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# CORPORATE GOVERNANCE AND ORGANIZATIONAL PERFORMANCE: EVIDENCE FROM NIGERIA

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## ABSTRACT

This study examined the relationship between corporate governance and organizational performance in Nigeria via quantitative research design. Corporate governance measures of board size, board independence, chief executive officer ownership and managerial ownership and organizational performance proxies of returns on assets and equities were sourced from quoted oil and gas companies in Nigeria from 2010-2020. Data obtained were analyzed using descriptive and inferential statistics. Overall, the findings revealed that corporate governance measures have a significant effect on performance proxies. More so, the canonical correlation result showed that board size and board independence were the best sets of corporate governance measures that have significant effects on organizational performance in Nigeria. Based on the findings, it is recommended that the stock market regulators should make concerted efforts towards instituting monitoring mechanisms that will ensure independence of the board. In addition, ownership concentration of the board should be adequately specified by the codes of corporate governance such that the proportion of concentration is not skewed in one direction. The practical implication of the study is that an understanding of the best sets of corporate governance measures will assist the management of companies in identifying and implementing the optimum set of corporate governance mechanisms for enhanced organizational performance.

**Contribution/Originality:** This study contributes to literature by showing the best sets of corporate governance measures that have the most significant effects on organizational performance. This study also contributes to knowledge by revealing that corporate governance measures of the study significantly affect the performance of organizations in Nigeria.

## 1. INTRODUCTION

Corporate governance researches have generated renewed interest in the performance of firms in industrial and emerging nations such as Nigeria. This renewed interest stems from the reality that shareholders have become much more interested in the organization's ability to maximize wealth and be sustainable amidst prevailing economic circumstances. Hence, the need for reliable information about the performance of firms within and outside the stakeholders' immediate environment cannot be over emphasized. Tulus (2018) asserted that corporate governance encompassed standards designed to keep track of management activities and measures aimed at boosting transparency of corporate information. Corporate governance is a system through which firms are managed and controlled (Cadbury, 1992). Similarly, Uddin (2013) sees corporate governance as an array of

processes, procedures, regulations and institutions influencing how corporations are managed and or controlled by those entrusted with the responsibility to do so. In literature, the concept of corporate governance received considerable attention due to the financial scandals on the global scene such as by Enron and Worldcom; and, for example, by Oceanic Bank and Afribank on the local scene, which raised trepidation on the call for corporations to brace up their mechanisms of corporate governance.

The fear to implement mechanisms of corporate governance brought about the several codes of governance (e.g. Central Bank of Nigeria-CBN; Bank and other Financial Institution Act BOFIA as amended; Securities and Exchange Commission SEC as amended; 2009 National Insurance Commission; Pension Commission codes as amended and the 2020 Corporate Governance Code), which were geared towards increasing transparency and accountability of firms to all stakeholders by reducing the powers of the board. Hassan, Aljaaidi, Bin Abidin, and Nasser (2018) and Zahid (2020) viewed corporate governance as approaches designed to compel management to act on ensuring and protecting the interest of stakeholders, which in turn should lead to resolving agency problems and minimizing its costs However, despite the governance mechanisms put in place by companies, they are still beset by poor performance.

Interestingly, empirical evidence (see (Alhababsah, 2018; Andra, 2019; Gacar, 2016; Kee, Hock, & Kwong, 2017; Kiran & Bomi, 2019; Okafor, 2009; Salehi, Moradi, & Paiydarmanesh, 2017; Sihar, Sitorus, Panjaitan, & Hardiah, 2017)) has shown that while companies incessantly report super profits year-in-year-out, their level of performance remain enormous and worrisome This may be because some directors and management attempted to make the most of their private benefits and were persuaded to take actions beneficial to themselves, although at the expense of shareholders.

Empirical evidence suggest that the increased prevalence of feeble management due to weak corporate governance is, conceivably, the most important dynamic that caused the various recorded cases of corporate failures both in developed and in developing nations (Abdullah, 2008; Kim, 2007). Okafor (2009).Kajola (2008) noted that companies with abnormal profits collapsed in numbers, resulting in a trail of despair for different categories of shareholders. A notable case is African Petroleum Nigeria Limited that got involved in suppression of debts while at the same time giving misleading information on its financial position (Okere et al., 2019), a situation that ultimately led to the sudden demise of African Petroleum Nigeria Limited.

On the global scene, corporate collapse and scandals as evidenced by Enron, Global Crossing, Tyco, Livent Inc., Adelphia, WorldCom, Xerox and Cadbury further gave rise to a loss of confidence in the integrity of corporate governance and the stewardship role of the company's managers(Badara, 2016; Mohammed, 2011), hence the increase in the number of codes of corporate governance to resolve such failures.

In Nigeria, concerted efforts have been made to ascertain the causes of corporate failures and collapses in the oil and gas sector. Price Waterhouse Coopers (2019) acknowledged diverse dynamics such as related party transactions (RPTs), reporting irregularities and managerial incompetence, among others as the prime causes of corporate failure in the oil and gas sector. These portend feeble mechanisms of corporate governance in the sector.

Evidence from previous studies mostly suggest that the entrenchment of effective governance systems in organizations has the capacity of boosting firm specific performance indices, for example, return on assets, return on equity that ultimately may affect market based performance measures such as Tobins' Q (Okoro & Ihenyen, 2020; Hykaj, 2016; Jeroh & Okoro, 2015; Jeroh, Ekwueme, & Okoro, 2015; Mohammed, 2011; Qasim, 2014; Tariq & Naveed, 2016).

Remarkably, corporate governance is seen as the demarcation of rights and responsibilities of each group of stakeholders within the company. In light of the above, this study seeks to examine mechanisms of corporate governance with a view to assessing the impact mechanisms of corporate governance such as board size, independence, chief executive officer (CEO) ownership and managerial ownership have on organizational performance (return on assets and return on equity) of Nigerian oil and gas companies. The focus of this study is to

usea comprehensive method to fill the gaps in the management literature by assessing the level of association between mechanisms of corporate governance and companies' performance using canonical correlation analysis (CCA).

## 2. LITERATURE REVIEW

### 2.1. Corporate Governance

The concept of corporate governance has been broadly defined in management literature. According to Cadbury (1992) corporate governance is a system by which corporate entities are guided and controlled; it is perceived as a demarcation of rights and tasks of each group of stakeholders within a corporation. Uddin (2013) sees corporate governance as a set of processes, customs, policies, laws and institutions influencing the manner in which a corporation is directed, administered and or controlled by those whose responsibility it is to do so. Bacha (2019) asserted that corporate governance includes the link between the diverse stakeholders involved in realizing the goals for which the corporation was established. In this context, the prime stakeholders are the owners of wealth (shareholders), managements and boards of directors.

Previous studies (Gacar, 2016; Kiran & Bomi, 2019; Ugwunta, Boniface, & Christian, 2018) showed that an ineffective corporate governance system led to corporate failure. Corporate governance mechanisms are believed to have one form of effect or the other on corporate entities, depending on the governance structure in place, which in turn, exerts a differential influence on entities' corporate performance (Man & Wong, 2013). In the wake of the Enron and WorldCom and other financial scandals, concerns have deepened both theoretically and practically to explain the nexus between a firm's corporate governance and the performance of companies. This perhaps has spurred diverse studies of the nexus between corporate governance and companies' performance as well as refining the codes of corporate governance in Nigeria.

The established codes, among others, are CBN, BOFIA, SEC, National Insurance Commission (NAICOM) 2009, Pension Commission (PENCOM) 2008 codes, as amended, and the CCG of 2020. The codes were set up to augment transparency and accountability such that business processes can be transparent to all stakeholders by limiting the powers of the board.

Four(4) mechanisms of corporate governance and two(2) performance indicators were used. The mechanisms of corporate governance are board independence, size, CEO ownership, and managerial ownership; the performance indicators are return on assets and return on equity. The intervening variable is the size of the firm. However, to link corporate governance to corporate performance, we categorized these governance variables into two (2): ownership structure (board independence and size), and ownership concentration (managerial and CEO ownerships).

### 2.2. Organizational Performance

Organizational performance is the benefits accruing from companies' share-holdings. It can be analyzed from financial statements of companies. A good performing company will bolster management for quality disclosure. Generally, performance of companies is evaluated using financial ratios that express links between variables in financial statements (Alhadab & Al-Own, 2017; Kabajeh, Al Nu'aimat, & Dahmash, 2012; Okoro, 2014).

According to Al-Matari, Al-Swidi, and Fadzil (2014), in theory the concept of organizational performance is at the core of strategic management. Researches dedicated to corporate governance nexus with organizational performance are highly dependent on measures such as return on assets, return on equity, dividend per share, and earnings per share among others (Ahmadu & Aliyu, 2016; EL-Maude, Bello, & Rimamshung, 2018; Elewa & El-Haddad, 2019).

In view of the aforesaid, this study focused on two (2) performance indicators: return on assets (ROA) and return on equity (ROE). ROA is employed to measure the effectiveness of a company in generating profit by

deployment of an asset, while ROE is the ratio of profit after tax to equity. The performance indicators used in the study give insights into managerial efficiency in implementing cost control over its assets and equities.

*2.3. Stakeholder's Theory*

This study is hinged on stakeholder's theory which was postulated in the 1990s as a result of the debate that companies are not only responsible to internal users of financial statements, but also to external users of financial statements (Hubbard, 2009). Stakeholder's theory holds that an organizations' management has a complex system of relations to serve. In essence, stakeholder's theory accentuates the need for management to be responsible to all categories of users of financial statements (stakeholders).

Broadly, stakeholders are a group or an individual that can affect or are influenced by the attainment of the company's goals and objectives (Freeman, 1984). To make sure ample protection is given to all stakeholders, the theory offers the representation of diverse interest stakeholders on the company's board to avoid conflicts of interests.

It is noteworthy that the theory has been criticized for making management accountable to numerous stakeholders without providing precise rules for resolving problems linked with stakeholders' conflicts of interest. Notwithstanding the criticism of the theory, Freeman (1984) contended that the array of networks of relationships with diverse groups can influence decision-making because the theory is concerned with the nature of the relationships in aspects of processes for the company and the stakeholders. Impliedly, the theory is hinged on managerial efficiency in making decisions aimed at augmenting performance. The relevance of the theory to this study is that because management is expected to consider all stakeholders' interests and influence people, the board needs to be well composed and, if necessary, the mechanisms of corporate governance strengthened.

## 3. METHODOLOGY

This study adopts the quantitative research design. The study population consists of the thirteen oil and gas companies quoted on the floor of the Nigerian Exchange Group during the period 2010-2020. Given the small-size of the sector, all the thirteen oil and gas companies were studied. Secondary data of board size, board independence, chief executive officer ownership, managerial ownership, returns on assets and equities were sourced from the annual reports and accounts of the quoted oil and gas companies in Nigeria from 2010-2020.

The study is an applied research of the *ex-post-facto* method, which was performed using canonical correlation analysis (CCA), Karl Pearson correlation and summary of descriptive statistics. The model of the study is given as:

$$FPerfn = F (Bsize, Bindep) \qquad (1)$$

$$FPerfn = F (Ceownshp, Manwnshp) \qquad (2)$$

$$FPerfn = F (Bsize, Boidn, Ceownshp, Manwnshp, Fsize) \qquad (3)$$

Equations 1-3 can be rewritten in their explicit forms as below:

$$FPerfn_{it} = \beta_0 + \beta_1 bsize + \beta_2 boidn + \varepsilon_t \qquad (4)$$

$$FPerfn_{it} = \beta_0 + \beta_4 ceownshp + \beta_3 manwnshp + \varepsilon_t \qquad (5)$$

$$FPerfn_{it} = \beta_0 + \beta_1 bsize + \beta_2 boidn + \beta_3 ceownshp + \beta_4 manwnshp + \beta_5 fsize + \varepsilon(1)$$

Given the above, *FPerf* is defined and measured as follows:

$$FPerfn = F (roa, roe,) \qquad (6)$$

Where: *Bsize*=size of board (number of board members); *Bindep*=independence of board (number of non-executive directors as a proportion of the total number of directors); *Ceownshp* = CEO ownership (total shares of CEO divided by total share of directors); *Manwnshp* =managerial ownership (chairman shares divided by shares of board directors); *Roa*=return on assets (profit after tax divided by total assets); *Roe*=return on equity (profit after tax divided by equity); *Fsize*=size of firm (natural logarithm of total assets); $\varepsilon$=Error term (variables not captured in the model).

**Table 1.** Summary of descriptive statistics.

| Variables | Obs. | Mean | Std. Dev. | Minimum Value | Maximum Value |
|---|---|---|---|---|---|
| Bsize | 80 | 8.625 | 2.492 | 0 | 13 |
| Bindp | 79 | 0.601 | 0.169 | 0 | 1 |
| Ceoownshp | 79 | 0.001 | 0.001 | 0 | 1 |
| Manwnshp | 79 | 6.413 | 1.569 | 3.740 | 8.740 |
| Roa | 80 | 3.710 | 3.371 | 0.170 | 17.730 |
| Roe | 80 | 6.558 | 7.723 | -0.860 | 28.180 |
| Fsize | 78 | 7.798 | 0.363 | 6.970 | 8.950 |

## 4. FINDINGS

Table 1 shows the descriptive statistics of the variables. The dependent variables as indicated in the earlier part of this chapter are ROA and ROE, while the independent variables are BSize, BIndep, CEOwnshp and Manwnshp. Also included in Table 1, is the result of descriptive statistics for the control variable (FSize). It was observed that ROE recorded a mean and standard deviation of 6.558 and 7.723 respectively. This implies that the individual ROE of the sampled oil and gas companies revolved around the mean, although some had an ROE that slightly deviated by about 7.7% from the average ROE during the study period. The minimum and maximum values for ROE were -0.860 and 28180. Eterna Oil and Gas Plc recorded the highest ROE of 17.730 in 2017, and MRS Oil Nigeria Plc recorded the lowest ROE of 0.170 in 2014.

Furthermore, ROA recorded a mean and standard deviation of 3.371 and 3.371 respectively. This implies that the maximum level of deviation of the ROA of any individual oil and gas company from the mean was about 3.37%. The minimum and maximum values of ROA reported during the period under review were 0.17 and 17.73 respectively. MRS Oil Nigeria Plc recorded the lowest ROA of 0.860 in 2013 while Total Oil Plc recorded the highest of 26.55 in 2012. The results revealed that Bsize had a mean and standard deviation of 8.625 and 2.492 with 0 and 13 as the minimum and maximum values respectively. BIndep recorded values of 0.601 and 0.169 as mean and standard deviation respectively with minimum and maximum values of 0 and 1 respectively. The minimum value of 0 was recorded by MRS Oil Nigeria Plc in 2011 while the maximum value of 1 was recorded by Eterna Oil Nigeria Plc in 2010, 2012, 2014 and 2015. In addition, the results for CEOrevealed a mean of .0000966 and standard deviation of 0.001, suggesting that the mean deviates equally by 0.001%. The minimum and maximum values for CEOwnship were 0.001 and 0.006 respectively. The highest recorded CEOwnship was found in the books of MRS Oil Nigeria Plc in 2010. In a similar vein, Manwnshp showed mean of 6.413 and standard deviation of 1.569. Impliedly, the idiosyncratic Manwnshp revolved around the mean, although some had Manwnshp that slightly deviated by about 1.57% from the average Manwnshp. The minimum and maximum values for Manwnshp were 3.74 and 8.74. The highest Manwnshp of 8.73 was reported by Eterna Oil Nigeria Plc from 2013-2019. FSize had mean of 7.798 and a standard deviation of 0.363, indicating that the mean deviated equally by 3.63%. The minimum and maximum values were 6.97and 8.95 respectively. The lowest Fsize was recorded by Eterna Oil Nigeria Plc in 2010 while the greatest was by Oando Plc in 2014.

**Table 2.** Correlation results.

| Variables | Roa | Roe | Bsize | Bindep | Ceownshp | manwnshp | Fsize |
|---|---|---|---|---|---|---|---|
| Roa | 1.000 | | | | | | |
| Roe | 0.643 | 1.000 | | | | | |
| Bsize | 0.005 | 0.237 | 1.000 | | | | 1 |
| Bindep | 0.302 | 0.101 | -0.370 | 1.000 | | | |
| Ceownshp | -0.103 | -0.003 | -0.287 | -0.017 | 1.000 | | 0 |
| Manwnshp | 0.215 | 0.027 | 0.048 | 0.191 | 0.452 | 1.000 | |
| Fsize | -0.106 | 0.021 | 0.588 | -0.238 | -0.140 | -0.177 | 1.000 |

In Table 2, ownership (CEOwnshp) had a negative relationship with the performance indicators (ROA and ROE). Interestingly, board structure (BSize and BIndep) together with MANownshp had positive relationships

with the performance variables. In a similar vein, the control variable (FSize) also had a negative relationship with the financial performance of measures of oil and gas companies in Nigeria.

The independent variables showed no signs of multicollinearity existence, since the Karl Pearson correlation between pairs of independent variable ranged from -0.103 to 0.302. This confirms the relevance of the empirical models of the study in assessing the mechanisms of corporate governance and organizational performance.

**Table 3.** Variance inflator factor results.

| Variables | VIF | 1/VIF |
|---|---|---|
| Bsize | 1.850 | 0.539 |
| Fsize | 1.650 | 0.605 |
| Manwnshp | 1.420 | 0.706 |
| Ceownshp | 1.400 | 0.716 |
| Bindep | 1.220 | 0.817 |
| Mean VIF | 1.510 | |

Table 3 revealed that the mean VIF did not go beyond the standardized VIF benchmark (1.510<10.0), showing an absence of multicollinearity between the independent variables.

**Table 4a.** Summary of raw coefficients for first and second variable sets.

| First Sets | 1 | 2 | Second Sets | 1 | 2 |
|---|---|---|---|---|---|
| ROA | 0.206 | -0.327 | Bsize | 0.396 | 0.378 |
| ROE | 0.052 | 0.164 | Bindep | 5.475 | -2.240 |
| Canonical Correlations:0.354 0.310 | | | | | |

The results in Table 4a reveal that of all the performance variables, ROA had the highest raw coefficient of 0.2066. In addition, ROA had a higher raw coefficient than ROE (0.052). The indication of the above is that as far as considerations are made about the structure of the board of quoted oil and gas companies in Nigeria, ROA takes precedence in terms of relevance, given the highest raw coefficient.

More so, one would notice from the results in Table 4a that apart from ROA, the other performance variable (ROE) had a positive relationship with board structure variables. Thus, if we hold other variables constant, all things being equal, one unit increase in the standard deviation of ROA will result in a 0.2066 increase in the standard deviation scores of the first canonical variate of the board structure variables (BSize and BIndep). Similarly, any unit increase in the standard deviation of ROE will cause a 0.052 and 0.164respective increase in the standard deviation scores of the first canonical variate of the board structure variables (BSize and BIndep). Impliedly, a well-structured board has the capability of improving strategic decisions that would yield higher and better financial performance of firms' ROA. Further results of the CCA are shown in Table 4b.

**Table 4b.** Summary of CCA result.

| Canonical correlations: 0.3546 0.3106 | | | | | |
|---|---|---|---|---|---|
| Tests of Significance of all Canonical Correlations | | | | | |
| | Statistic | Df1 | Df2 | F | Prob.>F |
| Wilk's lambda | 0.789 | 6 | 148 | 3.087 | 0.007 e |
| Pillai's trace | 0.222 | 6 | 150 | 3.125 | 0.006 a |
| Lawley-Hotelling trace | 0.250 | 6 | 146 | 3.049 | 0.007 a |
| Roy's largest root | 0.143 | 3 | 75 | 3.596 | 0.017 u |
| e = exact, a = approximate, u = upper bound on F | | | | | |

On the basis of the results in Table 4b, at df1 and df2, Wilks' lambda (0.789), Pillai's trace (0.222), Lawley-Hotelling trace (0.250) and Roy's largest root (0.438), produced f-ratios of 3.087 (p-value = 0.007), 3.125 (p-value=0.006), 3.059 (p-value=0.007) and 3.596 (p-value=0.017) respectively. This is a clear indication that there is a

composite significant relationship between board structure (BSize and BIndep) and the financial performance (ROA and ROE) of quoted oil and gas companies in Nigeria. Thus, the results established a statistically significant relationship at 1% significance level (p<0.001). Given the above results, it was found that there is a significant relationship between the ownership structure and the performance of oil and gas companies in Nigeria.

**Table 5a.** Summary of raw coefficients for first and second variable sets.

| First Sets | 1 | 2 | Second Sets | 1 | 2 |
|---|---|---|---|---|---|
| ROA | 0.386 | –0.016 | Ceownshp | –1.400 | 4.100 |
| ROE | –0.105 | 0.136 | Manwshp | 0.472 | 0.530 |
| | | | Fsize | –1.208 | 2.506 |
| Canonical Correlations: 0.285 | | 0.040 | | | |

Table 5a shows that when organizations are strategically designing their respective ownership structures, great care should be taken about its effect on the firm's ROA, which proved to be more relevant given that, of the other performance variable, it had the highest raw coefficient of 0.386 compared to ROE (–0.105). A further analysis of the results in Table 5a shows that apart from ROA that had a positive relationship with the ownership structure, the other performance variable (ROE) had negative relationship with the ownership structure variables. Thus, if we hold other variables constant, a unit increase in standard deviation of ROA will result in a 0.3865 increase in the standard deviation scores of the first canonical variate of ownership structure variables (CEOwnshp and Manwnshp). Additionally, a unit increase in the standard deviation of ROE will cause a 0.195decrease in the standard deviation scores of the first canonical variate of ownership structure variables (CEOwnshp and Manwnshp). Given the above, it implies that the ownership structure of organizations has the capability of strategically positioning organizations towards achieving better financial performance in terms of ROA.

**Table 5b.** Summary of CCA result.

| Tests of Significance of all Canonical Correlations | | | | | |
|---|---|---|---|---|---|
| | Statistic | Df1 | Df2 | F | Prob.>F |
| Wilk's lambda | 0.916 | 6 | 148 | 1.094 | 0.368 e |
| Pillai's trace | 0.083 | 6 | 150 | 1.086 | 0.373 a |
| Lawley-Hotelling trace | 0.090 | 6 | 146 | 1.101 | 0.364 a |
| Roy's largest root | 0.088 | 3 | 75 | 2.222 | 0.092 u |
| e = exact, a = approximate, u = upper bound on F | | | | | |

In Table 5b, at df1 and df2, Wilks' lambda (0.918), Pillai's trace (0.083), Lawley-Hotelling trace (0.090) and Roy's largest root (0.088), produced f-ratios of 1.094(p-value=0.368), 1.086 (p-value=0.373), 1.101 (p-value=0.364), and 2.222 (p-value=0.092) respectively. This is a clear indication that there is a composite insignificant link between ownership structure (CEOwnshp and Manwnshp) and the performance indicators (ROA and ROE) of quoted oil and gas companies in Nigeria. The results indicate that the link is statistically insignificant at 1% significance level (p<0.001). Hence, the ownership structure has no significant effect on organizational performance of oil and gas companies in Nigeria.

**Table 6a.** Summary of raw coefficients for first and second variable sets.

| First Sets | 1 | 2 | Second Sets | 1 | 2 |
|---|---|---|---|---|---|
| ROA | 0.375 | –0.095 | Bsize | –0.280 | 0.502 |
| ROE | –0.140 | 0.100 | Bindep | 2.307 | 4.687 |
| | | | Ceownshp | –2.000 | 1.400 |
| | | | Manwnshp | 0.299 | 0.028 |
| | | | Fsize | 0.338 | 1.399 |
| Canonical Correlations:0.395 | | 0.355 | | | |

In Table 6a it was observed that with a combination of the entire mechanisms of corporate governance, ROA remained the most relevant performance indicator due to its raw coefficient of 0.375 compared to ROE (-0.140). The least in the rank of relevance and the only performance indicator with negative sign was ROE (-0.140). The results further showed that holding other parameters constant, a unit increase in the standard deviation of mechanisms of corporate governance would result in 0.375 increases in the standard deviation scores of the first canonical variate of ROA. The above result is an indication that any increase or upward adjustment to the size and level of independence governance variables may result in an improvement in the performance of quoted oil and gas firms in Nigeria. The same may not be said of ROE. Interestingly, one could also observe from the first and second canonical variates in Table 6b that variables of board structure (bsize and bindep) had positive coefficients in the second canonical variate. There was, however, no instance where the two ownership structure variables had positive coefficients in a particular canonical variate. Other corporate governance measures individually recorded in each case, two (2) positive coefficients, which indicates that these variables also have a positive influence on performance indices.

**Table 6b.** Summary of CCA result.

| Tests of Significance of all Canonical Correlations | | | | | |
|---|---|---|---|---|---|
| | Statistic | Df1 | Df2 | F | Prob.>F |
| Wilk's lambda | 0.736 | 10 | 144 | 2.376 | 0.012 e |
| Pillai's trace | 0.283 | 10 | 146 | 2.406 | 0.011 a |
| Lawley-Hoteling trace | 0.330 | 10 | 142 | 2.345 | 0.013 a |
| Roy's largest root | 0.185 | 5 | 73 | 2.706 | 0.026 u |
| e = exact, a = approximate, u = upper bound on F | | | | | |

In Table 6b, at df1 and df2, Wilks'lambda(0.7367779), Pillai's trace(0.283026), Lawley-Hotelling trace(0.330378) and Roy's largest root(0.185363) produced f-ratios of 2.3762(p-value=0.0124), 2.4067(p-value=0.0112), 2.3457(p-value= 0.0136), and 2.7063 (p-value=0.0267) respectively. This clearly indicates that there is a significant composite link between the combination of mechanisms of corporate governance and organizational performance indicators(ROA and ROE) of quoted oil and gas companies in Nigeria and is statistically significant at 1% significance level (p<0.001).

## 5. CONCLUSION

One vital component that has adversely affected companies is the institution of feeble corporate governance. This could help to explain why the concept has become common place in management literature. In view of this, we investigated whether certain mechanisms of corporate governance have statistical link with organizational performance indicators. Studies have mainly been targeted at assessing the connection between sets of mechanisms of corporate governance and performance indicators. Furthermore, our review of relevant literature showed that quite a few studies had taken a closer and composite view on the link between sets of mechanisms of corporate governance and sets of organizational performance indicators. Thus, using canonical correlation, the study examined the link between sets of corporate governance mechanisms and sets of organizational performance indicators of selected quoted oil and gas firms in Nigeria. The results, however, established a composite statistical link between mechanisms of corporate governance and organizational performance indicators of quoted oil and gas companies in Nigeria. The study concludes that corporate governance mechanisms have a significant effect on organizational performance of oil and gas firms in Nigeria. In light of the findings, the study recommends that SEC should make concerted efforts towards instituting monitoring systems that would ensure the independence of the board. Furthermore, ownership concentration of the board should be adequately specified by the codes of corporate governance so that the proportion of concentration is not skewed in one direction. The practical implication of the study is that an understanding of the best sets of corporate governance measures will assist the management of

companies in identifying and implementing the optimum set of corporate governance mechanisms for enhanced organizational performance.

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