International Journal of Development and Sustainability
ISSN: 2186-8662 – www.isdsnet.com/ijds
Volume 6 Number 12 (2017): Pages 2116-2126
ISDS Article ID: IJDS17111004

Corporate governance and administrative efficiency in Nigeria universities

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Abstract

This study's concern is to investigate the relevance of corporate governance in the search for efficiency in organizational administration. But in this instance, the Universities are the particular coverage area of the investigation. It became necessary to use the cross sectional survey approach to derive only critical decision of the actors in the universities so studied which consist of all the management staff of three universities in Rivers State. Thirty (30) Management Staff were randomly selected from each institution giving a total of ninety (90) respondents through a simple randomised sample technique. Data gathered through questionnaire and complimentary interview feedbacks were tested and analysed using Pearson Product Moment correlation coefficient to determine the degrees of significant relationships between the tested variables and their respective attributes as well as measures. The analysis of the data was further enhanced with the aid of SPSS and recommendations were drawn from the findings and conclusion which apparently indicated strong relationships between the tested attributes of the predictor and measures of the criterion variables.

Keywords: Corporate Governance; Transparency; Accountability; Control; Administrative Efficiency

Cite this article as: Nwinyokpugi, P.N. (2017), "Corporate governance and administrative efficiency in Nigeria universities", *International Journal of Development and Sustainability*, Vol. 6 No. 12, pp. 2116-2126.

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1. Introduction

There is a rising administrative disconnect among the actors in the universities in Nigeria which becomes more manifest in the frequencies of conflicts and distrust arising from the existing relationships. The university unions at all times are on the protest run against administration; members of the respective unions are also enmeshed in operational brawl with leadership of the universities' unions on issues arising from mismanagement of check-ins; and students are often seen on the streets protesting the insincerity of administration towards the provision of basic learning comforts and lack of transparency of the actors towards students and the communities. All these force and counterforces show obviously the absence of corporate governance in the focused universities. However, it will be of interest to showcase from the theoretical point of view with specific thrust on corporate governance as it reflects on the problems arising from its non-applicability in university administration. A general problem that needs to be addressed is the fact that there is general lack of basic understanding of good corporate governance. From the lens of Williamson, (1996), the concept of corporate governance has regrettably been reduced to a 'code-definition' of a well-structured manner of managing an organization. In other words, it is given a narrow interpretation instead of a broad interpretation that naturally should incorporate efficient and transparent administration of set corporate objectives to accommodate relatively divergent interests. To this end, it is expedient to have a critical and empirical overview of the concept of corporate governance and the necessity of an efficient administrative system in order to realize stability in academic institutions. As part of spirited efforts of simplifying the hitherto elusive concept of corporate governance, multifarious definitions have been proffered by different scholars. These conceptualizations are explored. In one of the definitions, corporate governance was viewed from narrow and broad perspectives. In its narrow conceptualization, it is viewed as being concerned with the structures within which a corporate entity or enterprise receives its basic orientation and direction; whilst in its broad perspective, it is perceived as being the heart of both a market economy and a democratic society. In another attempt, (Daily et al., 2003) corporate governance is seen as a system of making directors accountable to shareholders for effective management of the companies in the best interest of the company and the shareholders along with concern for ethics and values. It is a management of companies through the board of directors that hinges on complete transparency, integrity and accountability of management. Corporate governance is also seen as the set of processes, customs, policies, laws and institutions affecting the way a corporation or company is directed, administered or controlled (Oso and Semiu, 2008). Consequently, corporate governance is the structured administration of the corporate ideas, creeds, ethos, customs, laws, institutions and processes by designated authorities with a view to meeting the optimum satisfaction of the stakeholders – shareholders, investors, employees, customers, and suppliers while not offending existing governmental rules (Laing and Weir, 2009). The indispensability of administration of corporate ideas can be easily witnessed in the various organisations where corporate governance is in commendable shape. Likewise, in the academia, the concept of corporate governance remains unchanged; the principles and applicability are similarly unaltered. Wherever we find an organized entity set out for the actualisation of itemised objectives, we also find the significance of the concept. Successful academic institutions of international repute like the Harvard, Cambridge, and Oxford to mention but a few are famous for their long standing foundations of solid and good corporate governance.

This is the rationale for the academic spotlight on the University of Port-Harcourt, Rivers State University of Science and Technology, University of Port Harcourt and the Ignatius Azuru University of Education, all in Rivers state. It should therefore be noted that corporate governance applies to all types of firms, organizations as well as companies and its definition straddles or extends to all of the economic and non-economic activities (Abdullah, 2009).

2. Literature

The Nigerian corporate governance concept is a product of its environment, politically, legally and economically. The nature of corporate governance in Nigeria cannot be completely detached from its political and governance antecedence. The review of earlier research work is streamlined to cover identified attributes adopted in this study.

2.1. Transparency

Transparency according to Clark (2004), is the ease with which an outsider is able to make meaningful analysis of a company's transactions, its economic fundamental and non-financial aspects pertaining to that business. It has become increasingly significant in recent times that organization give detailed information about its activities that cannot readily be quantified in financial terms at that point in time but which nonetheless has far reaching implications on organizations. It is a measure of how good management is at making information available in candid, accurate and timely manner, not only in audit data but also in general reports and press releases. Transparency according to Hallak and Poisson (2007) requires clearness, honesty and openness. It is the principle that those affected by administrative decisions should be informed and the duty of civil servants, managers and trustees to act visibly, predictably and understandably. Corporate governance at its core involves the monitoring of the corporation's performance and the monitor's capacity to respond to poor performance – the ability to observe and the ability to act. Transparency goes directly to the equity market's ability to observe a corporation's performance. Most information concerning a corporation's performance is uniquely available from the corporation. Without effective disclosure of financial performance, existing equity investors cannot evaluate management's past performance, and prospective investors cannot forecast the corporation's future cash flow. Equity investment requires good corporate governance, and good corporate governance requires the capacity to make credible disclosure of financial results. In the absence of effective financial disclosure, a country's capacity to support equity markets and, in turn, important kinds of industry, is compromised. Effective corporate governance also requires a second form of transparency – ownership transparency. Shareholders can suffer from poor corporate performance; however, they also can suffer from a controlling shareholder's divergence of earnings or opportunities to itself (Gregory and Simms, 1999).

2.2. Accountability

To account is to give a description or depiction of something that happens or happened. Accountability would therefore be taken to literally mean the process of giving an account of an event. Accountability belongs to an important category of social norms that may collectively be called "norms of governance". Norms of governance prescribe legitimate modes of wielding power – that is, they deal with use and abuse of power (Licht, 2002). Accountability may be held as the trademark of corporate governance, and particularly of the two descendants of this field of study: Agency theory and Stakeholder theory. The tricky part about it is that, for the people to whom the account is being given, the accuracy and probity of the story is very important. To achieve this, accountability usually moves hand in hand with seven other principles. These include, "delegation, responsibility, disclosure, autonomy, authority, power and legitimacy."- Chansa (2006). The separation of ownership from management can cause conflict if there is a breach of trust by managers either by intentional acts, omission of key facts from reports, neglect, or incompetence. One way in which this can be avoided is for entities (in their entirety) to act with transparency and be accountable to the shareholders and other stakeholders. Therefore apart from just being a component of corporate governance, there are many advantages of accountability. Firstly, it is a key to economic prosperity. If there is poor accountability by players in the economy, stakeholders may lose the confidence they have in it and hence become reluctant to put in their best. For instance; for some developing countries, lack of accountability may lead to a fall in the participation rate in their development programmes by their cooperating partners- a situation that leads to further deterioration in the development process (Suchman, 1995). Accountability is also key to performance measurement. The more accountable corporate governors are, the more likely it is that results of performance measurement processes are going to be a true and fair representative of the performance being measured. Accountability is a very important pillar of corporate governance. Without it, the agency problem would be hard to defeat. With it, the confidence of stakeholders is increased. It is achieved through faithfulness in various aspects of corporate governance especially reporting. The strength and accuracy of the reporting is also strengthened by various standards and regulations.

2.3. Justice and fairness

A corporate governance system has the main aim of entrenching the principles of fairness, transparency, objectivity, decency, judgment and integrity among those charged with the governance of companies. To begin with, fairness means treating people with equality. It entails avoidance of bias towards one or more entities as compared to the other(s). In economic development terminology, we usually meet the word fair several times. For instance there are phrases such as the fair distribution of the national wealth, fair value fair play and so on. Fairness has in the recent past been a controversial issue in corporate governance. Indeed, fairness is an important principle all over Africa and the world. Fairness is usually considered with various stakeholders of a company in mind (Mayer, 1997). The choice as to what is fair and will most likely is made by taking into account the stakeholder's position on the power-interest matrix. In transactions such as mergers or acquisitions for instance, it is very hard to be as fair as possible if you are on the board. For this reason, many companies are turning to what is known as fairness opinions. This involves calling in an independent knowledgeable entity to assess a particular transaction and give their opinion on its fairness.

Another way that is being used as a tool to increase fairness is known as corporate governance rating. Here, various companies are assessed on aspects of their corporate governance and the results are published in order to help the firm(s) improve performance on fairness (Donaldson and Preston, 1995).

2.4. Control

The central focus of every human endeavor in organisation is not far from achieving corporate objectives, however, this cannot be possible if functional units and human operators are not by any means given a standard of performance. This standard that guides actor's action and inaction is the control mechanism. Bayne (2001) reiterated that governance efficiency is a mirage if actions are left unmonitored. For any organization to achieve fairness, transparency, accountability and social responsibility within the operational boundaries, a given level of control is necessary to enhance compliance. No human activity can succeed without some standard settings to guide actors in the focus at achieving common objectives. The University system is one open system that ordinary should be given thorough internal control especially as the core of existence is building industry workforce as well as researchers for the furtherance of economic development in national economy. Control mechanism as one component of corporate governance is principally directed at ensuring that actions of the human actors are directed at realization of common goal (Gorton and Rosen, 2009).

3. Methods

Given the nature and class of the respondents, it became necessary to use the cross sectional survey approach to derive only critical decision of the actors in the universities so studied which consist of all the management staff of three universities in Rivers State. Thirty (30) Management Staff were randomly selected from each institution giving a total of ninety (90) respondents through a simple randomised sample technique. Data gathered using questionnaire and complementary interview feedbacks were tested and analysed using Pearson Product Moment correlation coefficient to determine the degrees of significant relationships between the tested variables and their respective attributes as well as measures. This correlation coefficient is low at 0.1 to 0.4 medium at 0.5 and high at 0.8 to 0.9 respectively. Below are the tests and data analyses and presented with the aid of SPSS as shown in their respective tables.

As shown in Table 1, Accountability/responsiveness and employee growth was significant at $p < 0.05$ alpha level. The Pearson correlation is .875. We therefore reject the Null Hypothesis and accept the Alternate Hypothesis which stated that there is a significant relationship between Accountability/responsiveness and employees growth in Rivers State Universities. As shown in Table 2 above, Accountability/responsiveness and Manpower development was signifcant at $p < 0.05$ alpha level. The Pearson correlation is .869. We therefore reject the Null Hypothesis and accept the Alternate Hypothesis which states that there is a significant relationship between Accountability/responsiveness and employees growth in Rivers State Universities. As shown in Table 3, Transparency and Employee growth was significant at $p < 0.05$ alpha level. Pearson correlation is .990. We therefore reject the Null Hypothesis and accept the Alternate Hypothesis which states that there is a significant relationship between Transparency and employee growth in Rivers State Universities.

Table 1. Accountability/Responsiveness and Employee growth

		Accountability	Employee Growth
Accountability/ Responsiveness	Pearson Correlation	1	.875
	Sig. (2-tailed)		.125
	Sum of Squares and Cross-products	.057	.086
	Covariance	.019	.029
	N	4	4
Employee Growth	Pearson Correlation	.875	1
	Sig. (2-tailed)	.125	
	Sum of Squares and Cross-products	.086	.167
	Covariance	.029	.056
	N	4	4

Source: Survey data 2017

Table 2. Accountability/Responsiveness & Manpower Development

		Accountability/Responsiveness	Manpower Development
Accountability/ Responsiveness	Pearson Correlation	1	.869
	Sig. (2-tailed)		.131
	Sum of Squares and Cross-products	.057	.062
	Covariance	.019	.021
	N	4	4
Manpower Development	Pearson Correlation	.869	1
	Sig. (2-tailed)	.131	
	Sum of Squares and Cross-products	.062	.089
	Covariance	.021	.030
	N	4	4

Source: Research survey, 2017

Table 3. Transparency and Employee growth

		Transparency	Employee Growth
Transparency	Pearson Correlation	1	.990*
	Sig. (2-tailed)		.010
	Sum of Squares and Cross-products	.084	.117
	Covariance	.028	.039
	N	4	4
Employee Growth	Pearson Correlation	.990*	1
	Sig. (2-tailed)	.010	
	Sum of Squares and Cross-products	.117	.167
	Covariance	.039	.056
	N	4	4
*. Correlation is significant at the 0.05 level (2-tailed).			

Source: Survey research, 2017

Table 4. Transparency and Manpower Development

		Transparency	Manpower Development
Transparency	Pearson Correlation	1	.992**
	Sig. (2-tailed)		.008
	Sum of Squares and Cross-products	.084	.086
	Covariance	.028	.029
	N	4	4
Manpower Development	Pearson Correlation	.992**	1
	Sig. (2-tailed)	.008	
	Sum of Squares and Cross-products	.086	.089
	Covariance	.029	.030
	N	4	4
**. Correlation is significant at the 0.01 level (2-tailed).			

Source: Research survey, 2017

Table 5. Justice and Fairness and Employee grwoth

		Justices Fairness	Employee Growth
Justics &Fairness	Pearson Correlation	1	.813
	Sig. (2-tailed)		.187
	Sum of Squares and Cross-products	.040	.066
	Covariance	.013	.022
	N	4	4
Employee Growth	Pearson Correlation	.813	1
	Sig. (2-tailed)	.187	
	Sum of Squares and Cross-products	.066	.167
	Covariance	.022	.056
	N	4	4

Source: Research survey, 2017

Table 6. Justice and Fairness and Manpower Development

		Justices & Fairness	Manpower Development
Justics & Fairness	Pearson Correlation	1	.808
	Sig. (2-tailed)		.192
	Sum of Squares and Cross-products	.040	.048
	Covariance	.013	.016
	N	4	4
Manpower Development	Pearson Correlation	.808	1
	Sig. (2-tailed)	.192	
	Sum of Squares and Cross-products	.048	.089
	Covariance	.016	.030
	N	4	4

Source: Research survey, 2017

As shown in Table 4 above, Transparency and Manpower Development was signifcant at p< 0.05 alpha level. Pearson correlation is .992**. We therefore reject the Null Hypothesis and accept the Alternate Hypothesis which says that there is a significant relationship between Transparency and Manpower Development in Rivers State Universities. As shown in Table 5, Justice and Fairness and employee growth are significant at p< 0.05 alpha level. Pearson product moment correlation is .813**. We therefore reject the Null Hypothesis and accept the Alternate Hypothesis states that there is a significant relationship between Justice and Fairness and employee growth in the Universities. As shown in Table 6, Justice and Fairness and Manpower Development was signifcant at p< 0.05 alpha level. Pearson correlation is .808. We therefore reject the Null Hypothesis and accept the Alternate Hypothesis which states that there is a significant relationship between Justice and Fairness and Manpower Development in Rivers State Universities.

Table 7. Control and Employee growth

		Control	**Employee Growth**
Control	Pearson Correlation	1	.862
	Sig. (2-tailed)		.138
	Sum of Squares and Cross-products	.114	.119
	Covariance	.038	.040
	N	4	4
Employee Growth	Pearson Correlation	.862	1
	Sig. (2-tailed)	.138	
	Sum of Squares and Cross-products	.119	.167
	Covariance	.040	.056
	N	4	4

Source: Research survey, 2017

Table 8. Control and Manpower Development

		Control	**Manpower Development**
Control	Pearson Correlation	1	.853
	Sig. (2-tailed)		.147
	Sum of Squares and Cross-products	.114	.086
	Covariance	.038	.029
	N	4	4
Manpower Development	Pearson Correlation	.853	1
	Sig. (2-tailed)	.147	
	Sum of Squares and Cross-products	.086	.089
	Covariance	.029	.030
	N	4	4

Source: Research Survey, 2017

As shown in Table 7, Control and Employee growth are signifcant at p< 0.05 alpha level. Pearson correlation is .862. We therefore reject the Null Hypothesis and accept the alternate hypothesis which stated that there is a significant relationship between Control and Manpower Development in Rivers State Universities. As shown in Table 8 above, Control and Manpower Development was significant at $p < 0.05$ alpha level. Pearson correlation is .853. We therefore reject the Null Hypothesis and accept the Alternate Hypothesis which stated a significant relationship between Control and Manpower Development in Rivers State Universities. The SPSS software was used to present the test of Pearson Product Moment Correlation Coefficient between Corporate Governance and Administrative Efficiency of Universities in Rivers State. Accountability/responsiveness and Employee growth was significant 0.875, indicating a strong relationship, Accountability/Responsiveness at 0.869, Transparency and Employee growth at 0.990 showed a significant relationship, Transparency and Manpower development at 0.992, Justice and fairness and Employee growth at 0.813, Justice and fairness and Manpower Development also was significant at 0.808, Control and Employee growth at 0.862, also control and Manpower Development is 0.852, Social responsibility and Employee growth is 0.962 , this is a very strong relationship and lastly Social responsibility and Manpower development at 0.968 also showed a very strong relationship

4. Discussion of results

The study found a correlation between transparency and employees growth. This is supported as stated by Hallak and Poisson (2007) that the relationship between good corporate governance and transparency should be apparent because every organization requires clearness, honesty and openness. It is the principle for successful organization that those affected by administrative decisions should be informed and the duty of employees, supervisors and trustees to act visibly, predictably and understandably. The study also ascertained a strong correlation between accountability/responsiveness and employees growth as well as manpower development. This is in line with the work of Chansa (2006) where he stated that it is a very important pillar of corporate governance and without it, the agency problem would be hard to defeat. With it, the confidence of stakeholders is increased; hence corporate goal achievement. The study also revealed a relationship between control and manpower development. The study found an impressive correlation between justice & fairness and manpower development as well as employees growth. To begin with, treating people with equality may increase patronage and a positive motivation to grow in their respective fields of specialization. In summary, this study established that all the attributes of corporate governance tested are significantly related to administrative efficiency of universities.

5. Conclusion

From the analysis of the mean and tests of hypotheses, it is summarized that corporate governance is a necessary tool that can foster administrative efficiency of Universities in Rivers State. Therefore; this research work conclude as shown, that corporate governance is an effective administrative strategy for improved administrative efficiency of universities in Rivers State. If management will be accountable and responsive, show a high level of justice and fairness to staff and students, and are transparent in carrying out their functions, efficiency can be guaranteed especially with proper control mechanism established to block all leakages. Corporate social responsibilities there will be high increase in administrative efficiency of Nigerian universities.

6. Recommendations

Based on the findings of this study that corporate governance enhances administrative efficiency of the universities in Rivers State, we therefore recommend that;

1- Management should be accountable and responsive in all areas of operations. Management should be accountable and responsive to the staff and students of the Universities to increases institutional trust and enhance administrative efficiency at all levels in the various institutions.

2- There should be high level of justice and fairness in all matters that concerns the management and employees of the universities.

3- Transparency is critical on matters that concern universities, especially in the area of motivation and discipline of staff and students. Management should be transparent in dealing with their staff and students of the institution to ensure that no one is treated superior to the other without applying proper regulatory procedure

4- Proper control should be put in place to block all leakages and forestall high administrative costs to the universities. Management should ensure proper control of all materials and finance as well as decisions in the universities.

5- It is also necessary that organizations especially institutions of higher learning should ensure that they developed the staff, members of the university community and host community to ensure peace, because where there is peace, there will be employee growth and manpower development.

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