannon, 2005*;* Reay & Jones, 2016). The main themes relate to prevalent ownership structure; corporate governance system; corporate control; corporate governance practices; minority shareholders' interest; voting rights; corporate governance performance/efficiency;

corporate accountability; management/board compositions and functions; and organisational design. Similar themes were combined into identifiable sub-categories. Similar sub-categories were collated to generate main categories, which formed the key subjects that we discussed subsequently in our findings and discussions section. The *interpretation phase* finally facilitated inductive interpretations of insights (patterns), explicitly and implicitly, which were revealed through the relationships among the themes, sub-categorisation and categorisation of the data (*see* Reay & Jones 2016). In line with the social constructionist philosophy of this study, these relationships were the basis (semantic) of our findings and discussions in the succeeding sections. Also, included in our findings and discussions are some direct quotes from the transcripts to substantiate our claims. However, these quotes mainly constitute excerpts of the key insights or logics that provide a representation of our findings. It is important to note that the three phases above were not independent as they were interwoven and overlapped.

4. Findings and Discussions

In this section, we present the key findings from our triangulated data under two major themes: 1) *Nigerian corporate governance context, structure and system* and *2) corporate accountability and universal principles in Nigeria.* Our analysis in the first sub-section provides insights into Nigerian corporate governance and the implication of the prevalent ownership structure for the global outsider system. The second sub-section promotes an understanding of corporate governance in Nigeria, regarding the standard prescriptions/principles of the global reforms.

4.1 Nigerian corporate governance context, structure and system

The global corporate governance reforms represent best practice provisions to improve corporate governance (Aguilera & Cuervo-Cazurra, 2004). However, while the prescriptions are in line with the outsider system the reforms have been adjudged as globally converging corporate governance systems to the market-based (Anglo-American) system (Krenn, 2014; Soederberg, 2003; Yoshikawa & Rasheed, 2009). Our analysis equally confirms that in light of the global trend, Nigerian corporate governance emulates the outsider (market-based) system (SEC, 2003; 2011). As buttressed by a listed company corporate governance compliant official (C7) "*Even our company law; the SEC codes and other corporate governance codes are designed to imitate the UK system."* However, despite the adoption of the prescriptions of the global reforms in Nigeria, corporate governance seems resilient against the claimed convergence. In a standard outsider system, the dispersed (outsider) ownership results in the separation of ownership and control (Berle & Means 1932; Fama & Jensen 1983a). However, ownership in Nigerian listed companies is still mainly concentrated (insider system). Our scrutiny of the Nigerian Stock Exchange (NSE) listings (NSE, 2019, 2021) shows that about 75% of businesses are owned by household names in the Nigerian business context, with shares concentrated among a few individuals. Equally, most participants in this study (about 90%) noted that Nigerian listed companies are mostly owned by cohorts consisting of household names in Nigeria. Along this line, most participants across the three categories cited 'block-holding' (concentrated) ownership structure as a dominant feature of Nigerian market-based corporate governance in contrast to its UK model. Despite the adoption of the outsider system, shares in Nigerian listed companies are still majorly held in blocks. In essence, Nigerian corporate governance is yet to technically conform to the global outsider (market-based) system. As stated, "*listed companies' ownerships in Nigeria are not dispersed. They consist mainly of highly concentrated shareholdings"* (Director of a regulatory agency - R12). This finding corroborates earlier studies in Nigeria, and many SSA countries, that corporate shareholdings are typically concentrated (*see* Ahunwan, 2002; Arowolo & Ahmad, 2017; Munisi, 2020; Okpara, 2010; Oluyemisi & Ayoib, 2017; Sanda, 2011). Thus, in practice, most Nigerian listed companies do not fully incorporate the standard attributes of the outsider ownership structure. As noted, "*Apart from some minority* (dispersed) *shareholders you will still find large shareholders as main owners in nearly all the listed companies in Nigeria"* (Corporate consultant - O4). While this discovery is not surprising given that existing literature has specified the prevalence of concentrated ownership in SSA, it nonetheless reveals persistent pluralism in Nigerian corporate governance. That is, notwithstanding embracing the global outsider reforms, corporate governance in Nigeria still denotes an insider system, due to the prevalent concentrated ownership structure.

Most importantly, from the perspective of neo-institutional theory, our analysis reveals that Nigerian corporate governance practice is profoundly symbolic of the endogenous conditions within the institutional context. As Meyer and Rowan (1977) asserts, organisations often reflect wider societal myth over demands of technical production on such organisations. In this respect, in Nigeria, large shareholders in the listed companies are predominantly individuals/groups of individuals, rather than institutional investors as typical in market-based economies (Bebchuk et al., 2017). *"Corporate governance and the reforms in Nigeria involve a very big and influential segment of the society, who can operate without much restrictions."* (Regulator respondent - R3). Rather than the intended consequence of the global reforms, the prevalent corporate governance system in Nigeria is largely the result of the actions, perceptions and aspirations of company owners or key actors. In the main, this finding depicts a differentiation between the adopted and the espoused corporate governance system in Nigeria. While past literature has shown that different factors may be responsible for institutional change and/or stability across different institutional contexts (Oliver & Roos, 2005; Shipilov, et al., 2010; Zara & Delacour, 2021), in developing countries, company ownership has often been a focus of debates on corporate governance reforms (Agyemang & Castellini 2015; Siddiqui, 2010). In extending these debates, our analysis indicates that the pluralism in Nigerian corporate governance is not a deliberate attempt to restrict the global reforms but a strong reflection of the socioeconomic factors arising from the institutional context. As noted by a corporate solicitor (O5), *"It will be difficult not to have concentrated ownership in Nigeria because most of these listed companies are owned by associates or cohorts"* Furthermore, the dissimilar governance system and prevailing ownership structure in Nigerian companies have unintended implications for the global aspirations of corporate accountability. In advanced market-based economies, because large shareholdings are by institutional investors, there is limited influence on corporate governance by individual economic/social actors. However, in Nigeria, due to concentrated shareholdings by a few individuals, economic and organisational powers are also bestowed on these individuals. "*In*

Nigerian listed corporations, influence and control are confined among the few founding individuals" (Company executive - C9). Also as cited by a corporate governance consultant (O4) "*Corporate governance in this country is by the elites. These are the majority of owners of these listed companies."* Thus, in Nigeria, significant power in corporate governance is contained among groups of influential individuals, besides the regulators. Essentially, along with a past study on institutionalisation (*see* Zilber, 2002), our analysis indicates that changes/reforms to the corporate governance system in Nigeria, are highly subject to key social actors, actions, and meaning.

In line with the foregoing, our findings further reveal the effect of the prevailing ownership structure in Nigeria on key mechanisms of corporate accountability. In typical market-based systems, shareholder activism generally serves as an effective accountability mechanism for outsider principals (shareholders) to hold the agents (managers) to account (Shenkin & Coulson, 2007). While, in Nigeria, activism is also recognised as an integral part of corporate governance (Uche et al., 2016), outsider shareholders can only influence corporate accountability, if they *can* exercise 'meaningful control' over the management (Amao & Amaeshi, 2008, p. 120). This study finds these shareholder associations do not exercise such 'meaningful control' or enforce accountability, but they "*know exactly what is going on in these companies and could challenge it"* (Company regulators - R4). Whereas this type of complicity has been blamed for challenges in enforcing accountability through shareholder activism in Nigeria (Adegbite et al., 2012; Amao & Amaeshi, 2008), however, this study reveals different insights into this claim. Our findings reveal key reasons why outsider shareholders rarely demand accountability in these companies. One reason stems from the impact of the socio-economic situation in Nigeria illustrated through the pattern of shareholdings in Nigerian listed companies. There is a high disparity in shareholding between the majority (insider) and minority (outsider) owners, in Nigerian companies, which results in decision-making and control being vested in the insider shareholders. As noted, *"oftentimes, as their* (minority shareholders) *impact is not substantial, corporate governance and decisions are just basically left to the few major shareholders"* (Senior company manager - C4). Consequently, responsibility for governance reforms in Nigerian companies is left in the hands of management insiders/owners, as illustrated in Figure 2 below.

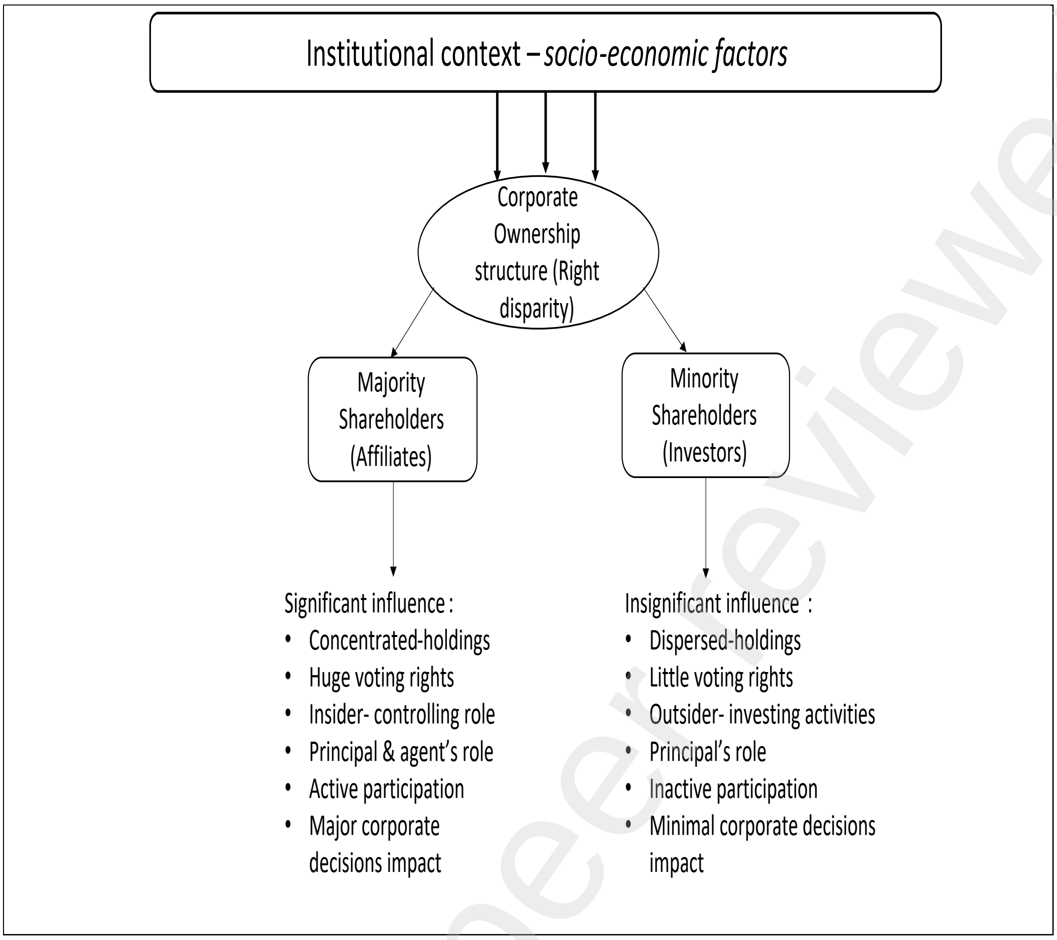


Figure 2: Distribution of rights and influences in Nigerian listed companies

As illustrated in Figure 2, the right disparity between the majority and minority owners is a key enabler of insider corporate governance in listed companies in Nigeria. Equally, because of this disparity, a culture of disinterest in corporate governance matters emerges among outsider minority shareholders. As cited by a respondent-academic (O2), "*the other shareholders'* (minorities) *shares are just so small. These* (minority) *shareholders usually do not bother to take part in corporate governance in their companies. For instance, I am a* (minority) *shareholder of a listed company, but I have never attended any AGM* (Annual General Meeting)*."* Most importantly, as our findings indicate, the prevalent ownership structure in Nigeria is reflective and symbolic of the social system. While the minority shareholders are highly dispersed and mostly unrelated individuals, the majority (concentrated) insider shareholders are mostly affiliates who are also affiliated with the top executives. As argued by a company executive (C3), *"If you were the one that owns the major part of a company* (shares), *will you not employ those people that will protect your interest, for instance, your family and friends? Also, do you want to give your heritage and labour to strangers?"* Thus, the emergence of an insider system within the Nigerian market-based (outsider) system is not just a result of economic engagements (share acquisition) but a fulfilment of socio-cultural aspirations. A major implication of this for corporate accountability is that the achievement of '*good*' governance is entrusted to the managerial owners (insiders), who are also mainly affiliates. In this respect, rather than just the standard prescriptions of the global reforms, control, responsibility and intended corporate accountability are profoundly susceptible to the institutional conditions within Nigeria.

4.2 Corporate accountability and universal principles in Nigeria

In furtherance of the foregoing, in this section, we highlight our findings regarding Nigerian corporate governance practice, in light of the universal outsider principles of the global reforms. Our findings contest the applicability of the agency- theorised prescriptions of the global reforms, in this context. Specifically, our analysis reveals how corporate governance practices in Nigeria integrate with the universal outsider (TARIF) principles of *responsibility, independence* and *accountability,* given the prevailing insider system.

4.2.1 *Responsibility*

According to the OECD Spotlight, "corporate responsibility" refers to the actions taken by businesses to enhance the mutually dependent relationship between business and societies (Witherell, 2002, p. 9). "Shareholders, in fact, expect their corporations to meet society's demands, consistent with maximising the value of the firm" (Witherell, 2002, p. 9). Notwithstanding this definition, the global corporate governance reforms do not promote corporate responsibility in this vein. In line with the global attempt at standardising corporate governance, corporate management and responsibilities are regulated through the best practice prescriptions. These include formal mechanisms such as the board of directors (BoDs); board sub-committees; Independent (NEDs) directors; CEO duality; shares/voting rights, executive remuneration scheme etc (Weir et al., 2002; Brennan & Solomon, 2008; OECD, 1999, 2015). However, in support of the findings from a previous study (Gnan et al., 2015), this study reveals that, in Nigeria, a management-ownership mechanism results from the prevailing insider governance system which substitutes the standard board (BoDs) mechanism. In advancing this finding, our analysis indicates distinct ways by which the *responsibility* principle is demonstrated within such corporate governance. The main effect of the management-ownership mechanism in Nigeria is that a large proportion of the management of listed companies views these companies more as private or personal assets, rather than public entities. As a consultant (O7) cited*: "but in our environment, there is only a face appreciation of these corporate governance principles and the benefits of implementing. They say, 'It is my company, it's my money and my loss."* In this respect, a thin boundary exists between corporate and the social aspirations of executives (mainly managerial owners). Appointments to management roles are a means of fulfilling social contracts between insider owners and their associates or affiliates. Thus, corporate responsibilities are not only guided by corporate strategies but by managements'/shared values. For instance, "when *it comes to appointing directors, the chairman says I want so and so persons and that is it. There is no formal nomination process, which states, for instance, the blueprint for the board"* (Auditor - O6)*.* Also, as a company director (C12) stated "*If I know someone well and I believe that he(she) has my ultimate interest and that of my business at heart, I will bring him(her) on the board. As long as he(she) is qualified to do the job."* Consequently, our analysis indicates that in the Nigerian listed companies, managerial responsibilities do not strictly follow regimented (standardised) procedure, but rather encompass management's/social dogma. Notably, this situation undermines the technicalities of the global outsider (agency) governance. In this respect, this dominant approach to corporate responsibility in Nigeria poses a threat to the standardisation intents of the global reforms.

In the outsider system, one of the main mechanisms for aligning the interest of the agents with the principals are key corporate governance mechanisms such as the executive remuneration (compensation) scheme (Weir et al., 2002; Brennan & Solomon, 2008). While such a mechanism is suppressed in Nigerian corporate governance, this does not prevent the interests of agents and/or principals from being symmetrical with corporate goals. As cited by a company board member (C10) *"as your friend or family member, when you elect me on the board of your company, I am not only interested in the salary (compensation) you will pay me, I am even more interested in preserving our association. So, I will put in my best."* In the main, in Nigerian corporate governance corporate responsibilities are largely fulfilled in line with established social contracts. However, this promotes goal congruency in corporate responsibility in a manner contrary to the standardisation objective of the global reforms. Most interestingly, this insight queries the assumptions of the agent's self-interest or managerial opportunism (Fama & Jensen, 1983b), which reinforces the global reforms and accountability principles.

In insider systems, insider shareholders are postulated to typically dominate corporate governance (Peng & Sauerwald, 2013; Renders & Gaeremynck, 2012; Ward & Filatotchev, 2010). Equally, the insiders' significant influence in corporate governance is noted, in Nigeria. As noted, "*ownership structure is a major issue for us in our corporations, because you see, in Nigeria, the tendency is that whoever is in control will have to dictate"* (Director (regulatory agency) - R6). However, this situation is not found to contravene standard aspirations for corporate responsibility. That is, our findings do not suggest the expropriation of minority or outsider owners, in the insider system in Nigeria. Despite their supposed susceptibility, outsider (minority) shareholders are technically given necessary privileges in corporate governance. As cited by a minority shareholder (O2); *"the minority shareholders are actually allowed to vote in meetings and free to participate in any other corporate governance activities, but unfortunately our votes usually don't have a significant effect."* To this end, a situation of 'right disparities' between the majority and minority shareholders is revealed, in Nigeria. As our findings disclose, corporate responsibilities are in line with voting rights which invariably shift decision-making to majority owners. The main issue in the delegation of corporate responsibility is the *asymmetry of shareholdings* in listed companies which creates lopsided influence, in favour of the insider (majority) shareholders. Equally, despite the situation in Nigeria, our findings do not show the existence of typical problems associated with corporate governance systems, such as: '*agency conflict'* or '*expropriation'* of outsider (minority) owners and *'principal-principal (PP) conflicts'* (*see* Claessens et al., 1999b; Fama & Jensen, 1983b; Ward & Filatotchev, 2010). In Nigerian listed companies, insider owners and most executives, who are directly involved in management functions, are usually affiliates (family, friends, associates, cohorts, etc.). Although some respondents (20%) expressed concern that such an insider system may hamper appropriate adherence to the global best practices, however, most respondents (80%) noted that such a governance structure is more efficient in Nigeria. "*Company owners* *generally prefer their people (family or cohorts) on the board. The general belief is that relatives will be better at protecting their investments/company from being messed up* (ruined)" (Regulator (head of compliance) - R2). In this respect, the interest of top executives to check malpractices and self-interest in this corporate governance system goes beyond fiduciary responsibility as in an agency. Corporate governance is not a mere agency duty but a personal and/or social allegiance by management.

The Nigerian situation has strong implications for corporate responsibility and accountability, considering the conflict mitigation focus of the global reforms (*see* Aguilera, 2005; West, 2009; Witherell, 2002). While in many outsider (market-based) corporate governance systems, corporate responsibility is fostered by the outsider demanding accountability from insiders or managers, this is lacking in Nigeria. According to an auditor's (O3) evaluation of this scenario: "*their shares are so small ---- some do not even remember that they bought shares and are entitled to dividends."* Due to the relatively small proportion of the outsiders' shareholding, insider managerial shareholders are entrusted with corporate governance. However, the affiliations of insider owners with managers induce a strong sense of collective interest, ownership, and belonging. As stated by a company accountant (C8) *"when people have their family and friends on the management team, there will usually be an increase in loyalty. Normally, the family will do everything possible to protect the collective interest."* This situation aids in aligning any probable conflicting interests between the agents, principals and social expectations. In this respect, contrary to the expectations of the global reforms (Aguilera & Cuervo-Cazurra, 2004), effective corporate governance is not just the isolated effect of the standards prescriptions. Responsibility is viewed from the perspective of social contract or shared value, rather than simply from a stewardship perspective, as in standard corporate governance practices. To this end, although the insider system of corporate governance in Nigeria is largely symbolic of sociocultural values, however, corporate governance practice in Nigeria indicates the fulfilment of the social contract between the companies (majority (elite) owners) and the society. This outcome aligns with the OECD's broader aspirations for corporate responsibility and accountability (Witherell, 2002).

4.2.2 *Independence*

According to the global ideology of corporate governance, agency conflicts prevail in the market-based (outsider) system mainly because of dispersed shareholdings in companies. Consequently, the 'good' governance principles and global reforms are informed by this condition. Thus, the prescribed *independence* principle is expected to promote efficient corporate governance to protect the interest of the outsider (dispersed) shareholders (Kaptein, 2004; OECD 1999, 2015). As stated by the UK Corporate Governance Code (2016) "*The board and its committees should have the appropriate balance of skills, experience,* ***independence*** *and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively"* (p.10). However, the Nigerian insider governance structure of management owners and affiliates means that there is no clear separation of the board from the executives. This situation characterised by the '*merging of control and ownership,'* challenges the applicability of the independence principle of the global reforms.

As corroborated by a regulator (R2) *"Can I separate ownership from management? And where you cannot separate ownership from the control it becomes a big problem."* In essence, our study reveals that the independence principle is largely absent in Nigerian corporate governance. However, the insights from our study advance the understanding of how effective corporate governance is yet achieved despite this deterrent.

While the global outsider system emphasises independence, Nigerian insider corporate governance is characterised by relational (social) ties. In this insider system, corporate ethos is mostly built around individuals' or social value systems. As noted by a corporate governance consultant (O4): *"It is usually difficult to differentiate company goals from the goals of the major owners of these companies." "So, where you have a very strong personality at the helm of affairs, the institution takes on the personality of that individual"* (Company executive - C6). Also, according to a departmental head of a regulatory agency (R12), *"as a majority shareholder, when the board of some governing regulatory committees on corporate governance reforms are to be convened, the CEO will be asked to send his representative."* In this respect, Nigerian corporate governance contests the *arms' length (objectivity)* tenet of global best practices (Peng, 2003), which underpins the 'independence' principle (Joseph et al., 2014). With the centrality of relational business practices, corporate governance in Nigerian companies constrains the global reform agenda. Regimented organisational procedures are significantly suppressed, resulting in limitations to standard internal corporate governance mechanisms. For example, *"in Nigerian companies, many official undertakings are based on verbal agreements and mutual trust"* (Policymaker - R8).

Notably, the situation in Nigeria presents complexity for standardised prescriptions or isomorphism vital to the establishment of global best practices (*see* Meyer & Rowan, 1977; Maguire et al., 2004). While, in developed (market-based) institutional contexts, there are regimented external corporate governance mechanisms to complement the outsider system (Baums & Scott, 2005), such mechanisms are significantly lacking in developing SSA countries. As a director in a regulatory agency (R11) noted: "*when you have social factors heavily present in corporations, it is not so easy to regulate."* However, as our study shows, *informal internal* mechanisms result from the social subtleties of the insider system to compensate for the noted constraints in corporate governance mechanisms in Nigeria. Accordingly, as neo-institutional theory noted, institutions usually change basic organisational relationships in ways that require specific contextualisation (Filatotchev et al., 2013). Consequently, the prevailing insider (affiliate) system in Nigeria leads to a situation where corporate governance becomes mainly dependent on an emergent *interpersonal* framework (a form of ***relational contracting*** (Jeffries & Reed, 2000). *"Preferably, memoranda of understanding (MoUs) are more common among parties in Nigerian companies than legal agreements"* (Company secretary - C6). However, contrary to the underlying argument for the universal independence principle, the effectiveness of the corporate governance system is not found to be hampered in Nigeria. As a director of a regulatory agency (R11) stated, *"where the majority shareholders are the ones that nominate the independent director, how independent can that person be? ---- the fact is that, if you recommended me, it will be difficult for me to confront you, rather, I may think of a way to help you deal with that issue."* Thus, in Nigerian corporate governance, performances are driven by social obligations. In the insider system, the monitoring roles of the board are more disposed to implicit (informal) rules, based on social contracts, than explicit (formal) propositions of the global reforms. Thus, effective board strategies can be executed through an interpersonal framework that serves as compensation for the lack of independence principle.

4.2.3 *Accountability*

Accountability is a primary objective of global corporate governance reforms, given the underlying assumptions of self-interest by the agency theory. From the perspective of the global corporate governance reforms, the common interpersonal corporate governance framework in Nigeria presents a major challenge to corporate accountability. However, in Nigeria, governance responsibilities are conferred on affiliated insiders, who exercise much control over corporate executives, thus fostering the monitoring role. As a legal practitioner (O8) cited: *I believe that enforcing these corporate governance best practices is good. But, already in most of these companies in Nigeria, the top executives are well trusted by the major owners. So, these executives will go the extra mile to be loyal and accountable?* This finding is in line with an earlier study that states that often, majority shareholders in listed companies can remove erring managers with little restriction (Ahunwan, 2002). Traditionally, studies have sought to evaluate the functions of accounting within its economic, social and political environment (Cooper & Sherer, 1984). Arguably, Nigeria is left with a governance system that questions the applicability of the accountability principles of the global outsider reforms. However, our findings do not show that the emergent interpersonal framework in Nigeria deters corporate accountability. Thus, on the contrary, our analysis reveals that the interpersonal framework in Nigeria reinforces corporate accountability, *albeit* in a manner that is distinct from the expectations of the global reforms. As argued*: "If I am a CEO of an organisation and you asked me to send a representative, I will send the one that is loyal to me, someone that can defend my interest. This can erode independence, but would also improve decision-making and accountability on an issue"* (Senior Regulator - R12). In this respect, our insights enrich previous research that argues that rather than a mere response to global isomorphic pressures, governance is a representation, as well as a manifestation, of how ownership and board structures are institutionally reproduced (Mohamad-Yusof et al., 2018).

Essentially, our study contests that the Nigerian interpersonal framework redefines corporate accountability. Informal institutions are patterns of interaction emerging in reaction to constraints and opportunities in the formal institutional system (Tsai, 2011). Whereas the global reforms prioritise the outsider shareholders' interests employing the standard prescriptions (Joseph et al., 2014), such priority is not exhibited in Nigerian corporate governance. Rather than prioritising outsider (minority) shareholders' interests, their interests are internalised by the interpersonal framework. As cited by a company executive director (C9) *"It is safer in Nigeria to have family members and relatives as executives of companies. I have seen a lot of cases of malpractice. It is usually in the best interest of everyone when the owners and their relatives manage their companies by themselves. Nobody can protect an investment better than the beneficiaries."* In Nigeria, the insider governance system engenders an enhanced sense of ownership and responsibility, which spurs corporate accountability. Due to the interpersonal (relational) corporate governance framework, a heightened degree of commitment among insiders and managers to pursue corporate aspirations is established.

Against the foregoing, corporate governance in Nigerian listed companies is symbolic of shared values (systemic ideologies). Corporate governance and accountability mirror the shared values (systemic ideologies) about espoused *'good.'* Our insights provide an understanding of how the social system in Nigeria is reproduced in corporate governance. The functionalities of the emergent interpersonal framework substitute the universal principles of the outsider system while complementing the mechanisms. Table II below highlights this interrelatedness which redefines efficiency and accountability in the insider system, in contrast to the prescriptions of the outsider system.

Table II: A Comparative View of the Agency (Outsider) Mechanisms vis-à-vis the Relational (Insider) System

Internal	**Outsider/Agency - Standard Mechanisms**	**Insider/Relational – Interpersonal Framework**
1	Board Structure/Composition/ CEO Duality	Management-Ownership Mechanism/Loyalty/Family Values
2	Independent Directors	Relational Framework/Shared Value/Social Aspirations
3	Executive Incentive Scheme	Sense of Heritage/Sense of Ownership/Social Contract/Sense of Social Wealth
4	Corporate Responsibility	Sense of Ownership/Sense of Belonging/Mutual Understanding/Personal Alliance
5	Internal control	Shared Value/Social Obligations
External		
1	Shareholder Activism and/or Accountability	Social Acceptance/Social Relativism/Social Alliance/Elitism
2	The market for Corporate Control and/or Reporting	Social Contract/Social Legitimacy/Elitism

As shown in Table II above, within the insider system in Nigeria, affiliations of owners and management re-echo the shared values from the social system (*see* Amaeshi & Idemudia, 2015; Nussbaum, 2003). Strong social connections are created because of these shared values. Ultimately, such resultant social connections make sure corporate interests are pursued, which equally secures the interest of outsider owners. In addition, besides the social connections, outsider owners' trust regarding the efficiency of corporate governance is enhanced, by the prevalent elitism ideology (Nakpodia & Adegbite, 2018) in Nigeria. As noted by a respondent company consultant (O9) "*As a shareholder* (outsider)*, I believe family members run companies better. Is there anyone in his/her right sense that will deliberately destroy his/her family heritage? So, I don't have any concern about the quality of their corporate governance*." The prevailing insider system in Nigeria signals to outsider owners the safeguard of their investments. This in turn engenders corporate legitimacy and acceptability from outsider owners resulting in corporate governance being easily entrusted to insider affiliated owners. Consequently, this diminishes the dependence on agency-theorised principles for corporate accountability in Nigeria. The systemic ideologies (share values) provide a cognate description of '*good*' in Nigeria which substitutes the universal ideology of accountability. Thus, while global best practices such as implementing the standard outsider mechanisms are yet adopted in Nigerian listed companies, their significance is largely moderated by the prevalent insider system.

In the main, the foregoing analysis reveals that despite efforts to adopt global reforms, corporate accountability in Nigeria is significantly shaped not only by the institutions but also by symbolic and systemic factors. First, the prevalence of the insider governance system, which constitutes a major challenge to the integration of the outsider system is symbolic of the socioeconomic issues in Nigeria (*see* Amao & Amaeshi, 2008; Adekoya, 2011; Arowolo & Ahmad, 2017). The wide disparity in shareholdings in Nigerian listed companies involving concentrated ownership by a few insiders (elites) and highly dispersed minority outsiders is a key reflection of such socioeconomic issues, particularly emanating from wealth inequality. As stated, "*If only we have a fairer distribution of wealth here, governance best practices will be better implemented*" (Policymaker - R9). In this respect, most respondents question whether the global regulatory framework considers the key features of Nigerian corporate governance. For instance, as a corporate legal counsel (C2) suggested, "*Nigerian listed companies consist of a lot of concentrated owners. It is very important for the corporate governance system to substantially recognise and incorporate this matter, amongst other things."* Second, most importantly, the principles of the outsider system are profoundly challenged by the sociocultural system in Nigeria. The continual reliance on relational and interpersonal frameworks shows the retention of systemic ideologies/shared values vis-à-vis the universal principles. The shared value basis for corporate governance in Nigeria promotes corporate responsibility in light of societal expectations which satisfies the overview of 'good' governance as recognised by the OECD (*see* Witherell, 2002). However, the standardised/universal principles fail to capture such social dimensions in insider systems across the SSA, and possibly other institutional contexts, though acknowledged by the OECD.

Against the backdrop, respondents complained about the relevance of the agency-theorised universal governance principles in instigating 'good' governance in Nigerian corporate governance. As a company secretary (C11) cited, *"there are no issues with the availability of corporate governance codes in Nigeria, but they don't seem quite effective."* While the global pursuit of 'good' governance has instigated convergence in corporate governance, '*the normative question of whether such convergence should occur remains unanswered and is often not raised'* (West, 2009, p.107-8). Also, it is argued that institutional pressures do influence the voluntary adoption of international accounting standards (Guerreiro et al., 2012). This study indicates that while the principle of accountability is integral to corporate governance reforms, it defies a universal approach. Correspondingly, the functionalities of alternative governance scenarios, such as the interpersonal framework of the Nigerian insider system, are not acknowledged by the global reforms. As a company board member (C10) equally cited*: "codes are not just sufficient on their own. I don't think the codes match the governance system in our companies."* Also, as noted, "*codes are* *important, but do we consider the governance structure of our public companies in Nigeria before we initiate these codes?"* (Company executive - C5). To this end, as recommended: *"----- in a developing country like Nigeria antecedents such as poverty, social inequality and poor standards of living relatively put best practices at risk and should first be tackled"* (Corporate governance consultant - O7). Thus, the need to identify institutional and social (systemic, symbolic) systems or values in global corporate governance reforms for corporate accountability, is suggested by this study. Our analysis contends that this is necessary for a '*feasible*' or *'adapted'* or '*sustainable*' (*see* Aguilera, 2005), rather than an *'adopted'* management framework.

5. Conclusions

This study investigates the extent to which the prescriptions of global outsider reforms integrate with the prevalent insider (concentrated ownership) corporate governance structure in the SSA and the implication for corporate accountability. Our study promotes the neo-institutional framing of corporate governance (Barbu & Baker, 2010; Bottenberg et al., 2017; Ntim & Soobaroyen, 2013; Suddaby et al., 2013; Zara & Delacour, 2021; Zilber, 2002) by highlighting the implications of social systems for the isomorphism of organisational practices such as in the global reforms. This is a useful contribution since most studies on corporate governance reforms have focused on the effectiveness of formal internal mechanisms with little attention paid to the implications of the social system on isomorphism and accountability (Brennan et al., 2016; Brennan & Solomon, 2008; Joseph et al., 2014; Krenn, 2014; Thornton et al., 2012). Our analysis shows that, beyond mere global prescriptions, corporate governance efficiency in insider systems is a function of sociocultural aspirations from the institutional context. As shown in Nigeria, although there is repression of mainstream agency obligations, insider governance draws more on informal social dynamics. Thus, systemic ideology (shared value) is notably mirrored in the course and perceptions of efficiency. This replication of the social system in corporate governance propels legitimacy, prevents conflicts, and promotes acceptability from outsiders. In essence, our findings indicate that in the insider system, as opposed to the outsider alternative, there is a greater tendency for the description of accountability to denote shared/social values. To this end, the significance of universal principles and the canvass for isomorphic practices towards corporate accountability is questionable. We argue that uniform prescriptions for corporate accountability in global reforms are limiting.

Against this backdrop, our study enriches the literature by revealing that the insider system is more susceptible to social dynamics, symbolic and systemic factors from its context (Scott, 2001, 2008). Research has revealed the importance of examining the interrelationship between different roles of actors to better understand institutional change (Zara & Delacour, 2021). Specifically, in advancing a previous study (*see* Gnan et al., 2015) our findings enable explicit explanations of how social dynamics, symbolic and systemic factors impact corporate governance in the insider system. In Nigeria, social dynamics resulting from the affiliations of family-insider owners and managers create a heavy dependence on an informal *interpersonal* framework in corporate governance. Rather than the standard principles of the global outsider system, shared values (systemic ideologies) underpinned governance efficiency, whereby the notion of accountability is redefined. Accordingly, as West (2009) noted, there is a moral aspect to corporate governance portrayed by the quest for global reforms *'to increase transparency and accountability, the prevention of fraud, the discussions of directors' responsibilities, the rights of shareholders and stakeholders'* (p107). The continuous prevalence of insider governance within the outsider (market-based) system in Nigeria is symbolic of socioeconomic conditions, such as wealth inequality, social stratification and sociocultural factors, such as shared value system; elitism; value for extended family system and large family practice etc. The preceding situation is more profound in developing countries such as those of the SSA, where there is a blurred distinction between corporate and social values (*see* Kimani et al., 2021).

Furthermore, this study contributes to the literature on corporate governance reforms in SSA (Ahmed & Uddin, 2018; Ntim & Soobaroyen, 2013; Tsamenyi et al., 2008; Uddin & Choudhury, 2008; West, 2006). Some have argued that African enterprises face the challenge of translating their commitment to standards of good governance into organisational practice (Rossouw, 2005). Most codes of corporate governance in Africa fall short, as they provide very little guidance on how business ethics should be institutionalised in enterprises (Rossouw, 2005). Previous findings from SSA show that the adopted corporate governance framework, which should compel family directors to act in the best interests of general shareholders, has failed in changing complex internal structural set-ups (Ahmed & Uddin, 2018). By explaining how social, symbolic and systemic factors are represented by practices within the insider system and how this affects the standardisation of global reforms, our findings advance the literature on why generic codes may be impracticable.

This study also advances policy debate on the convergence or harmonisation (isomorphism) of corporate governance practices. Our analysis brings to the fore the variabilities in corporate accountability and how this can be influenced by wider socioeconomic and sociocultural factors. In this respect, our analysis reveals the implication of the situation in Nigeria for isomorphism in global reforms. While the dominant agency theory-based reforms are implemented in Nigeria, this has not converged corporate governance to the market-based (outsider) ideology. Although, it could be argued that there is convergence, given the adoption of the global market-based mechanisms, however, such convergence has failed to occur in principle. In this vein, our insights contribute to the comparative literature on the standardisation of corporate governance (Krenn, 2014; Yoshikawa & Rasheed, 2009), by questioning the ethics of the diffusion of uniform best practices across all institutional contexts (Clarke, 2016; West, 2009). We reveal specific illustrations of how the prevailing corporate governance practices in SSA significantly resonate more with the socioeconomic/cultural factors, than the global regulations. This finding has profound implications for the standardisation of '*good*' governance principles or best practices. Specifically, our analysis contends that not all the universal TARIF principles are of weighty significance for governance efficiency and accountability in the insider system. This casts doubt on the globalisation of the outsider governance system, in terms of receptivity, applicability and efficacy.

This study further has implications for corporate governance policy by outlining how similar prescriptions for corporate governance reforms can become contextualised (Guerreiro et al., 2012; Johed & Catasus, 2015; Kimani et al., 2021). The overarching justification for the global reforms is that diffused ownership often signals a tendency for manipulative managerial behaviour (Donnelly & Lynch, 2002). Still, our study contends this justification. Based on the prevalent insider governance within market-based systems, as in Nigeria, corporate governance problems and the proposed global remedy might be largely presumed. As our analysis reveals, the proposed mechanisms (or principles) such as the duality of the chairperson/CEO (responsibility principle) and the presence of NEDs (independence principle) are not of equal significance in all corporate governance scenarios. Furthermore, from the above policy perspective, our insights challenge the idea that corporate governance efficiency and/or accountability should be universally prescribed. In Nigeria, our analysis reveals that the universal TARIF principles are somewhat redundant towards corporate governance efficiency. It has been debated whether a rational model of decision-making, based on conventional proposals to reform corporate governance, is enough to prevent future corporate failures (Marnet, 2007). Also, as West (2009) argued *'it is clear, however, that while corporate governance works to the betterment of society, judgments vary regarding exactly what this means, and consequently how it can be achieved'* (p.113). Accordingly, our analysis shows that beyond the launch of *'good'* governance standard prescriptions, national and institutional circumstances should be precursors to deciding corporate accountability. As such, corporate governance reforms in developing African countries, such as Nigeria, need to move away from a strict focus on global market-based prescriptions. In light of the evident contextualisation of the agency-theorised principles in Nigeria, there is a need to re-evaluate the universal descriptions for corporate accountability. This is especially important since variants of *'good'* would arise due to differing value systems and social aspirations, across countries (*see* Witherell, 2002).

We also contribute to management practice. First, we provide an account of how wider socio-economic factors can affect corporate governance practices and redefine efficiency/accountability. A previous study has found that family owners have a dominant presence in all aspects of corporate governance in less-developed countries (Uddin & Choudhury, 2008). In such a context, boards of directors could serve the interests of families more significantly than those of general shareholders (Uddin & Choudhury, 2008). We expand these earlier findings by specifically investigating the functionalities of an affiliated insider system in Nigeria and the implications for corporate accountability. As our study indicates, the global prescriptions are less suited to the ideology of the insider owners in Nigeria. A major impact of controlling (insider) shareholders is usually the expropriation of minority (outsider) shareholders (Claessens et al., 1999b). However, in advancing an earlier study (Gnan et al. 2015), our findings indicate that in the absence of traditional agency contracts, as in the insider governance system, a social contract among key corporate actors emerges as a substitute. Such a sense of social obligation facilitates stewardship in a manner that the primary rationales for the global outsider reforms are largely redundant. In addition, the prevalent *interpersonal* framework in Nigeria emphasises the importance of *informal* mechanisms (Barbalet, 2023), in business management. The implications of *informal* mechanisms are less acknowledged, vis-à-vis *formal* ones. However, as our analysis reveals, such mechanisms could be as, if not more, significant as the standardised ones for corporate governance efficiency. As noted, international accounting harmonisation extends accounting decision-usefulness and representational faithfulness, but this only reflects an instrumental stance towards corporate activity and its impacts on communities (Lehman, 2005). Therefore, business practitioners should note that beyond isomorphism, adjusting for the effects of institutional (social- systemic and symbolic) factors would enhance efficiency and/or accountability. As institutional factors can often be beyond the control of companies, there is a need to acknowledge, mitigate or leverage their effects in management practices.

Last, while our neo-institutional perspective has helped in highlighting the interactions of institutional, organisational micro-dynamics and macro-economic issues, in the SSA, we acknowledge some limitations of this study. Our single-country analysis might not entirely capture all scenarios of the insider corporate governance system in the SSA or developing countries. Our qualitative research approach has also not allowed an examination of the relationship among a range of institutional factors and their effects on the proposed market-based (outsider) reforms in Nigeria. Besides, our analysis has not delved deep into the Transparency and Fairness '*good*' governance principles. Further studies could operationalise these ideas to investigate their implementations in insider systems. In this respect, future studies could seek to measure the sensitivity of the interpersonal/informal framework to a wide range of endogenous (contextual, social, systemic, symbolic) factors, to promote our understanding of efficiency and accountability in the insider governance system.

Endnote

1. This categorisation includes services, utilities, oil and gas, conglomerates, natural resources, information and communication technology, industrial goods, healthcare, financial services, consumer goods, construction/real estate and agriculture. (*See* Nigerian Stock Exchange-NSE). http://www.nse.com.ng/Listings-site/listed-securities/listed-companies Accessed February 12, 2015

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Appendix

<u>Appendix A</u>: Sample of Interview Questions

- Can you describe existing practices/system of corporate governance in Nigeria?
- What are the processes of implementing the global CG reforms or best practices in your company/sector/Nigeria?
- What are the implications of these reforms for existing CG system in Nigeria?
- What CG practices changed and what has not changed in your company/ Nigeria?
- If applicable, and why has this not changed?
- Any issues in relation to peculiar CG practices in Nigeria?
- Are the practices comparable with the developed countries/other similar contexts?
- Do you feel the CG recommendations apply to this developing country?
- Do these best practices/reforms reflect national circumstances/issues in Nigeria?
- In what way has the Nigerian corporate governance reforms scheme helped to (or otherwise) actualise the good governance propositions?
- What are the challenges to these best practices/reforms in Nigeria, If any?
- What are the priorities/concerns in corporate governance mechanisms/practices in your organisations before the initiation/ implementation of these CG reforms?
- Were the outcomes of these reforms in accordance with your original expectations?
- To what extent are the outcomes able to address the challenges or major priorities/concerns in your CG structure and practice?
- If applicable, can you discuss how OR in what ways these concerns were not addressed?
- Can you give any recommendations for CG reforms in Nigeria?
- Any other matters concerning the relevance of the global CG reforms?

Title page

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