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International Conference on Accounting Studies (ICAS) 2015
17-20 August 2015, Johor Bahru, Johor, Malaysia

Corporate governance and sustainability practices: Evidence from Nigeria

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Abstract

This paper strives to explore the relationships between corporate governance (CG) and sustainability practices (SP): both two concepts have continued to draw attention due to their importance for the continued operation of businesses. In view of that, the paper seeks out to investigate the interrelationship between them using a sample of top oil companies in Nigeria. In-depth interviews were conducted with the management of the six oil companies in Nigeria. The interviews sought to elicit more information on corporate governance practices, ideas and opinion from the respondents on the sustainability practices. The interviews were based on both close-ended and open-ended questions and included questions about corporate governance and sustainability practices and the link between the two. The findings suggest that the popular view of the managers perceive CG as essential for sustainable development practices in businesses. The findings shows all the companies are into philanthropic social responsibility practices. The study suggests that the relationship between the two is overlapping as such there is need to exercise conscientious efforts on their agendas, though the finding is limited to a small sample size and it comes from one industry.

Keywords: Corporate Governance, Sustainability Practices, Stakeholder, Nigeria

1. INTRODUCTION

Since three decades ago, corporate governance has become a priority for both the business and international communities (Rossouw, 2005). The prominence of corporate governance is further highlighted due to the series of corporate collapses that brought the need for change around the globe. These failures that have been witnessed since the 1990s and of recent happenings in the Nigerian banking sector that got corporate governance subjects to the front position in almost all countries which made them to adopt a corporate governance practices to address the weaknesses. These practices were recommended by international organisations like the OECD and respective country codes.

Corporate organisations are operating in ever more complex systems that are subjected not only to commercial and economic pressures, but also social and environmental pressures from governments, shareholders, investors, creditors, suppliers, civil societies, consumers, managers and workers. A number of these impacts are external to the company, like explicit government requirements or more general expectations of social legitimacy (DiMaggio & Powell, 1983; Wood, 1991). Other influences on social performance are internal to a company, often reflecting the commitments of key managers (Greening & Gray, 1994; Miles, 1987). Corporations' responses to expectations of responsible behaviour can also vary (Oliver, 1991). In some cases, pressures of social responsibility may perhaps create significant changes that are incorporated into the systematic affairs of the company. In other situations, as argued by Meyer and Rowan (1977) corporate responses to pressures for

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responsible behaviour lean towards "window dressing," reactions that can easily be decoupled from normal, on-going organisational activities. An organisation is said to be socially sustainable when it, internalise social costs, maintain and grow the capital stock. Kaptein and Wempe (2001) argue that socially sustainable companies are those that are seen to be fair and trustworthy by all stakeholders.

2. CORPORATE GOVERNANCE

There are numerous definitions of corporate governance. For example, O Donovan (2003) defines corporate governance as “an internal system encompassing policies, processes and people, which serve the needs of shareholders and other stakeholders, by directing and controlling management activities with good business confidence, objectivity, accountability and integrity”. Zingales (1998) cited in Newman (1998) define corporate governance as a complex set of constraints that shape the ex post bargaining over the quasi-rents generated by a firm. Hussey (1999), describes corporate governance as the way in which organisations are supervised and the nature of accountability of the managers to the proprietors. Cadbury (1992), define corporate governance as a “system by which businesses are directed and controlled.” According to Sir Adrian, corporate governance is “concerned with holding the balance between economic and social goals and between individual and communal goals… the aim is to align as nearly as possible the interests of individuals, corporations and society” cited in (Nmehielle and Nwauche, 2004).

Therefore, the concept implicates rules and regulations that assure that a company is run in an open and a responsible modus such that it continues as a going concern and meets the aspirations of its stockholders, financiers and other stakeholders (Cheffins, 1999) as cited in (Nmehielle & Nwauche, 2004).

According to Spitzeck and Hansen (2010), this view has been taken up by stakeholder theorists like Freeman, 1984; Donaldson and Preston, 1995; Letza et al. (2004). They argued that stakeholders are essential for the continued existence of the business and they need to be considered in the system. Jensen (2001), claimed that other advocates of agency theory recognise these days that stakeholder interests need to be considered in ‘‘enlightened’’ governance arrangements. It could be stated that the corporate governance system has laid down the sharing of rights and obligations between the diverse contributors of the organisation, for example the directors, executives, equity holders and other stakeholders, and disclose the conventions and processes for corporate decision making. Zu (2007), claimed that doing such, affords the system through which the firm’s aims are set, and the way of reaching those targets and observer performance.

Equity holders may be individuals, institutional investors, and family holdings that can considerably impact corporate actions. Institutional investors as equity owners are ever more demanding for corporate governance in organisations. Ordinary shareholders generally don’t get into governance, and then could be extremely worried on getting fair action from the management and core investor. On the other hand financiers’ role is vital in the structure as they are the outside observers on the performance of the organisation. The workforce and other stakeholders take on a significant part in assisting the organisation to accomplish its aims, whereas governments provide the formal and legitimate structure for corporate governance.

3. SUSTAINABILITY PRACTICES

According to Dobson (1996) Sustainability is a term that has been applied and interpreted in substantially different ways. Crane and Matten (2007) indicated the most common usage of sustainability is in relation to sustainable development, as defined by UNWCED (1987) “development that meets the needs of the present without compromising the ability of the future generations to meet their own needs” (cited by Bebbington & Thomson, 1996).

The perception of sustainability has been widened to include not only environmental reflections, but also the economic and social reflections (Elkington, 1998) as cited in Crane and Matten, (2007). Elkington advocated the Triple Bottom Line (TBL) as it symbolises the notion that business is not having a single objective- specifically economic value, but it has objectives that include environmental and social values too.

The basic ideologies of sustainability from the environment viewpoint concern the effective management of physical resources so that they are conserved for the future. The economic concept would focus on the long-term economic performance of the entity itself, and whilst the key issue in the social perspective is social justice.

After review of work done by (WHO, 2005; Ngwakwe, 2009) the study, identified sustainability as the capability of the organisation to uphold an impartial balance between economic prosperity, environmental protection, and social development. The notion is that if an organisation must attain its long-term economic goal, then the environmental and social responsibility part of the triple bottom line goal should not be neglected for sustainable economic development.

4. SUSTAINABILITY PRACTICES AND STAKEHOLDERS

According to Mallin (2009), CSP denotes to the manner in which companies align its beliefs and actions with those of its different stakeholders. It is related to a liberal range of relations in the midst of the organisation and its numerous stakeholders and its surrounds (Crisóstomo, et al., 2010). The stakeholders of an organisation include the titleholders, employees, consumers, contractors, government and many others that are indirectly or directly associated with the organisation. These sets of people each have rights or a concern in the processes and resolutions of the organisation. They are viewed, according to Prior, et al. (2008) as a collection that tolerates a number of risks as a consequence of funding the financial and human resource in the organisation.

Burchell (2008) advocates, that the perception of stakeholder personalises community responsibilities. This occurs by setting specific individuals or person's business ought to consider in its SP orientation. Furthermore, he suggested that managers are faced with the chore of sorting out the meaning of each stakeholder entitlements. It was reasoned that two central criteria employed are, the shareholders' legitimacy and shareholders' power. Although, the win-win result is not possible all the time, then, it is management's burden to make sure that every primary stakeholder attain their purposes, so also other stakeholders must also be fulfilled (Burchell, 2008).

Academics have recognised that SP an important element of the dialogue concerning businesses and their stakeholders (Bhattacharya, 2009). This is since it contains the strategy for long-term success of the corporation. Profits hinge on to a large volume on reputation which too is subject to how the company is set to behave in a socially responsible manner (Henderson, 2009). The majority of public companies are not just engage in a social responsibility project, but also commit significant resources to reporting SP to their stakeholders (KPMG, 2003 cited in Bhattacharya, 2009). As illustrated by Bhattacharya (2009), the business circumstance for SP is buttressed in scholarly writings. It is the belief that an organisation's venture in SP initiatives can be responsible for incomes for the occupation, and also that the stakeholder's reward SP doings of such corporations.

In the assessment of a business management from the point of view of social responsibility, Tokoro (2007) believes that the actions of the shareholders constitute a major restrictive factor in a corporation's activities. He therefore put forward that, SP is to be measured by means of a CSR framework which consists of a triple bottom line of economic, environmental and societal topics. He further adds that actions have been taken by shareholders to participate in the role of socially responsible investment (SRI) funds. This approach to investment considers the environmental and social factors as well as the financial performance when selecting the company in which to invest. A tool known as "negative screening" is used in the selection process which involves the evaluation of companies based on ethical criteria and elimination of companies engaged in unacceptable ethical corporate activities.

4.1 Arguments against Sustainability Practices

Friedman (2002), echoes that the one and only responsibility of business is to generate profit for its shareholders provided they act within the rules of the game. Henderson (2009) considers that SP is injurious to both individual firms and the entire economy. He indicates that the putting into practice of SP raises cost and mars the functioning of the company because organisations tend to redefine their starring role, aims, and operation to follow a common end which is shared by all stakeholders. Henderson (2009) went on to say that executives of companies have to explain for the extensive mixture of purposes and get involved in the innovative practice of sustainable development. In addition, he argues that sustainable development has three individual scopes – economic, social and environmental which is not a clear concept because as no such path of corporate good point exists. Thus, he thinks that it is incorrect to accept that the universe would be a healthier spot as far as companies commit themselves to sustainability practices.

Besides, Henderson (2009) claimed that SP indicates the universe is progressively over-determined. This can be gathered from what is on the ground that its costs to organisations far exceed the benefits organisations derived from it. Thus, it can be guessed that organisations participate in SP for the reason that it has grown into an established rule in the people where they function. According to Henderson (2009), SP holds back the growth of poor nations. In other words, work prospects are controlled due to the monetary value of financing in SP. He reasoned out by expounding that by engaging into SP companies will cause the world to be poorer and overregulated even if it will ameliorate the fiscal status of some organisations.

However, various researchers have questioned such an optimistic outcome. Preston and O'Bannon (1997) indicate that managements are chasing short-range policies that stress on the financial effect instead of long-standing social matters. It was remarked that such activities are taken out by mangers recently hired that want to attain more seniority. In addition, Prior, et al. (2008), emphasise that handling affairs of a wide circle of stakeholders with differing objectives can result in an extremely inflexible and resource-consuming to the organisation. This, in essence, may impair on the performance of the organisation since diverse (sometimes conflicting) goals could defer the process of decision making in the organization. Similarly, Jones (1995) cited in Prior, et al. (2008) probed such actions of managers. He continued that such exercises are directed at filling stakeholders' interests, which simply contributes to the disadvantage of the company's fiscal results.

Again, Aupperle et al. (1985) maintained that social responsive activities may siphon the company's resources and capital and placing it at a detriment when compared to those related to less socially responsive companies. It has also been argued that management are after their own personal objectives to the disadvantage of shareholders and other stakeholders (Weidenbaum & Vogt, 1987). In the same way managerial opportunism according to researchers like Alkhafaji, 1989; Posner and Schmidt, 1992 as cited in O'Bannon (1997) pursue of personal managerial objectives in the context of compensation schemes linked to short term profit that leads to a negative association between financial and social performance. This means when corporate performance is high, managers attempt 'to cash in' by decreasing the expenditure on social activities in order to take the gain of increasing their own short term personal gains. And when, corporate performance is weak, managers do try to justify the results by engaging in noticeable social activities.

4.2 Arguments for Sustainability Practices

Freeman (2010), argued that social responsibility leads to competitive advantage, as the increase in social responsibility will improve the relationship with their stakeholders. In the same way, Prior et al. (2008), indicated that getting involve in SP activities has an affirmative outcome on the company's reputation since it addresses matters on protecting the environment, personnel management, relationship with clients, health and safety at work, and community relations. As a resolution, stakeholder satisfaction is heightened and the company is steered against stakeholder activism and attention. Furthermore, he claimed that the release of facts on corporate behaviour and engagements on social responsibility assists to establish an encouraging image amongst stakeholders. The reason for that is not far from stakeholders have approved businesses that considers their interest and make available to them valuable information to make economic decision.

By considering the sustainability practice option, a company will gain the backing of its stakeholder groups. Such support includes favourable media coverage and endorsements from activist groups and from the community (Prior et al., 2008). Similarly, Henderson (2009) discloses that SP inspires for more loyalty and devotion amongst employees. Hence, it assists in the staffing of competent and hardworking staff. The putting into practice of the SP by companies signifies enlightened self-interest, which means a way of conveying to the public the ideas the company has for the community, today and in the near future. This guarantees on-going public backing for free enterprise system. Hence, SP actions are seen to be potent instruments for development and growth in the company.

Stakeholder theorist, according to Preston and O'bannon (1997) believed that meeting the needs of various stakeholders will eventually lead to favourable corporate performance. Similarly, Cornell and Shapiro (1987) as cited in Preston and O'Bannon (1997), argued that failure to meet the expectations of the stakeholders will bring about fears in the market and this will increase the risk premium of the company and will results in increase costs and lower the profit. Profits hinge on to a great sum on reputation which moreover rest on in what way the company is determined to behave in a socially responsible manner (Henderson, 2009). Also, Cornell and Shapiro (1987) as cited in Preston and O'Bannon (1997) argued that by aiding the implicit claims of stakeholders, it enhances the reputation of the company in such a way that there is a positive effect on the corporate performance and vice versa. Furthermore, Epstein (2008) asserted that growing shareholder value is a fundamental goal of most businesses and executives have recognised that shareholder value can be improved when the value of employees, suppliers, clients, society and other stakeholders is created.

Solomon (2007) claimed that overlooking the wants of stakeholders could make corporate performance low and even lead to corporate failure. He illustrated that corporations that are effectively managed are likely they have a good environmental management system and high levels of stakeholder dialogue and engagement. And any company with bad stakeholder relations could be characterised by poor management and consequently poor corporate performance.

In a recent survey by Accenture in 2012 that covers eight markets around the world to explore the relationship between sustainable business and commercial growth, many companies are placing the stewardship of the environment and society at centre stage of their operations which made them to be better placed to improve their reputation, comply with regulations and reduce costs.

One might suggest that shareholder value analysis offers an enticement for sustainability managers to engage in investment openings to create shareholder value. Therefore, by identifying and including broader and longer-term social and environmental impacts that affect corporate profitability into a single performance measures like shareholder value analysis, management can improve the likelihood that a business sustainability objectives will be pursued.

5. RESEARCH METHODOLOGY

In trying to explore more details on these relationships, a series of interviews were conducted with top management staff of the six oil companies. The interviews were conducted in English and took an average of an hour each, was tape-recorded, written down and bring together in a form of case study addressing the three areas of CG practices, SP, and their links for each company. The interviewees include executive directors in charge of finance, general managers, secretariat staffs and heads of corporate social responsibility. Of the 6 interviewees, 2 are company sectaries and have more than 5 years of experience in the job, while the remaining 4 are very senior persons in the finance department holding the position of either executive director or senior manager position. In fact, all Interviewees have a postgraduate degree and professional qualification relevant to their area of specialisation. That means, all the interviewees are qualified and have the capability to answer the interview questions. The selected companies are classified into two groups as shown in Table 1.

Table 1. Selected Companies

S/N	Company	Wholly Owned by Nigerians (GROUP *I*)	Partially owned by Nigerians (GROUP *II*)
1	Conoil Plc	X	
2	Forte Oil Plc	X	
3	Mobil Oil Nigeria Plc		X
4	MRS Oil Nigeria Plc	X	
5	Oando Plc	X	
6	Total Nigeria Plc		X

Audio recording was taken during every interview, and transcribe immediately. The interviews sought to elicit more information on corporate governance practices, ideas and opinion from the respondents on the sustainability practices. The interviews were based on both close-ended and open-ended questions and included questions about corporate governance and sustainability practices and the link between the two. The interview data resulted in four categories that include:

- Corporate Governance Practices;
- Sustainability Practices;
- The link between corporate governance and sustainability practices;
- Benefits of corporate governance and sustainability practices;

The results are presented and analysed in the following sections.

6. CORPORATE GOVERNANCE PRACTICES

The interviewer administered a total of 25 questions that covers corporate governance and sustainability practices. This section discusses interviewees understanding of corporate governance, sustainability practices and their relationship that impact the firm performance from a qualitative perspective to support.

6.1 Ownership Structure

The first corporate governance mechanism examined is the ownership structure in the listed oil companies in Nigeria.

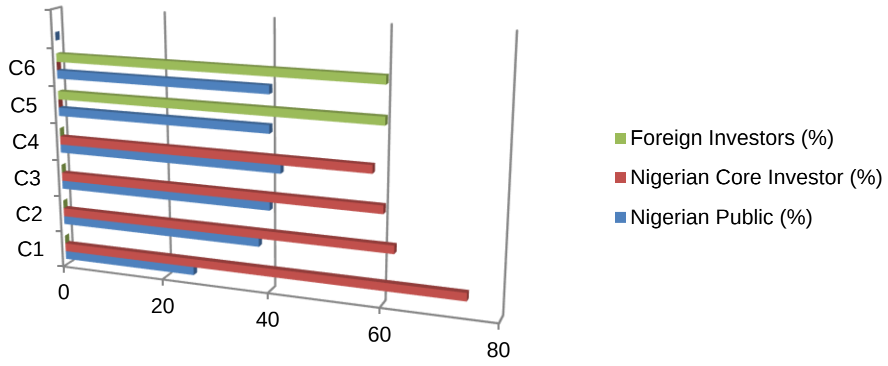

Figure 1: Ownership Structures of the Listed Oil Companies.

From figure 1 above, it shows that the companies are characterised by large shareholders. The Nigerian public investors in the group ***I*** companies range from 25.6% to 42% with an average of 36.4%, while from group ***II***, it is 40%. The core investors in the group ***I*** range from 58% to 74.4% given an average of 63.6% as against the average in the group ***II*** that have an average of 60% major shareholders.

The group ***I*** companies claimed that their major shareholders have impacted positively to the performance of the companies through constant monitoring. The group ***II*** companies stated that being subsidiary of foreign companies, they have stable ownership structure that brings along with it expertise and technology transfer to the companies. Overall, the interviewees suggested that the large shareholders in the companies have brought robust relationship with all stakeholders through information disclosure. This finding is in support of the Shleifer and Vishny (1997) result that found the presence of large shareholders in a firm leads to better monitoring and better performance.

6.2 Board Composition

The second mechanism addressed is the board composition in the listed oil companies. All the interviewees from the six companies stated that the companies have both executive and non-executive directors with only one company that have independent directors on their board. The (Sec (2003), 2011)) recommends that the board of a company ought be adequate in size in relation its scale and involvedness of operations and should be constituted in such a manner that ensure mixture of experience devoid of conceding objectivity, compatibility, uprightness and availability to attend meetings. Furthermore, the Nigerian code requires public companies to have on their boards a combination of executive directors and non-executive directors. The code continued to state that the non-executive directors should be in majority and that one of them ought to be an independent non-executive director. Figure 2 shows the board composition of the listed oil companies in Nigeria.

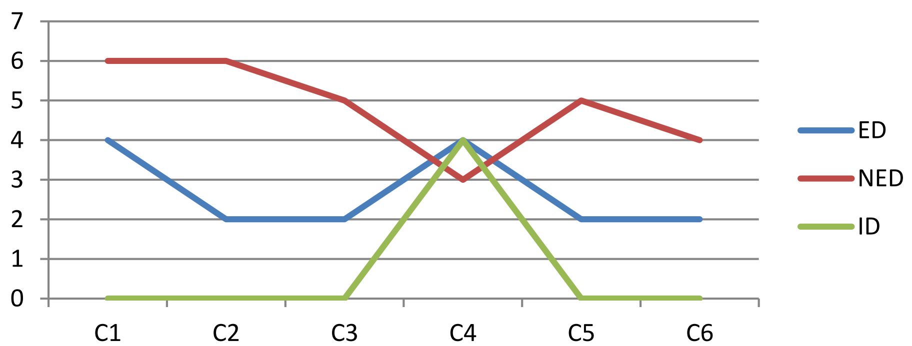

Figure 2: Board Compositions of Listed Oil Companies

As per the interviews conducted with the top managers of the oil companies, there are a total of 49 directors on the boards that consist of 16 executive directors, 29 non-executive directors and 4 independent directors. The group ***I*** companies accounted for 36 board members of the 49, this translates to 73% or an average of 9 members per board. Of these 9 members per board, 3 members are executive, 5 non-executive and 1 independent directors. The two companies in group ***II*** accounted for the remaining 13 members which is 27%. The two companies each have 2 executive directors with 5 and 4 non-executive directors respectively. The finding is consistent with Cadbury (1992) that recommends boards should have at least three non-executive directors. This signifies that Nigerian oil companies are composed of more non-executive directors.

6.3 Board Size

Another important governance mechanism is board size is which the next item the respondents answer is. As earlier mentioned, the total board members for all the six listed oil companies are 49. This shows that on average a company has 8 directors on the board. This average board size falls within Lipton and Lorsch (1992) recommendation of between 8 and 10 board members for effectiveness. The group ***I*** companies have a total of 36 board members which translate to an average of 9 members per board.

The average number of board directors in group ***II*** is about 7 which is below the recommended board size by Lipton and Lorsch (1992), however this findings is within the recommended range by the Nigerian codes that recommend at least 5 persons for a board with a mixture of both executive and non-executive directors. Figure 3, shows the board size of each company.

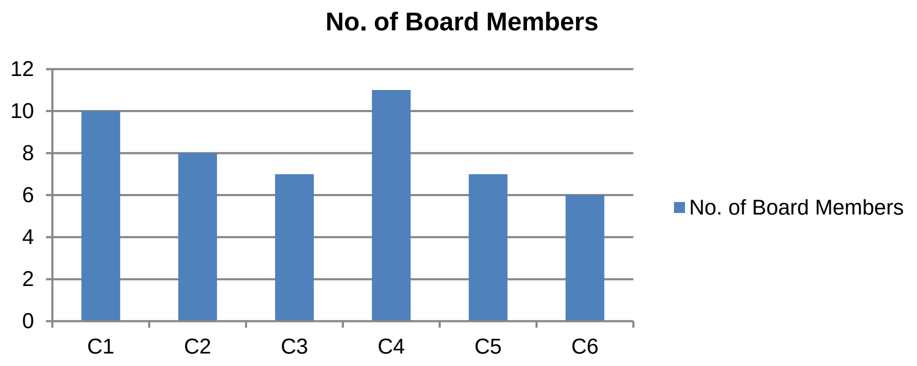

Figure 3: Board Sizes of Listed Oil Companies

6.4 CEO Duality

The next corporate governance mechanism the interviewees were asked is the CEO duality. All the companies in the study with the exception of one have separated the position of Chairman of the board from CEO. All the companies under group ***I*** have conformed with the recommendation of the Nigerian codes (Sec (2003), 2011)) that required public companies to separate the positions of board Chairman and Chief Executive Officer. Furthermore, Cadbury (1992) recommended the separation of the two roles because when the positions are combine together, it may lead to concentration of power in one place. The only company that combines the two positions together is in group ***II***. Figure 4 below shows the representation of CEO duality in the quoted oil companies in Nigeria. The interviewees mostly agreed that the split of the roles of board chairman and the chief executive officer will ensure that a system of checks and balances exists in the running of the affairs of their companies. They also added that it will curtail abuse of power by an all-powerful chief executive officer. Figure 4 below shows the position of CEO duality in the listed oil companies in Nigeria.

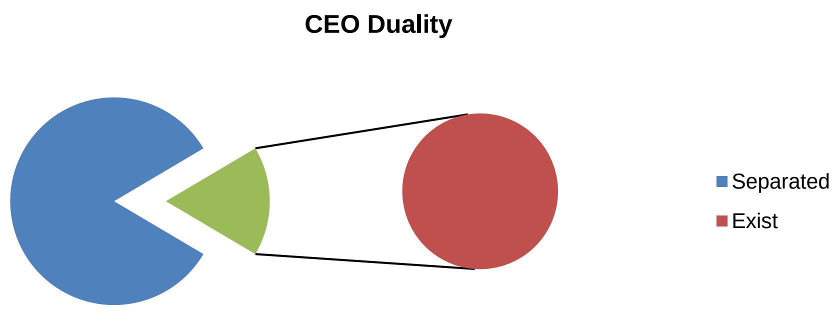

Figure 4: CEO Duality in Listed Oil Companies.

One might conclude that the findings from this study show that the majority of the listed oil companies in Nigeria have separated the positions of board chairman and that of CEO for an independent board.

6.5 Board Committees

The next question about governance mechanism was on board committees. All the interviewees agreed they have board committees in their companies. In Nigeria, the company law empowered directors to establish committees to enable them discharge their responsibilities. Similarly, the Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria has also bestowed directors of companies with the authority to constitute committees. In addition, the act provides that unless otherwise provided in the CAMA or in the Articles of Association of a company, the board of directors of the company could use their powers or authorities through committees comprising of members of as they think appropriate.

Secondly, section 263 (5) of the CAMA (2004) stated that board of directors can delegate some of their powers to committees comprising of members of the board as they may think appropriate and such committee(s) formed will, use all the authorities so given to it, and comply with any rules or guidelines that may be made by the directors. Table 2 below shows the type of committees, each company had.

Table 2: Board Committees in the Listed Oil Companies

Company	**Audit**	**Risk Mgmt.**	**Corp. Gov/Rem**	**Executive**	**Operations**	**Strategic Plg & Finance**	**Diversity & Staff Dev.**	**H/ Res**	**Rem**
C1	X	X		X	X				X
C2	X	X	X						
C3	X		X			X		X	
C4	X	X	X			X			
C5	X		X	X			X		
C6	X			X		X			

The Nigerian codes (SEC (2003), 2011)) recommended for the setting up of audit committee, governance/remuneration and risk management committee respectively. Though, the governance/ remuneration committee provided in the SEC, (2011) code is bestowed with the duties of the nomination and remuneration committees as recommended in section 11 of SEC, (2011). From above Table 2, it shows that all the companies have established audit committee. In Nigeria, the formation of audit committees is statutory and mandatory for all registered companies as required by CAMA. On the corporate governance/remuneration committee, from the result in Table 2, it is only 3 out of the 4 companies in the group ***I*** companies that established the committee. One company in the group ***I*** have a remuneration committee in place. From the group ***II***, only 1 out of the two companies in the group set up the corporate governance/remuneration committee.

On the risk management committee, all the 3 companies that established the risk management committee are in the group ***I*** companies and none of the group ***II*** companies. 2 companies from the group ***I*** and 1 company from the group ***II*** established the strategic planning and finance committee. The executive committee was established in 1 company from the group ***I*** and all the companies in group ***II***.

6.6 Audit Committees

As stated earlier, the Audit committee is a statutory requirement for public companies in Nigeria, the Nigerian codes (Sec (2003), 2011)) recommended that the board should make sure that the committee is established as specified and is able to carry out its statutory duties and responsibilities. Specifically the Sec (2011) recommends that at least one committee should have the understanding of financial management. Prior to the issuance of the codes, Nigerian companies had Audit committees in place as part of meeting the requirement of (Cama, 2004). Table 2 shows all the companies have established the committee.

From the interviews conducted it was found that one company each of the two groups has established the Audit Committee but they are not constituted as required by the Nigerian codes and the international best practice. The company from the group ***I*** have more than 1 executive director of the committee, while the one from group ***II*** has an executive director heading the committee. These negate the purpose of establishing the committee which is to offer added assurance to the shareholders that auditors that acted on their behalf are in a position to safeguard their interest (Cadbury, 1992). As par Nigerian codes only non-executive and independent directors should be members.

6.7 Code of Conduct in Place

The code of conduct was the next to the questions asked respondents from the six listed oil companies in Nigeria. All the companies agreed that they have approved internal policies and practices which are reviewed periodically to ensure continued relevance. 3 companies from the group ***I*** have a handbook that states the policies of the companies regarding employee recruitment, training, welfare, code of secrecy and conduct. The remaining company in the group ***I*** because of its dual listing that made them to comply with not only the Nigerian code, but to South African and UK codes made them to integrate all the codes into the way we do business. This made the company to come up with a Code of Business Conduct and Ethics as the main policy and guide to the company. The Code applies to all employees, managers, directors and business partners, who is trained and certified to the provisions of the Code when they initially join the Company. The group ***II*** companies are subsidiaries of international companies as such; they are bound by the parent company policies. Figure 5 shows the code of conduct in place in listed oil companies in Nigeria.

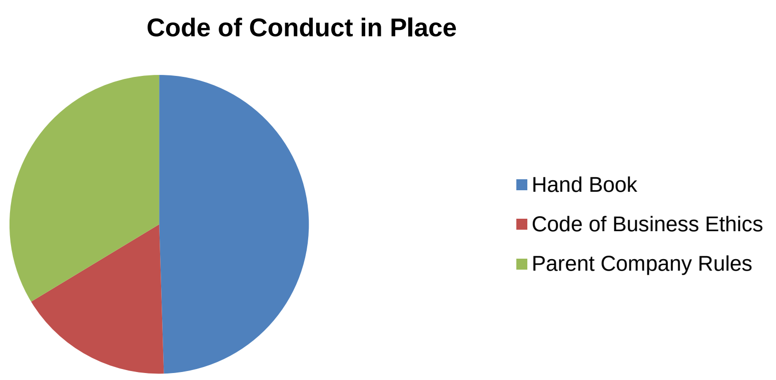

Figure 5: Code of Conduct in place in Listed Oil Companies

6.8 Disclosure

On disclosure, the Organisation for Economic Co-operation and Development (OECD) offers some recommendations in details on what have to be disclosed. OECD in its Principles of Corporate Governance 2004 provides an insight of what have to be disclosed. As a result, it suggestions that disclosure should be accurate and timely in all matters concerning the organisation, that includes finance, ownership, and management of the company.

Nigerian codes require all registered companies to disclose all information beyond the legal requirements in the CAMA [Companies and Allied Matters Act, Cap. C20, Laws of the Federation of Nigeria 2004]." Specifically, the SEC (2011) requires henceforth certain items and matters should be included in the CARs, such as the capital structure of a company, its corporate governance report, accounting and risk management issues, the chairman's statement, director's interests in contracts with the company, contracts with controlling shareholders, director's current accounts or loans from the company, other related party transactions, the company's remuneration policy and all material benefits and compensation paid to directors, audit committee report, a statement from the board with regards to the company's degree of compliance the code and where a company engaged a consultant to evaluate its compliance, the name of the consultant and a summary of the report and conclusions of the consultant (SEC, 2011).

Disclosure of information can take various forms. It could be conveyed by delivering the requisite returns to the appropriate regulators. It could also, for example, in the case of listed companies, by rendering the applicable reports to the stock exchange, and dispatching of relevant documents to shareholders and other stakeholders. Also, it could be by maintaining a websites or investors portals as recommended by Sec (2011) so that corporate information uploaded could be accessed by shareholders and other stakeholders.

From the interview conducted with the managers of the six listed oil companies, all of them have taken disclosure of information to be very important. As such, all of them disclosed information to shareholders and other stakeholders through published reports, investor portal/website and at AGM meetings. Figure 6 below shows how the listed oil companies disseminate information to their shareholders and other stakeholders.

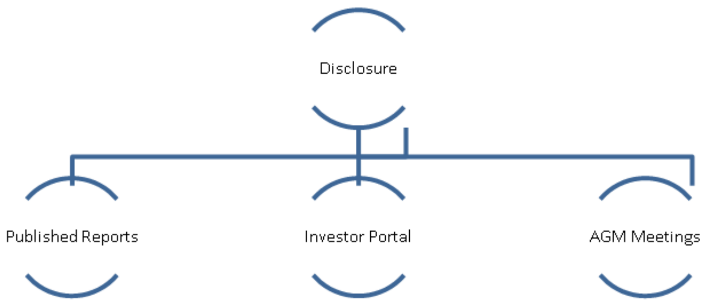

Figure 6: Disclosure Methods in Listed Oil Companies.

The next section will discuss on the view of the respondents on sustainability practices.

7. SUSTAINABILITY PRACTICES

All interviewees were asked to share their perceptions about sustainability and the practices being carried out by their companies. Figure 7 below, shows the similarities that were identified during the interview with the managers of the listed oil companies.

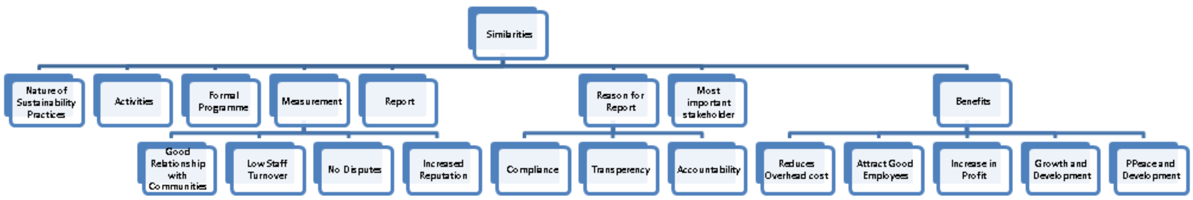

Figure 7: Similarities among the Listed Oil Companies on Sustainability Practices

7.1 Similarities

The feedback from the interviewees as regards to the sustainability practices being undertaken by the listed oil companies, all of them agreed to a voluntary action or in terms of corporate social responsibility philanthropic. In response to the type of SP activities performed, the interviewees continuously referred to philanthropic programmes and activities that revolve around cash donations, road constructions, building of classrooms, hospitals, market stalls, scholarships, sport equipment, events and other activities that involve the orphans and disable persons. The interviewer was shown concrete evidences of sustainability practices/CSR initiatives by the managers of specific donations to orphanage homes, scholarship awards to deserving students, educational materials to schools, hospital equipment and collaborations with NGOs in pursuit of social objectives.

All the six companies admitted that they have a formal programme in place and they are being reviewed annually and report to shareholders. Furthermore, half of the companies said they have an officer in charge of sustainability practices/CSR. As expressed by one of the managers from group ***II*** companies "we have a management tool in place that can be used to identify issues, assess priorities and identify areas for improvement in cooperation with stakeholders". On values, one of the company managers said "it is a good will on our part". Another manager argued that "it improves the profit of the company". In the words of another manager "it improves the standard of leaving of the communities and good environment to work in". When asked about how they measured the SP values, most of the managers answered that is measured not in absolute term, but relative. They claimed that anytime there is a dispute or protest, it leads to the closure of the company. But when there is peace and good relationship with the community, production will increase and the company performance will also increase. The majority of the managers agreed that they also measure through the increase in the company reputation and the low staff turnover rate. One manager put it this way "our company has a process that is divided into five parts: consultation, assessment, interviews, analysis of areas of improvement, and introduction of a social responsibility action plan".

When asked about the SP reports, the managers enormously agreed that the reports being prepared annually showing the programmes, the locations, amount and accomplishment. Some of them claimed that it is on their websites for all to see. The managers also stated that the reports are mainly done for compliance, transparency and accountability purposes. One of the managers went further to say that his "company is ethical, we feel morally right to do so”. All managers interviewed talk about customers being their most important stakeholder. The managers claimed that without customers the companies cannot survive. They emphasised that it is essential to satisfy the needs of the customers by providing good products worth the value of the money that can make them to make a repeat purchase. One group ***II*** manager summed up “the customer can always choose to take his business to a competitor so it is essential that we continue to offer good products, good value for money and innovate”.

On the potential benefits to be derived, all the managers affirmed that the practices enhanced their company's reputation, attracted good employees because of the employee welfare; it reduces cost which increases the company profit through innovation. In addition, as noted by one of the group ***I*** managers “we have a good relationship with our host community, this prevents problems as it reduces security risks”. Overall, the company managers appreciated the fact being good corporate citizens have brought peace, growth and development not only to their respective companies but also to their host communities.

Even though all that have been said above is similarities, in comparing the practices of the group ***I*** and group ***II*** companies, only one of the group ***I*** companies have a desk officer in charge of sustainability practices/CSR as against two of group ***II***. This means that the group ***II*** companies approach to sustainability practices are more institutionalised than the group ***I*** companies.

The next section will discuss the views of the interviewees on the relation between corporate governance and sustainability practices.

8. THE LINK BETWEEN CORPORATE GOVERNANCE AND SUSTAINABILITY PRACTICES

The perception of the managers of the listed oil companies was sought on the link between CG and SP based on the actual practices. Managers from three companies from group ***I*** and one company from group ***II*** are of the view that good corporate governance practice leads to sustainability practices. That means a company cannot talk about sustainability practices without having strong corporate governance in place. The interviewees maintained that for a company to benefit its owners there must be transparency, accountability, responsibility and fairness in place. In the words of one manager in group ***I*** “the link is more of accountability and transparency-there is procedure to be followed”. Another manager in the same group said “the activities of the company can be trace back, no hidden things at all”. The manager in group ***II*** stated that “the relationship is more of a balancing act-balancing the company objectives and the expectation of shareholders.”

Two managers one each from the group ***I*** and group ***II*** companies argued that CG and SP are interrelated. That means CG and SP are definitely balancing and equally supporting one another in the sense that an effective CG practice safeguards investors from an illegal act whereas an effective SP programme averts a number of actions which may be legal but inappropriate in relation to their impact for the stakeholders. The manager in group ***I*** indicated that “SP is part of CG, it’s something good to be done as it helps the in the future of the company, it is not only about complying but something good to be done.” The group ***II*** manager point out that “CG compliance leads to SP which means is a pillar for SP to be achieved.”

9. CONCLUSION

This study has explored the concept and perceptions of managers of six listed oil companies in Nigeria on CG and SP. And also it has surveyed the nature of the CG-SP relationship. The interview respondents are the top managers of the selected companies. The overall impression of interview results was that CG and SP should not be considered and continued individually. Notwithstanding the kind of bond that is between CG and SP, a company without an effective leadership, operational control systems, and a sense of responsibility vis-à-vis internal stakeholders cannot perchance pursue genuine sustainable development practices. Furthermore, CG will not be in force without a sustainable development effort because a company has to answer to the demands of its various stakeholders in order to be profitable and add value to its stockholders. Figure 8 below summarises the result of the study.

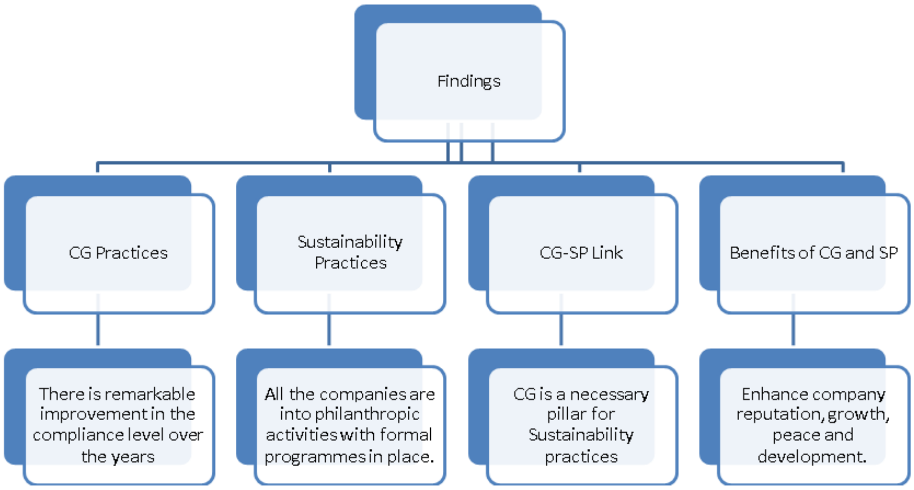

Figure 8 Summaries of Findings

The findings of this study, supports the work of (Elkington, 2006; Jamali et al., 2008) that argued that social responsibility programme is an annex of corporate governance structure and it's the duty of corporate boards. As indicated by the respondents, the nature of a company's governance structure sets the whole direction of the organisation, and can be used to induce executives to pursue specific goals and objectives in the sustainable development area.

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