EJABM European Journal of Applied Business and Management

European Journal of Applied Business Management, 1 (2), 2015, pp.169-189 ISSN 2183-5594

Research paper

Corporate Governance: Board of Directors' Independence in Emerging Economies

Submitted in August 20th
Accepted in October 30th
Evaluated by a double blind review system

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Structured Abstract

Purpose: The board of directors remains an important corporate governance mechanism through which the shareholders can exercise control over the activities of the firm, monitor and exercise oversight over the top executives and managers. In order to achieve this objective, the board of directors must be independent. This paper provides evidence using data from Nigeria on the degree of independence of the boards of directors of listed firms.

Design/methodology/approach: The research employs the qualitative design using a cross sectional two-stage interview consisting of an initial and follow up process.

Findings: Using concept mapping mindset and qualitative data analytical tools, the study finds that the boards of directors of the listed firms were independent and active. They functioned as an active corporate governance mechanism, exercising control and oversight over the affairs of the firms and their top executives.

Research Limitations/implications: A potential limitation of this study could be the use of a small sample size of six Boards of Directors and biases associated with an opinionaire. The findings of the study may not be generalizable, beyond emerging economies.

Originality/ Value: This research paper applies qualitative research method to examine the indicators of board independence in listed firms. It identifies the gap in legal framework codification and makes a case for non-proliferation of codes of corporate governance in emerging economies. It provides assurance of the relative independence of the board of directors in the listed firms studied, thereby expanding the body of literature in the research domain.

Keywords: Corporate Governance, Board of Directors, Board independence, corporate governance mechanism.

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1. Introduction

Corporate governance research has attracted considerable attention in the academic literature in the 21st Century. This may be traceable to corporate failures. It appears that corporate survival depends largely on strong institution of corporate governance. The accounting scandals of the 21st century which occasioned large corporate failures in corporations like WorldCom (Australia), Enron (USA), Adelphia Communications (Australia), Parmalat (Europe) were traced to the failure of corporate governance (Ramly & Rashid, 2010). The boards of directors are perhaps the most important component of corporate governance mechanisms as they represent the media through which the shareholders and investors monitor and oversee the activities of the top executives and managers (Liu, 2012). If a board of directors fails in its monitoring and oversight functions, this could lead to corporate collapse (Abdellatiff, 2009). Researchers argued that for the board of directors to effectively discharge its oversight responsibility, it is important that individual directors avoid any conflict of interest, and the board as a whole must be independent of management (Fama & Jensen, 1983; Shah, Zafa, & Durani, 2009). Furthermore, empirical studies on the board of director's document that, the board must be independent to continuously monitor, scrutinize and supervise the activities of the management and to align the interest of the management with the value maximizing objectives of the shareholders (Fama & Jensen, 1983; Peasnell, Pope, & Young, 2005; Brickley & James, 2007).

Existing literature on board independence has focused largely on quantitative approach through content analysis of corporate audited annual reports and merely relating board independence to the proportion of non-executive directors (NED) on the board (Bryd & Hickman, 1992; Lee, Rosenstein, Rangan, & Davidson III, 1992; Shah, Zafa, & Durani, 2009). Some other studies of board independence have quantitatively examined the relationship between board independence measured by the proportion of NED and other variables, thereby statistically reaching conclusions on the impact of one or more predictor variables on another predicted variable. This approach to research creates a gap as the quantitative approach ignores the behavioural or human nature of the corporate governance actors: the board of directors and the details of activities that constitute board independence (Jensen, 1983). Thus, it is advocated that the application of qualitative research methodology to the investigation and study of corporate governance mechanisms with particular reference to the boards of director's independence becomes relevant (Ramly & Rashid, 2010). This research paper therefore attempts to close the gap as it applies qualitative method to the study and investigation of board independence in listed firms. Thus, the objective of this study is to investigate the degree or extent of independence of the board of directors of Nigerian listed firms, using qualitative research method to examine the indicators of board independence. How do Board characteristics compare to indicators of Boards' independence? To what extent does Board characteristics assist in the performance of Boards' oversight functions? The paper proceeds to proffer answers to these questions.

2. Literature review

The theoretical framework adopted for this corporate governance study is agency theory. Agency theorists argued that where there is a separation of ownership and control of a firm, the persons in control of the firm (the managers) may develop self-serving bias and not act in line with the value maximizing objectives of the owners (Fama & Jensen, 1983; Jensen & Meckling, 1976; Fama, 1980). From the agency outlook, the board should be independent from the management if it will be able to identify agency problems in the firm and effectively address the agency issues (Johnson & Daily, 1996). In the literature, the constituent indicators of board independence include the proportion of non-executive directors (NED) on the board (Fama & Jensen, 1983; Shah, Zafa, & Durani, 2009), separation of the role of Board Chair and the CEO (Brickley & Coles, 1997; Fama & Jensen, 1983), and formal and informal interaction of the members of the board (Xie, Davidson III, & DaDalt, 2003). The interaction and presence of these indicators provides evidence of independence of the board of directors and has a bearing on its ability to provide effective oversight on the activities of management as a corporate governance mechanism.

2.1 Proportion of Non-executive Directors on the Board

There is empirical evidence that an independent board should comprise a larger proportion of NED who are committed to continuously monitor the actions and performance of the management (Shah, Zafa, & Durani, 2009). Furthermore, Fama and Jensen (1983) argued that, the composition of the board of directors is a determining factor of how effective the board could exercise proper oversight over the managerial activities and align managerial interests with that of the owners. Peasnell, Pope, and Young (2005) argued that, NED are capable of strengthening board independence, improve corporate governance, improve the quality of financial reporting, constrain earnings management and improve firm performance. Peasnell, Pope, and Young (2005) found that, within the context of UK, the implementation of the recommedation of Cadbury Committee on increasing the number of NED on the board of UK listed firms led to enhanced board independence, improved corporate governance, reduced income increasing accruals and improved quality of financial reporting. Osma (2008) documented that, the presence of NED on the board of directors enhances its independence, vigilance, improves financial reporting quality and constrain earnings management using research and development costs. This agreed with previous studies which document that the presence of higher proportion of NED enhances board independence and make for a better corporate governance (Osma & Noguer, 2007; Brickley & James, 2007; Bryd & Hickman, 1992; Lee, Rosenstein, Rangan, & Davidson III, 1992; Weisbach, 1988). More recent studies have documented the importance of board independence to effective corporate governance, improved financial reporting quality and have linked this to high proportion of NED on the board of directors in Chinnese listed firms (Gulza & Wang, 2011), in Hong Kong listed firms (Jaggi, Leung, & Gul, 2009), in Iranian listed firms (Resaei & Roshani, 2012), in Nigerian listed firms (Hassan & Ahmed, 2012; Uadiale, 2012).

2.2 Separation of the Roles of CEO from the Board Chairman

Corporate governance scholars have argued that, the independence of the board is enhanced where the roles of the CEO and the Chairman of the Board are separated and the offices are occupied by different persons consistent with the agency theory (Fama & Jensen, 1983; Jensen & Meckling, 1976). Brickley and Coles (1997) argued that, where the role of Board Chair and the CEO is performed by the same person, it could compromise board independence and have negative impact on the ability of the board to peform its monitoring and oversight roles effectively. It is further believed that separation of the role of the Board Chair and the CEO enhances board independence of management and promotes the checks and balances role of the board which is required for strong corporate governance (Hashim & Devi, 2008). Gulza and Wang (2011) argued that, the ability of the board to monitor the activities of management is compromised if the CEO also occupy the ofice of the Board Chairman and the independence of the board will be eroded. The consequence of this according to Chtourou, Bedard, and Courteau (2001) is that the control of both the board of directors and the top executives would be vested in the same individual which would make board independence from management absolutely impossible.

2.3 Board Meetings Oversight Activities and Informal Interaction

Prior studies on the significance of board meetings document that, when the board of directors hold regular meetings, its independence is enhanced and would be more effective in its oversight responsibilities (Xie, Davidson III, & DaDalt, 2003). It is further argued that the board of directors which holds regular meetings is able to consider management reports in timely fashion and be abreast of the activities of the firm which will assist the board to be independent as a corporate governance mechanism (Xie, Davidson III, & DaDalt, 2003). Vafeas (2000) argues that both formal (through board meetings) and informal (at clubs, social gathering and private homes) as well as regular interaction of the directors enhances board independence and assist the board in the effective discharge of its oversight function. It further argued that this will make it possible for the board to spot organizational problems and address them as they occur (Vafeas, 2000). Gulza and Wang (2011) document evidence that, the board of directors which holds meeting at regular intervals stick together, are more independent and able to detach themselves from the management. Jensen (1983) argues that, for the board meetings to act as catalyst for board independence, it must go beyond mere gathering of the board together, but must possess the ingredients of effectiveness which are required for monitoring and oversight of the activities of the management. More recent studies confirm the argument of Jensen (1983) that the board needs meaningful regular board meetings and avenues for informal interaction to be independent of management and to discharge its oversight function (Sukeecheep, Yarram, & Al Farooque, 2013). Corporate governance literature also contains evidence that an independent board will discharge its oversight functions through the committees of the board in which the Chairman of the Board will not be a member or committee chair (Brickley & Coles, 1997; Fama & Jensen, 1983; Osma & Noguer, 2007).

Legal Framework:

The Board may appoint as it thinks fit sub-committees. The enabling power in Nigeria is statutorized in Sec 64(a) of the Companies and Allied Maters Act (CAMA), 1990. These committees report to the board, but one of them, the board audit committee, is expected to operate with a very high degree of independence. This is why international best practices exclude executive directors particularly from this committee because of the inherent restricted independence of executive directorate. The Board may delegate various functions to its sub-committees (Charkam, 2005).

Mandatory Sub-Committees and International Best Practices

The Cadbury Report, 1992 recommends two mandatory committees: Audit and Remuneration, and a discretionary one, the Nomination Committee, the latter to make board appointment processes more transparent. Subsequent codes across the world seem to have taken a cue from this. In the USA, Stock Exchange listing standards require companies to establish at least three board sub-committees: the audit committee, the compensation committee and the nominating/governance committee (NYSE, 2003), the three committees must be composed solely of independent directors as defined by the Exchange. Boards of directors are expected to fulfill their fiduciary duties through sub-committees making efficient use of the time and expertise of individual directors. The US Securities and Exchange Commission (SEC, 2003(a)) rules prohibit the listing of any security of an issuer (public company that is not in compliance with Sarbanes Oxley Act (Sox, 2002).

Section 64 of CAMA acknowledeges the delegation of the boards's powers to committees and managing directors unless otherwise provided in the Act. In addition, Section 359, requires an Audit Committee to be established by a public company. The Audit Committee shall consist of an equal number of directors and representatives of a public company (subject to a maximum of six members). The responsibility of the committee includes examining the auditors' reports and making recommendations thereon to the annual general meeting as it may think fit. This is commonly refererd to as the Statutory Audit Committee.

In Nigeria, most Corporate Governance Codes, reference CAMA as the authoritative regulatory framework for Audit Committee composition and duties, but provides additional guidance for implementation. For instance, The Securities and Exchange Commission Codes recommended that the Audit Committee should comprise of at least three non-executive directors, majority of whom should be independent of the company.

The CBN codes of corporate governance distinguish a Statutory Audit Committee from a Board Risk Management and Audit Committee. These functions may be carried out by one committee, particularly in small Institutions. Under the codes of corporate governance issued by the National Insurance Commission, membership of the Audit Committee shall be in accordance with the provisions of CAMA with not more than one Executive Director on the Committee. The code of corporate governance issued by the Securities and Exchange Commission recommends that companies constitute its audit committee in the manner stipulated by CAMA and is able to discharge its statutory duties and responsibilities effectively. Pension Commission's code of corporate governance makes no direct reference to CAMA but states that the Board shall establish Board committtes to facilitate its work. The committees shall include the Audit Committee, the Investment Strategy Committee, the Risk Management Committee, and the Nomination Committee.

Regulatory Provisions

Nigeria has a multiplicity of codes of corporate governance applicable to the listed companies in the country. These codes include:

i. Security and Exchange Commisision(SEC) code of corporate governance (2005) addressed to public companies listed in the NigeriaStock Exchange. The code was reviewed in 2011;
ii. Central Bank of Nigeria (CBN) Code (2006) for banks established under the provision of the Bank and Other Financial Institutions Act (BOFIA) revised in 2010 and 2014;
iii. National Insurance Commission (NAICOM) Code (2009), directed at all insurance, reinsurance, broking and loss adjusting companies in Nigeria; and
iv. Pension Commission (PENCOM) Code (2008), for all licensed pension fund operators.

Currently, the Financial Reporting Council of Nigeria (FRCN) has attempted to codify the provisions of the various codes and categorize them to be applicable to three different sectors: codes affecting private firms, public sector establishments and not-for-profit organisations. These codes are yet to become legally enforceable.

3. Methods

3.1 Design

The research methodology of this paper is a qualitative method anchored on phenomenological approach. This design follows the arguments in James Scotland (2012) and Ramly & Rashid (2010). The ontological position of the qualitative research adopted is relativism which implies that reality in relation to corporate governance is subjective. The epistemological stance is subjectivism, that is, the world in which the research was conducted does not exist independently of the researchers' knowledge of it. The sample size is necessarily small as against the statistically large sample size usually adopted when using a quantitative research paradigm which is essentially positivism.

3.2 Research Instrument

The research instrument for this paper is a questionnaire divided into two parts as presented in Appendix A-2. The first part of the questionnaire is the participant's profile. This is designed to recognize the importance of academic qualifications and professional background of the individual directors serving on the board to the independence of the entire board of directors (BoD) as a corporate governance mechanism. Further objective is to capture the gender, the job title, academic and professional qualification, years of experience, age range, place of birth, religious and philosophical upbringing. We are of the view that these features are important because they can influence the responses of the

European Journal of Applied Business Management, 1 (2), 2015, pp.169-189 ISSN 2183-5594

participants and the degree of their comprehension of corporate governance issues. The second part consists of the questionnaire items. This comprises six open ended questions designed with the aim of gaining deeper understanding of the BoD independence.

We pre-tested the research instrument through the test-re-test method. We administered the questionnaire on a sample of chartered accountant practitioners, practising auditors and accounting and finance professionals in academia with internal consistency and reliability measured by Pearson Product Moment Correlation of 0.95. This provides us with the comfort that the research instrument is effective and consistent in capturing the relevant data for the research. The use of the open ended questionnaire is justified as it enables the respondents to answer the questions in their own words and in their normal style of day to day speech. Furthermore, this approach is effective at bringing out clearly the hidden meanings and beliefs that are personally held by each of the respondents and remove the bias which can result if external thoughts, feelings and beliefs are imposed on the participants (Zikmund, 2003; Cresswell & Miller, 2000).

3.3 Data Collection Techniques

The data collection technique consisted of face to face recorded two-stage interviews: the initial in-depth interviews and follow up interviews. The initial interviews and follow up interviews were conducted in Lagos between July and October 2014. At the initial stage, twenty-five Board of Directors members representing twenty-five companies and ten NSE sector classifications were contacted through emails and telephone calls. These potential respondents were sent the electronic copies of the introductory letters, consent forms and research subject approval forms. In the end, only six individuals representing six organizations and six sectors participated in the initial interviews while three individuals representing three organizations participated in the follow up interviews. Initially, we gave each individual director two weeks to confirm their willingness to participate in the research. This was extended by another two weeks because of low response rate. Thereafter, we removed the participants that did not respond from the process. This is because of the voluntary nature of the participants required and the need to complete the research within a reasonable time frame. The final sample of the participating individual directors represents those who responded to the email, communicated their willingness to participate in the research and showed consideration for the research timeframe. The final sample is adequate for research saturation. Researchers held that, a long interview with 2 to 10 participants is sufficient to form saturation in phenomenological studies (Cresswell & Miller, 2000).

The research data were collected in face-to-face interviews and recorded with Samsung GT-S762 recording device. Furthermore, the recorded interviews were transcribed through a play-replay method. After the transcription, we forwarded the transcribed copy of the interviews to each of the participants for them to individually confirm that the transcribed copy represents the expression of each of the participants. We made corrections of the transcribed copies of the interviews based on the participant’s amendments, and resent the corrected transcribed copy to the participants for their concurrence and agreement. Thus, we obtained written confirmation from each of the participating directors on their agreement with the contents of the transcribed copy before we commenced the data analysis; we followed the same procedure for the follow up interviews.

3.4 The Data

The responses from the participants were broadly categorized into two parts. The participants' profile and the characteristics survey. Six (6) classification categories originated from the characteristics survey. Thereafter, we coded and allocated the six (6) categories to tally charts and tables to express the results as indicated in section 4 below. We believed that this method provides enhanced understanding of the phenomenon of study and deepens the understanding of the subject matter of the research (Vogt, 2007; Sommer & Simmer, 1991)**.** This detail is presented in section 4 below.

4. Results of the empirical analysis

In Appendix A, the research participants (CG-BoDs) were asked specific questions relating to the individual profile, we document the responses provided by each CG-BoD in Table 1.

Table 1: Participants Profile-Board of Directors

	CG-BoD-1	CG-BoD-2	CG-BoD-3	CG-BoD-4	CG-BoD-5	CG-BoD-6
Gender	Male	Female	Male	Male	Male	Male
Title	NED	NED	NED	NED	NED	CEO
Qualification	HND,CCNA ,MCSE	BSc-Geol MSc-Pet. Geo and Sed	BSc, CISA, CEH,CHFI, CCNA, CISSP,CPU	BSc, FCA, ACII	BSc, MSc, FCA, FCIB	BSc. Elect and Elect Eng.
Year Appointed	2009	2009	2007	2008	2008	2007
Committee Membership	Finance	Estab.	Audit	QARM.	Finance	Fin, Audit,Ops., Estab.
Age Range	45-50 years	40-45 year	40-45 year	40-45 years	40-45	40-45
Birth Place	Ilorin	Akure	Ibadan	Lagos	Ibadan	Lagos
Nationality	Nigerian	Nigerian	Nigerian	Nigerian	Nigerian	Nigerian
Religion, Philosophy	Christianity	Christianity	Islam	Christianity	Christianity	Christianity

LEGEND

1.Corporate governance board of director=CORPGOV-# B# 2. Non Executive Director= NED 3. Higher National Diploma= HND 4. Cisco Certified Network Administrator= CCNA 5. Microsoft Certified Systems Engineer=MCSE 6. Bachelors of Science Degree in Geology=BSc-Geol 7. Masters of Science Degree in Petroleum Geology and Sedimentation= Msc Pet. Geo and Sed 8. Fellow of Institute of Chartered Accountants of Nigeria=FCA 9. Associate of the Chartered Insurance Institute of Nigeria = ACII	10. Certified Ethical Hacker =CEH 11. Certified Systems Information Auditor= CISA 12. Certified Hacker and Forensic Investigator= CHFI 13. Certified Information System Security Professional=CISSP 14. Certified Postilion User= CPU 15. Fellow of the Institute of Bankers of Nigeria= FCIB 16. Finance, Operating, Audit and Establishment Committees=Fin. Audit.Ops and Estab 17. Quality Assurance and Risk Management Committee=QARM 18. Finance Committee=Finance 19Audit Committee = Audit 20. Establishment Committee = Estab. 21. Bachelors of Science Degree in Electrical and Electronic Engineering = BSc. Elect and Elect

Source: Akinteye, Adeyemi and Udofia (2015).

4.1 Category One- Frequency of Board Meetings

In this section, CG-BoD was asked to provide explanation to two questions: How often does your board of directors meet? And (2) How does your board draw up the annual calendar for the board meetings?

The responses provided were collected and documented in Tables 2 and 3.

4.1.1 Combined Result on Frequency of Board Meetings

In Table 2 we highlighted similar data and generated common terms into units of meanings so that we can provide a clear overview of the frequency and scheduling of board meetings. There were thirty-eight words used to express the frequency and scheduling of board meetings. These terms are not ranked in any order of importance.

Table 2: Explaining the Frequency and Scheduling of Board Meetings

1. Once quarterly	20. Order of Company Secretary
2. Twice quarterly	21. As scheduled by the board
3. Once in first quarter	22. Board consideration based
4. Twice first quarter	23. Board approval based
5. Once second quarter	24. Advance schedule
6. Twice second quarter	25. Quarterly in advance
7. Once third quarter	26. Bi-annually in advance
8. Twice second quarter	27. Mutual discussions of board members
9. Once fourth quarter	28. Liaising between MD and Secretary
10. Twice fourth quarter	29. Agreeing with board
11. Emergency	30. Dialogue within the board
12. Need based	31. Reasoning with board
13. Urgency	32. Spontaneous
14. Based on resolution of the board	33. On as needed basis
15. Six times annually	34. Company Secretary
16. Annual calendar	35. 14 days advance schedule
17. Beginning of the year	36. Convenience
18. 2 months to year end	37. Consensus
19. At the last board meeting of the year	38. Majority preferences

Source: Akinteye, Adeyemi and Udofia (2015).

Table 3 shows the tally chart analyzing the value of each CG-BoD in explaining the frequency and scheduling of the board meeting. In addition, the tally chart is a significant measure to visualize how many times each CG-BoD employs the use of these categories. There were 17 categories generated from Table 2.

Table 3: Frequency and Scheduling of Board Meetings Terms Tally

CG-BoD#	Once First Quarter	Twice First Quarter	Once Second Quarter	Twice Second Quarter	Once Third Quarter	Twice Third Quarter	Once Fourth Quarter	Twice Fourth Quarter	Six Times In A Year	Emergency Meeting	Quarterly	Order of The Board	Order of The Coy Sec	By Consensus of Board	Quarterly in Advance	Fourteen Days Notice	Majority Convenience
1			x		x		x			x	x	x	x	x			
2	x		x		x		x			x	x			x			
3	x		x		x		x	x		x	x	x		x	x		
4	x		x		x	x				x	x		x				x
5	x		x		x		x			x	x			x	x	x	
6		x		x	x		x		x	x	x		x	x			x
Total	5	1	5	2	6	1	5	1	1	6	6	2	3	5	2	1	2

Source: Akinteye, Adeyemi and Udofia (2015).

4.2 Category Two- Board of Directors' Informal Interaction

In this section, CG-BoD was asked to provide explanation to the following question: What other avenues do the Board members have to interact outside the Board Meetings? The responses provided were collected and those responses are documented in Tables 4 and 5.

4.2.1 *Combined Result on Informal Interaction of Board Members*

Table 4 highlights similar data and generates common terms into units of meanings so that we can provide clear overview of other avenues for interactions among the board members outside the regular board meetings. There were twenty-six words used to express other avenues for board of directors' interaction outside the board meetings. These terms are not ranked in any order of importance.

Table 4: Explaining the Avenues for Informal Interaction of Board of Directors

1. Social events	14. Group emails
2. Harmony within the board	15. Social Clubs
3. Excellent Interpersonal relationship	16. Wedding Ceremonies
4. Events	17 Naming Ceremonies
5. Social gathering	18. Club Events
6. Social clubs	19. Ikoyi Club 1938
7. Lagos Country Clubs	20. Metropolitan Club-Lagos Island
8. Weekends	21. Social Media
9. Evenings	22. Family outings
10. Clubs	23. home visiting
11. Where necessary	24. family picnics
12. Informal meetings	25. Local culture
13. Social settings	26. Courtesy Visits

Source: Akinteye, Adeyemi and Udofia (2015).

In Table 5, we produced the tally chart to analyze the value of each CG-BoD in explaining other avenues for informal interactions of the board of director's members. In addition, the tally chart was a significant measure to visualize how many times each CG-BoD's employ the use of these categories. There were nine categories generated from Table 4.

Table 5: Other Avenues for Informal Board of Directors' Interaction Terms Tally

CG-BoD#	Social Events	Clubs	Weekends	Evenings	Board group chatting	Social Media	Family Picnics/Outings	Courtesy Visits	Club Events	Other Events
1	x	x	x	x	x				x	x
2	x	x			x					x
3	x					x	x	x	x	x
4	x	x				x				x
5	x				x		x		x	
6	x						x	x		x
TOTAL	6	3	1	1	3	2	3	2	3	5

Source: Akinteye, Adeyemi and Udofia (2015).

4.3 Category Three- Board Independence

In this section, CG-BoD was asked to provide an answer to the question: How independent is your Board from Management? The responses provided were collected and those responses are documented in Tables 6, Table 7.

4.3.1 *Combined Result on Board Independence*

In Tables 6 and 7, board of directors members were asked to provide explanation on the independence of the board of directors from the Management.

In Table 6, we highlighted and generated common terms into units of meanings so that we can provide a clear overview of the extent of independence of the Board of Directors from the Management. There were twenty five words or phrases used to express the independence of the Board of directors form the Management. These terms are not ranked in any order of importance.

Table 6: Explaining Board Independence from Management

1. Independent board	14. Drawing the fine line
2. Non-executive directors	15. Board selection
3. Committees	16 Heavy weights
4. CEO duality	17. Mental checks
5. Chairman independence	18. Interferences
6. Proportion of NED	19. Roles
7.Independent Management	20. Intertwine
8. Checks and balances	21. Organizational Culture
9. Effective Management	22. Goals
10. Central organization	23. Evidence
11. Corporate governance	24. Functions
12. Reviews	25. Exemptions
13. Guidelines	

Source: Akinteye, Adeyemi and Udofia (2015).

Table 7 shows the tally chart to analyze the value of each CG-BoD in explaining the Independence of the Board of Directors from the Management. In addition, the tally chart was a significant measure to visualize how many times each CG-BoD's employ the use of these categories. There were nine categories generated from Table 6.

Table 7: Board of Directors Independence Terms Tally

CG-BoD#	Committees	Chairman Independence	CEO duality	Higher Proportion of NED	Organizational Culture	Organizational Policies	Organizational Structure	Board selection and Board Quality	Disciplined Board
1	x	x	x	x				x	
2			x	x		x	x	x	x
3	x		x	x		x	x		x
4	x	x	x	x		x			x
5		x	x	x	x				
6		x	x	x	x	x	x	x	x
TOTAL	3	4	6	6	2	4	3	3	4

Source: Akinteye, Adeyemi and Udofia (2015).

4.4 Category Four: Conflict of Interest

In this section, CG-BoD was asked to provide an answer to the following question: What Policy does your Board have to safeguard conflict of interests? The responses provided were collected and those responses are documented in Tables 8 and 9.

4.4.1 Combined Result of Conflict of Interest

In Table 8 and Table 9, board of director's members was asked to provide explanation on the policy of the Board to safeguard any conflict of interest with their roles as directors.
In Table 8 we highlighted similar data and generate common terms into units of meanings so that we can provide clear overview of the Policy of the Board of Directors to safeguard any conflict of interest. There were twenty six words or phrases used to express the Policy of the Board to guard against any conflict of interests with their roles as directors. These terms are not ranked in any order of importance.

Table 8: Explaining the Policy of Board to safeguard conflict of Interest

1. Well entrenched policy	15. Avoid
2.Organization	16. Resolution
3. Prohibition	17. Compromise
4. No go areas	18. Chairman independence
5. Board rules	19. Interest declaration
6. Guidelines	20. Averse
7. Directors' non contracting	21. Involvement
8. Contractors	22. Discussions
9. Suppliers	23. Abuse
10. Family Members	24. Upfront
11 Business transactions	25. Board minutes
12. Board interlocking	26. Discipline
13. Similar industries	
14. Similar products	

Source: Akinteye, Adeyemi and Udofia (2015).

In Table 9, we produced the tally chart to analyze the value of each CG-BoD in explaining the Policy of the Board to safeguard any conflict of interests that may arise against their roles as board members In addition; the tally chart was a significant measure to visualize how many times each CG-BoD's employs the use of these categories. There were seven categories generated from Table 8:

Table 9: Board Policy on Conflict of Interest Terms Tally

CG-BoD#	Company Policy	Prohibited Activities	Non engagement in competitive activities	Non engagement of Family Members of Directors	Directors Non Contracting	Disclosure of Potential Conflict of Interest	Discussions at Board meetings
1	x	x	x		x		
2	x				x		
3	x		x	x	x		
4	x	x	x		x		
5	x		x		x	x	x
6	x		x			x	x
Total	6	2	5	1	5	2	2

Source: Akinteye, Adeyemi and Udofia (2015).

4.5 Category Five- Board Committees

In this section, CG-BoD was asked to provide an answer to the following question: What are the Committees established by your Board of Directors? The responses provided were collated and documented in Tables 10 and 11.

4.5.1 *Combined Result on Board Committees*

In Table 10, the board of directors' members was asked to comment on the types of Board Committees established with which each board discharged its oversight functions. In Table 10 we highlighted similar data and generated common terms into units of meanings so that we can provide a clear overview of the various committees established by the board to enable it perform its oversight roles. There were six words or phrases used to express the views of the board members the different established board committees. These terms are not ranked in any order of importance.

Table 10: Explaining Board Committees

1.Finance and General purpose Committee 2. Establishment and Nomination Committee 3. Quality Control Committee 4. Risk Management and Quality Assurance Committee	5. Operating Committee 6. Audi Committee

Source: Akinteye, Adeyemi and Udofia (2015).

Table 11 presents the tally chart analyzing the value of each CG-BoD in explaining the various committees established by the board of directors to enable it perform its oversight functions. In addition, the tally chart was a significant measure to visualize how many times each CG-BoD employs the use of these categories. There were five categories generated from Table 10:

European Journal of Applied Business Management, 1 (2), 2015, pp.169-189 ISSN 2183-5594

Table 11: Board Committee Terms Tally

CG-BoD#	Finance and General Purpose	Establishment and Nomination Committee	Operating Committee	Risk Management and Quality Assurance	Audit Committee
1	x	x		x	x
2	x	x			x
3	x	x			x
4	x	x		x	x
5	x	x		x	x
6	x	x	x		x
TOTAL	6	6	1	3	6

Source: Akinteye, Adeyemi and Udofia (2015).

4.6 Category Six- Description of the Board Chair

In this section, CG-BoD was asked to provide an answer to the following question: How would you describe the Chairman of your Board? The responses provided were collected and those responses are documented in Tables 12 and 13 respectively.

4.6.1 *Combined Result on Board Committees*

Table 12 highlighted and generated common terms into units of meanings so that we can provide a clear overview of the leadership qualities. There were thirty words or phrases used to express the views of the board members on the board chair of their various boards. These terms are not ranked in any order of importance.

Table 12: Explaining the Quality of the Board Chairman

1. A leader	16. A democrat
2. Communicator	17. A role model
3. Motivator	18. Good listener
4. Open minded person	19. Unbiased umpire
5. Dynamic	20. Humble
6. Diplomatic	21. Wonderful
7. Organizer	22. A good manager
8. Participatory	23. A father figure
9. Respectful	24. Resilient
10. Respected	25. A good coordinator
11. Exhumes Confidence	26. Willing to learn from other
12. A team player	27. Reasonable
13. A unifying figure	28. A Calm personality
14. A balanced man	29. Not rigid
15. A team builder	30. Flexible and considerate

Source: Akinteye, Adeyemi and Udofia (2015).

Table 13shows the tally chart analyzing the value of each CG-BoD in explaining the leadership qualities of the Chairman of the Board. In addition, the tally chart was a significant measure to visualize how many times each CG-BoD employs the use of these categories. There were sixteen categories generated from Table 12:

Table 13: Description of the Chairman of the Board Terms Tally

CG-BoD#	A leader	Communicator	Very diplomatic	A democrat	Respectful	Respected	An astute listener	Team player	Reasonable	Dynamic	A father figure	Role Model	Humble	Motivator	Unbiased Umpire	Good manager of
1	x	x	x	x	x	x			x	x				x		x
2	x			x				x	x		x	x		x		
3	x	x					x	x			x		x		x	x
4	x	x		x			x	x	x		x	x		x		x
5	x	x						x	x	x			x			x
6	x		x	x	x	x	x					x	x		x	
TOTAL	6	4	2	4	2	2	3	4	4	2	3	3	3	3	2	4

Source: Akinteye, Adeyemi and Udofia (2015).

5. Discussions of findings, conclusion and policy recommendations

This paper highlights the indicators of board independence. They include regularity in scheduling and holding board meetings, informal interactions among the members of the board independent of the management, proportion of NED on the board, availability of board policy on conflict of interest, how the board of directors discharge its oversight functions and the competence and independence of the board chair. This section presents a discussion of the findings, conclusion and policy recommendations.

5.1 Discussions of findings

Table 3 captures the details of the regularity and scheduling of board meetings. We document that the sampled firms (100%) hold at least one board meeting per quarter which translate to four a minimum of four board meetings a year. We further documented that the board meetings are held at regular intervals and at the instance or by the order of the board of directors further obtained that 18% of the sampled board meets six times in a year while 80% of the boards holds at least one extra board meeting within the year outside the regular four scheduled meetings. This suggests that the board of directors of Nigerian listed firms have independent control on the scheduling and interval of board meetings and that the board meetings are not subjected to the wills, wishes and dictate of the management. The findings are in agreement with the studies of Xie et. al., 2003; Fama and Jenses, 1983 and Sukeecheep et. al., 2003). Thus, we argue that this indicator of board independence enhances the oversight and monitoring roles of the board.

In Table 5, we documented the indicators of board independence as evidenced by the avenues for informal interaction that are in regular use in the sampled boards. All the respondent directors (100%) stated that they explore social events for informal interaction, 50% make use of clubs, board group chatting, joint family picnic outings and club events to informally meet and among other things talk about their responsibilities as directors. Furthermore, one-third of the respondent directors interact informally through social media and courtesy visits among the board members to independently evaluate the activities of management. This finding conforms with Vafeas (2000) study that both formal and informal interactions of directors enhances board independence and effectiveness in the execution of their oversight functions. We thus argue that the avenues for informal interaction are well utilized by the board of directors to strengthen its oversight and monitoring effectiveness as a corporate governance mechanism.

In Table 7, we captured the critical indicators of the degree of board independence. All the respondent directors (100%) stated that they have higher proportion of NED on their boards. Also, 100% of the research participants stated that the roles of the CEO and the Board Chairman are separated and that different persons occupy these offices. Furthermore, 80% of the respondents stated that the Chairman of the Board is independent and does not influence the decision of the board while 80% further stated that their board can be described as a disciplined board guided by the Board Charter which strengthens the independence of the board. Thus, we document evidence of the presence of key ingredients and indicators of board independence in the firms listed on the Nigerian Stock Exchange. Our findings align with the results of studies from other researchers on listed firms in UK, China, Hong-Kong and Iran. (Peasnell et. al., 2005; Gulza and Wang, 2011, Jaggi et. al., 2009; Resaei and Roshani, 2012).

In Table 9, we document the findings of the present research on conflict of interest. All the research participants (100%) stated that their boards have specific policy provision to ensure that there are no conflicts between interest of the individual members of the board and the overall best interest of the organization. Furthermore, 80% of the research participants stated that individual board members are not allowed to engage in competitive activities with the firm. Also, 80% of the research participants stated that their boards have in place Board Policy on directors non-contracting which means that none of the board members can be a supplier or a contractor to the company. In about 40% of the sampled boards, there are prohibited activities for board members, while each individual members must disclose any potential conflict of interest at the full board meeting for deliberations, with the board having the final authority to decide whether or not the potential conflict of interest is material enough to affect the qualification or the objectivity of the affected director. Thus, we document conclusive evidence that issues bordering on conflict of interest are adequately addressed by the board of directors which further enhances the independence of the board and its ability to discharge its monitoring and oversight roles.

In Table 11, we document that the boards of directors in Nigerian listed firms appeared to discharge their oversight and monitoring roles through the board committees. All the research participants (100%) stated that they have in place three substantive committees that work to enhances the independence and effectiveness of the board. All the research participants (100%) indicated that the Boards have in place the Finance and General Purpose Committee, Establishment and Nomination Committee, and the Audit Committee. Furthermore, 50% of the research participants have Risk Management and Quality Assurance Committee in addition to the three substantive committees. Thus, we document conclusive evidence that the independence of the board is enhanced by the constituted committees. We further document that this is more pronounced by the response of all the research participants that the Chairman of the Board is neither a member nor Chairman of any of the constituted committees of the board. This suggests that the Chairman of the Board is independent and that the board committees are able to independently discharge their oversight and monitoring duties. The separation of these committees in Nigerian listed firms shows compliance with the corporate governance code and this indicates independence of the board(Brickley and Coles, 1997; Osma and Noguer, 2007; Johnson and Daily, 1996). Thus, we argue that the board of directors of Nigerian listed firms possess the indicator of independence in this regard.

In Table 13, we document further evidence on the quality and independence of the Board Chairman. All the research participants (100%) described the chairman of their board as a leader while 80% described their Board Chairman as a Communicator, a team player, a good manager of resources, a reasonable person and a democrat. Furthermore, 50% of the research respondents described their chairman as: astute, listener, a father figure, a role model, a motivator and a humble person. Furthermore, 32% of the research participants described their board chairman as diplomatic, respectful, respected, dynamic and an unbiased umpire. The description of the Board Chairman showed that, the Board Chairman possess qualities that foster board independence and support the effective monitoring and oversight over the activities of the management as a corporate governance mechanism. The findings in this paper, provides evidence of independence of the board of director and have a bearing on its ability to provide effective oversight functions, identify incidences of agency problems and resolve these issues as they arise.

5.2 Conclusion

This study examined the independence of the board of directors in Nigeria listed firms through qualitative approach utilizing two-stage interviews, the initial in-depth interview and the follow up interviews. The study documents evidence that the board of directors of Nigerian listed firms showed indicators of independent boards of directors. The study established that that the board independently scheduled its meetings, have higher proportion of NED, have deliberate policies to guard against conflict of interest, discharges its oversight roles through the board committees that are independent in themselves and are led by chairmen that follow the core principles of independence thus constituting the board an effective corporate governance mechanism. Thus, we conclude that the board of directors of Nigerian listed firms meet up to the empirical indicators in the literature for board independence and as such discharging their oversight and monitoring functions independent of management as a corporate governance mechanism. This study makes an original contribution to the existing literature in this field. Furthermore, this study extend the frontier of corporate governance literature by examining board independence through qualitative research methods and indicators. It is believed that this paper will be of interest to the stakeholders in the listed firms, namely, the investors, lenders, shareholders and the regulatory bodies such as the Securities and Exchange Commission (SEC) and the Nigerian Stock Exchange (NSE). It is further believed that this paper should be of interest to the academic community, particularly, the corporate governance scholars and should trigger similar qualitative studies on corporate governance in different jurisdictions. It is suggested that future studies should qualitatively examine how quality of interaction between the board and its constituted committees enhances the oversight and monitoring roles of the board and strengthen corporate governance effectiveness.

5.3 Policy Recommendations

The *Companies and Allied Matters Act* (1990, as amended) (CAMA) is silent about the kind of director representatitive on the audit committee in a listed company (i.e., whether executive or independent), and the qualification of members. The act seems to absolve the board of directors of some of its responsibilities, especially, regarding oversight of the companies' financial reporting. Consequently, the codes of corporate governance needs to establish the minimum level of financial literacy, experience and skill set for all members of the audit committee and measures for audit committee members to keep up to date with developments affecting their ability to understand the principles that underpin the preparation of financial statements. CAMA should succintly define the kind of director representative on the statutory audit committee stating that the directors should be non-executive directors. The Corporate Governance codes should specify similar composition in order to further provide assurance of non-violation of board independence.

In Nigeria, there is an urgent need to review the legal framework (i.e., the *Companies and Allied Matters Act, 1990*) to make it favourably comparable with global best practice. The Corporate environment since 1990 has changed significantly. Consequently, the legal framework should be amended accordingly.

The proliferation of Codes of Corporate Governance in Nigeria should be curtailed. The simultaneous operation of several Codes indicates a need for uniformly applicable codes which will facilitate compliance and improve the architecture required for deepening investors' confidence and increasing the quantum of Foreign Direct Investments (FDIs) positions of emerging economies.

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Appendix A-2

PART A- Participant Profile

1. Gender:
2. Title:
3. Academic/Professional Qualifications
4. Years Appointed into the Board:
5. Board Committee Membership:
6. Age Range:
7. Place of Birth:
8. Religious or Philosophical upbringing

PART B

(1)How often does your board of directors meet? And how does your board draw up the annual calendar for the board meetings?
(2) What other avenues do the Board members have to interact outside the Board Meetings?
(3)How independent is your Board from Management?
(4) What Policy does your Board have to safeguard conflict of interests?
(5) What are the Committees established by your Board of Directors?
(6) How would you describe the Chairman of your Board?