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Sustainability and Businesses in Nigeria: New Challenges and Readiness to Withstand the Pressure of Economic Development

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Abstract: *Sustainability has been a hot topic globally but has received minimal attention in Nigeria unfortunately. This is evident as none of Nigerian businesses is listed* on *the world's sustainability indexes/ratings. This paper using descriptive method, essays on sustainability and businesses in Nigeria; the challenges and* readiness to *withstand these challenges. The study opines that the traditional corporate governance adopted by Nigerian businesses fetter corporate progress. The study thus recommends adoption of corporate social responsibility as a vital building* block *of every corporate governance initiative. This requires all Academics, Accountants, Auditors, Managers, Board members and Directors, Investing Public and Stockbrokers to work together on meeting these challenges, in order to move Nigerian economy to the next level.*
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Keywords: corporate governance (CG); corporate social responsibility (CSR); shareholders; chief executive officer (CEO); corporate performance; sustainability management,

INTRODUCTION

The traditional view of corporate governance (CG) suggests that organizations need to meet shareholders interest (Profitability). Organizations these days are getting bigger by the day, majority of which have gone global expanding more than the state Investors in their investment decision take account of environmental social and corporate governance factors (responsible investing) Local stakeholders in regions where companies operate are being increasingly active in defending their interests. Also in this era of privatization of government enterprises, organizations need to look broader on their idea of corporate governance to incorporate their economic interests, with social and environmental stakeholders ‘interests for sustainability. The traditional approach to corporate governance is no longer valid as investors want to create long-term value. Management of organizations must accept that businesses are societal construction and that managers have an obligation to create benefits for members of their society (Carrol,1984, Gray et al., 1996). This topical area is yet to gain significant popularity and yet no Nigerian company is included in relevant sustainability indexes. It is against this background that the study using descriptive survey design explores sustainability management and businesses in Nigeria; the challenges and readiness of these organizations to meet the new challenges; which are obvious as seen in the realities of the 21st century Nigerian business environment. The succeeding sections will look at existing literature on this area of study, sustainability management and businesses in Nigeria followed by findings, challenges and conclusion.

Good corporate governance is often equated with sustainability; and Agency theory is generally considered as the starting point for any discussion on corporate governance. The theory emanates from classical thesis by Berle and Means (quoted in Kyereboach-Coleman, 2007:3), and points at separation between ownership and control as being the cause of fundamental agency problem in modern firms. Firms are run by professional managers (agents) who cannot be held accountable by dispersed shareholders. There is then need to ensure that managers follow the interests of shareholders in order to reduce cost associated with principal-agent theory. Managers being humans more often than not act opportunistically. Based on the theory, some of the ways to address certain behaviors that arise from managers include the following:

Composition of board of directors: The board needs be made of large number of non-executive Directors to ensure board's independence in monitoring and passing fair and unbiased judgment on management.
Chief Executive Officer (CEO) duality: The job of CEO and Chair person must be made distinct so as to reduce concentration of power on one individual, ensuring reduction of undue influence of particular management and board members.

Agency theory aired by ascribing shareholders as only group of corporate entity and thus needs further examination. In addressing the narrowness, Stakeholder theory provides that a corporate entity invariably seeks to provide a balance between the interests of its diverse stakeholders in order to ensure that each interest constituency receives some degree of satisfaction (Adams, 2004). In this case the stakeholder theory better explains corporate governance by highlighting the needs of stakeholders-creditors, customers, employees, banks, governments, society etc.(John and Senbet, 2008). This suggests that corporate activities impact on the external environment requiring accountability of the organization to a wider audience than simply its shareholders (McDonald and Puxty, quoted in Kyereboah-Coleman,2007:4). Stakeholder theory has been criticized for assuming single-valued objective (gains that accrue to a firm's constituencies) (Jenson, 2001).
Corporate performance, he suggests, should not be measured only by gains to stakeholders. There is thus need to consider other key issues such as flow of information from senior management to lower ranks, inter-personal relations, working environment etc. Enlightened stakeholder theory came up in reaction to that but empirical testing limits its relevance (Sanda et al.,2005). Stewardship theory argues that managerial opportunism is not relevant (Donaldson and Davis, 1991; Schoorman and Donaldson, 1997;Muth and Donaldson, 1998); pointing out that managers' objective is primarily to maximize the firm's performance

because manager's need of achievement and success are satisfied when the firm is performing well. To ensure good governance, the theory spells out the following:

- Involvement of non-executive directors (NEDs) as it enhances effectiveness of board activities.

The position of CEO and board chair should be concentrated in the same individual as it reduces bureaucracy and lowers agency cost.

Small board sizes must be encouraged to promote effective communication and decision making.

The foregoing thus elucidate the fact that quality corporate governance can help alleviate problems arising out of conflict of interest to some extent (Gursoy and Aydogan, 2002) because it promotes goal congruence(Conyon and Schallbach, 2000); ensuring corporate sustainability. Sustainability anchors on stakeholders theory in ensuring that organizations incorporates into their economic interests, the social and environmental interests of the wider society; ensuring a (long term) sustainability motive of 21st century businesses.

Corporate governance (CG) is the system by which companies are directed and controlled; and boards of directors are made responsible for the governance of their companies (United Kingdom Shareholders Association,1992). Effective corporate governance has been identified to be critical to all economic transactions especially in emerging economies (Dharwardkar et al. 2000). Meyer (2007) asserts that CG is a way of bringing the interests of investors and managers into line and ensuring that firms are run for the benefit of investors. It is concerned with the relationship between the internal governance mechanism of corporations and society's conception of the scope of corporate accountability (Deakin and Hughes, 1997).

CG has also been defined as structures, processes, cultures and systems that engender the successful operation of organizations. From the definitions one can infer that CG involves structures and processes laid down by a corporate entity to handle agency problems resulting from separation of ownership from control. Such systems would embody what is deemed legitimate lines of accountability by defining the nature of relationship between the company and key corporate constituencies. Organizations in line with realities of business environment are adopting a broad look at governance in resolving stakeholders' interest. This is done through incorporation of corporate social responsibility (CSR) with corporate governance (CG). In so doing, corporate entities incorporate three pillars, comprising economic, social and environment in reaching the broad constituent in their corporate governance pursuit. Such practices researchers argue ensures long term value creation for the organization or more or less ensure sustainability, Carrol and Buchholtz (2006-86) affirms that shareholder management view is consistent with the environment that businesses face today.

Sustainability management is about stakeholders' view of corporate governance (Davis, et al., 2011; Donaldson,et al. 2013,Clerkson, 2012) and has been a subject of intense debate in academic literature, According, to UNESCO (1987:43), sustainable development is development that meets the needs of the present without compromising the ability of future generation to meet their own needs. The concern on sustainability reflects the way managers run the companies, as well as the behavior of worldwide societies towards sustainable practices or actions, The commitment to creating organizational wealth in a manner that is economically, technologically, and socially sustainable, challenges conventional thinking about nature and sources of corporate success (Post et al. P.214). There is actual relationship amongst markets, corporations, government and sustainability, in which the government plays regulatory role in sustainability and environmental standards provision. Wilkinson and Hill (2007) describe how such complex relationship is predominant in most sustainable actions and corporate plan. They also stressed the fact that governments cannot solve the world's natural problems alone, if the economic environment is unsupportive. With organizations going global, government control on businesses has reduced. Businesses are faced with commercial pressures to adhere to environmental practices; such as customers complaining of depletion of non-renewable resources and accuse businesses of disrupting environmental scene. Also there are internal pressures on organizations relating to sustainability of human resources, which manifests on staff turnover, decreasing firm loyalty, increasing work hours and stress levels, and levels of satisfaction.

Wilkinson and Hill (2007) affirm that for an organization to ensure long-term business success and ecological survival; human and ecological sustainability need be addressed. Lo and Shen (2007) in their study on some US firms, finds a strong interaction between corporate sustainability and sales growth in firm value. Post et al. (2002) provide some preliminary evidence that supports the proposition that corporation which chooses CSR may perform better than those that continue to embrace a more traditional management perspective. Verschoor (2008) in a study of 500 public corporations found that those that mentioned their commitment to interests and codes of conduct in their annual reports (more than 100 firms) reported superior financial performance to those that did not. Another study indicates that managerial attention to employee and customer stakeholders is associated with favorable financial performance (Berman et al. 2009, 28).SAM (2011) also affirms that adhering to sustainability principles outperform those that do not. These assertions suggest that organizations with remarkable sustainable development strategies are more likely to be rewarded by investors with a higher valuation in the financial markets, Paramanathan et al. (2004) in relating sustainability with technology management stress the relationship between implementation of industrial sustainability and contribution technology management research has to offer. Also Melville (2010) looks at information systems innovation for environmental sustainability and demonstrates the critical role information system can exert on beliefs about the environment, in creating possibilities to sustainable processes and practices in organizations, and in improving environmental economic performance. Aras and Crowther (2008) discuss how corporate governance is fundamental to continuing operation of any corporation. In the same vein, sustainability is also fundamental to continuing operation of any corporation.

Sustainability and Businesses in Nigeria

The traditional role of organizations in Nigeria is to provide its owners with financial benefits, in return for their investment risks. But with changing ownership structure of these organizations, ownership and control has separated. These organizations have thousands of shareholders with directors who sit on corporate boards. These directors theoretically are supposed to be chosen by shareholders to look after their common interest. Full time professional managers are employed to take care of day-to-day management in line with directives passed down from the corporate board Shareholders seeing themselves as investors are willing to provide the board with power to vote on their behalf. So existing directors decide who will sit on their board. Also board members often are associated with management and as such ask few questions concerning performance of management.

Consequently, the traditional corporate governance system failed in its entirety in Nigeria. There is also emphasis on outside directors, outside directors are directors that are not part of management. They may be company's bankers, lawyers, management consultants or friends of the management. Their network of relationship with the management makes them unsuitable for independent watchdog role demanded of them by the traditional model. To buttress this, shareholders have also questioned the relevance of the traditional model, picking on managers lack of accountability, inefficiency of boards and directors, excessive compensation paid to managers and board members. Most of these companies post profits but cannot be seen as a responsible measure of a company's underlying health. Carrol and Buchholtz (2000:64) suggest that firms should accept broader obligations that seek to balance interests of shareholders with those of other stakeholders, notably employees, suppliers, customers and the wider community. The role of businesses in Nigeria needs then be revisited. Such change proposal is without interest to management because they have profited personally and severally from the traditional system. But such practices have become more transparent in the current global electronic age and thus necessitate need for change.

FINDINGS OF THE STUDY

The study found that the traditional corporate governance system in Nigerian organizations failed in its entirety. The agitation in Niger Delta points to the veracity of our findings. The Nigerian government in their mistaken solution to the crises lobbies the militants that are on a break to rise again; hence the challenges ahead.

The Impending Challenges

The change we propose in Nigeria is a change towards sustainable development that incorporates economic, social and environmental pillars in pursuit of long term progress or sustainability of organizations. Nigerian business environment has evolved to the extent that manager's responsibility to society will exceed their responsibility to the shareholders; hence the new challenge. This challenge can be seen in the need for corporate social responsibility (CSR) approach to corporate governance (CG). This involves recognition and application of impact of business on people and acting thereon on organizational corporate governance policies. The question then is whether Nigerian business community is evolving quickly enough to face the new challenge.

Readiness to Face the Challenges for Economic Development

To face the new challenge requires all and sundry to contribute to the realization that will require the academics, the accountants and auditors, shareholders, investing public, stockbrokers, boards etc. To modernize and move towards sustainability in approach to their various areas of operations. In academic sphere, there is need for transformation agenda that would engender change in education practices, as well as making structural changes in educational institutions that are nurturing the next generation of business leaders. This emphasizes the need to integrate sustainability into existing curricula. The boards are very important governance structure and thus need to embrace sustainability to lead with integrity, possessing the right skills to make difficult decisions and manage risks. Also there is need to ensure that board members have sustainability-related expertise in areas of environment, health and safety, customer relations and human resources, as well as those from non-business background, who can bring valuable perspectives into the boardroom. This is to enable Nigerian organizations be able to evaluate key strategic sustainability issues more comprehensively and monitor their performance more effectively for economic development.

The Nigerian Stock Exchange need to encourage specialized bodies to create platforms for various financial market participants to share knowledge, enabling them join forces in becoming more effective and develop the market infrastructure with standard sustainability indexes. Such standard ratings and indexes help investors to determine the framework of responsible investing, keep track of key trends and best governance mechanism that delivers long term value. This means that governance should be considered seriously as part of their investment activities of the board especially ask questions like if governance level meets international standards. In addition, the investing public should question the board to ensure their knowledge and competencies in understanding sustainability implications of current market and reflection of board composition on future strategy. The accountants in performing their duties with these procedures that ensures full comments on the company's annual and long-term performance. This will provide the company, its stakeholder and society with a truer and more robust reflection and imagery of business performance and its potential impact on wider social, environmental ethical concerns.

CONCLUSION

Sustainability management is at very low ebb in Nigeria. Businesses are still at liberty to spread their corporate governance spectrum based on their interest or corporate insight leading to conflict situation. The Niger Delta conflict is a case at hand and one can ever recount how many lives lost in the struggle. This paper looked into sustainability and businesses in Nigeria (without picking on any organization), the challenges of incorporating the three pillars of corporate governance (CG) - economic, social and environment; and readiness of businesses in Nigeria to embrace sustainability management. The study looks up to all- Academics, Accountants and Auditors, Managers, Board members and Directors, Investing Public and Stockbrokers in ensuring that Nigerian businesses are run sustainably. A clear sustainability strategy incorporating the 3 pillars help to provide confidence and reassurance that a company has a solid foundation for sustainable (long-term) growth. Sustainability management if well understood and implemented by Nigerian businesses will ensure fast and equitable national development.

Recommendations

To realize sustainability in Nigerian businesses for economic development the researchers make the following recommendations:

Board members should have sustainability-related expertise in areas such as; environment, health and safety, customer relations and human resources, as well as those from non-business background, who can bring valuable perspective into the boardroom,

Managers of Nigerian business organizations should find this information handy and apply the principles and ethics towards sustainable development of the organization.

The Nigerian Stock Exchange should encourage specialized bodies to create platforms for various financial market participants to share knowledge, enabling them join forces in becoming more effective and develop the market infrastructure with standard sustainability indexes.

The accountants in performing their duties with these companies must ensure professional integrity by following standards and procedures that ensure full comments on the company's annual and long-term performance.

Also the investing public should question the board to ensure their knowledge and competencies in understanding sustainability implications of current market and reflection of board composition on future strategy.

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