International Journal of Business and Management Invention
ISSN (Online): 2319 – 8028, ISSN (Print): 2319 – 801X
www.ijbmi.org || Volume 5 Issue 9 || September. 2016 || PP—28-36

Corporate Governance and the Performance of Privatized Companies in Nigeria: Evidence from Ashaka Cement Company

Bappayo Masu Gombe, Ph.D[1]., Prof. Yahya Zakari[2]
[1]*Department Of Economics, Faculty Of Social Sciences, University Of Abuja, Nigeria*
[2]*Department of Economics, Faculty of Social Sciences, Usmanu Danfodio University of Sokoto, Nigeria*

ABSTRACT: *The paper examines the effect of Corporate Governance on profitability of Ashaka Cement Company in Nigeria. The variables studied were profitability as proxy of performance (dependent variable) and Corporate Governance proxies as (independent variables). Data was collected from secondary sources. Statistical tools employed were; Performance Trend Analysis and OLS regression. The Trend Analysis result suggests that, profitability was higher pre privatization, no remarkable improvement in profitability post privatization, government is the major consumer of cement product and unfavorable macroeconomic environment affects the general performance of the company. Inferential Statistics Result suggests that, minority ownership and percentage of non executive direct have positive and significant impact on profitability. However, total market value of shares, board size and privatization has negative and significant impact on profitability. The study concludes that, there are other factors affecting firm performance more than corporate governance and that post privatisation corporate governance has negative and significant impact on the profitability. The study recommends that, Nigerian government should ensure favorable macroeconomic environment, improve private sector activities, and allow the Company to create subsidiary in construction industry to increase demand for cement products. Foreign Investors should secure global cement market opportunities to justify investment and enhance companies' earnings. The* findings *may be useful to corporate stakeholders and government policy makers.*

I INTRODUCTION

Effective corporate governance enhances corporate performance via harmonisation of conflicting interests of stakeholders and stimulating balance growth among corporate objectives. It is a strong and efficient mechanism for restraining expropriation and securing foreign and domestic finance to introduce new technologies, prowess workers' and managerial expertise at all levels. Capitalist economies depend on the efficiency of their corporations which are largely determined by the way and manner the board of directors and the management are discharging their stewardship responsibilities. The effectiveness with which they discharge their responsibilities in the contextual framework of transparency, integrity and accountability, in serving the modest interest of corporate stakeholders and its overall objectives, determine the level of investors' confidence, the security of the wealth invested and maximisation of the expected returns on investment; which is the essence of any system of good corporate governance. "Greater clarity to the respective responsibilities of directors, shareholders and auditors strengthen trust in the corporate system. Thus corporate governance is the system by which companies are directed and controlled'' (cadbury, 1992). Failure in corporate governance system in a country's corporations, undoubtedly, preludes into conflict that will affect firms' stewardship and performance that consequently have adverse spill over effect on the economy.

Concept of corporate performance

The concept of corporate performance can be seen in two perspectives; broad and narrow perspectives. Corporate performance on a broader term can be gauged from economic, ecological, ethical, egalitarian and social dimensions. This is because corporations are the central economic actors whose impact on the society is great (Windsor and Greanias 1982). On the narrow perspective, firm performance is the degree to which a corporation accomplishes its goal or objectives and successfully harness its resources needed from the environment to meet organizational goals. It is the ability of a corporation to ensure harmonious functioning of the internal structures of the organization to meet the needs of its constituencies (Ogaboh, *et al*., 2010).

According to Ainsworth, Denies and Plumlee (1997), corporate stakeholders can primarily ascertain firm performance from Financial Statement, Financial Position, and Cash Flow activities. Financial Statement reflects the income earning generated by the company during an accounting period. Earnings are incomes from continuing operations which comprise revenue plus gains minus expenses and losses. Financial statement provides useful information to corporate stakeholders that enable them to assess firm cash flow prospect, evaluate firm resources, claims on those resources, and change on the resources. This would enable current and future investors, creditors and suppliers to make viable investment decisions regarding future earning potentials of the firm and evaluate the amount, timing and uncertainties of future cash flow from dividend, interest or selling firm stock (Ainsworth, Denies and Plumlee (1997).

Financial position conveys comprehensive information about the nature of corporate resources and obligations, its ability to meet the obligations and its future profitability prospect. This type of information is mainly for firm personal and internal uses that cannot be allowed or exposed to public consumption that will give advantage to competitors against the corporation. Such information is not conditioned with any standard of financial reporting. A cash flow activity reflects information about the liquidity and solvency potential of a firm. In this regard, the cash flow is categorized into three; operating activities, investing activities, and financing activities. Operating activities involve transaction from earning process which primarily involves inflow and outflow of cash in the firm. Cash inflow is earning activities obtained from dividend and interest received while cash outflow is operating expenses for the purchase of inventories. Investing activities involve acquiring property, equipment and plants. Financing activities involve borrowing and repaying creditors, raising funds from investors and distributing returns on or of investment (Ainworth, *et al*., 1997).

Privatization and Corporate Governance

A profound academic endovour that relates corporate governance, privatization and firm performance can be ascertained from the convergence of hypotheses postulated by these proponents; Lehn (1985), Shleif (1986), John *et al* (1990), Protti and Gunney (1993), Boycko, (1999) Visny and Shleif (1999), Gale and Allen (1999), Stighliz, (1999), Clessen *et al* (1999), Garton, and Schmid, (2000), Dyck, (2000), Johnson et al (2000), Rodrik, *et al*. (2002), Salacus, and Braker, (2002), Rocall and So (2000) and D'souza, *et al*. (2000). They assert that Privatization stimulates governments to embark on legal reform that is crucial to corporate governance efficacy (LaPorta, *et al* 1999) (Rocall and So, 2000)]. Transferring ownership of public enterprises to private investors who are critical in monitoring firm performance would redefine; firm objectives, agents' duties and incentives, pricing and dividend policies (John et al, 1990) (Stighliz, 1999), (Clessen *et al.* 1999), (Garton, and Schmid, 2000), nature and responsibilities of board of directors as well bring about restructuring and exploitation of new opportunities[Gale and Allen, 1999) (Garton, and Schmid, 2000), (Dyck, 2000),(Shleif 1986). Privatization will restrain expropriations, subject firms to the discipline of competition (D'souza, *et al*. 2000), financial market, and international investments requirements that strengthen corporate governance institutional mechanisms effectiveness on the operational and financial performance of the privatized firms (Johnson *et al* 2000), (Rodrik, *et al*. 2002), (Salacus, and Braker, 2002), (Protti and Gunney 1993), (Lehn, 1985).

Privatization brings about financial and operational restructuring that enhances corporate governance. Operational restructuring embodies replacement or improving production process and machineries, reduction in employment, changing the combination of management and board of directors membership, reorganizing working force and the procedure of channeling information and delegation of power. The other form of restructuring is the financial restructuring which comprises restructuring financial reporting procedure, leverage and sources of short term and long term finances. Dsouza, Meggison and Nash (2006) conducted an empirical study on the effect of change in corporate governance and restructuring on operating performance of privatized firms. The results suggest that profitability has significant relationship with state ownership and restructuring, but negative relationship with employment. Real sales had positive relationship with restructuring and output. Efficiency result suggests that restructuring had increased sales efficiency, resources deployment efficiency, operational efficiency and reduction in employment.

Stakeholders Model of Corporate Governance

Clerk (1994) postulates that firm is a system of stakeholders operating within the larger system of the host society that provided the necessary legal and market infrastructures for the firm's activities. The purpose of a firm is to create wealth or value for its stakeholders by converting their stakes into goods and services. In this respect Igbal and Mirakhor (2004) asserts that this model repelled the propositions of shareholders model in three capacities; that all shareholder have right to participate in corporate decision that affects them, managers have fiduciary duty to serve the interest of all stakeholders groups and the objective of the firm ought to be the promotion of the interest of all stakeholders and not only that of shareholders.

However some limitations of the model were observed by different scholars. Iqbal, and Mirakhor, (2004) assert that question may arise on who really qualified to be a stakeholder that is eligible to participate in corporate decision making. Is it the investors (owners) or other stakeholders whose rights are protected through bargaining in terms of contract? And if so happens, what qualifies them for the additional rights? And why should managers have fiduciary duty to protect them? Secondly they argue that the concept of property right is included in human rights that explicitly restricts against harmful uses (expropriation of stakeholders). However, the act remains unclear on which property should be restricted and which person should be counted as stakeholder, because there is no justification for allowing non-owner to participate in the affairs of the corporation. Thirdly demarcation between explicit (formal) and implicit (non formal) contracts and claims because of *ex ante* (un

specifiable) and *ex post* (unforeseeable) variables make it difficult to write a complete state-contingent contract. In such circumstance, corporate stakeholders rely on unwritten code of conducts (implicit contract) which is liable to moral hazard. This implies that obligation on explicit contract leads to implicit contract. In view of that, the scope of the model needs to be widened to cover ethical, moral and social issues inorder to enable it become comprehensive. Sanda, *et al* (2005), note that examining the model empirically is difficult.
Another limitation is the tenure of the contract of other stakeholders in relation to long term objectives of the firm and its life span. Mostly their contract duration is short term in nature, which perhaps make their opinion in decision making to lack conformity with the long term firm's objectives or even detrimental. For this reason involving them in corporate decision making is less meaningful. Again the model has no any provision on public enterprises corporate governance when transferred to private investors and what type of right the community as a stakeholder hast. Despite the above limitations, the model will assist in interpolating the objectives of public enterprises transferred to private owners and how it will continue serving public interest out of profit oriented mission of the new private owners. Above all, the Nigerian code of best practice centred on this model.

II RESEARCH METHODOLOGY

The study used secondary data obtained from Ashaka Cement Company's annual reports, spanning from 1991 to 2011, Bureau of Public Enterprises report and Security and Exchange Commission reports. The company was privatized in 2001. The statistical stools employed to analyze the data were; Performance Trend Analysis and OLS regression. Higgins (2003) opined that, one of most useful ways to evaluate trend of firm's performance, is performance trend analysis. Thus, Performance trend analysis was employed to identify the trend of the performance proxy (ROA) and the challenges of corporate governance efficiency on each trend, whereas, Ordinary Least Square Regression model was used to establishes the relationship between the Dependent and Independent Variables, which examines the significance impact of corporate governance on the performance of Ashaka Cement.
In the empirical model, profitability Ratio (ROA) s used as dependent variable. It is calculated by dividing a company's annual earnings by its total assets, sometimes this is referred to as "return on investment" (Dhamija, 2010).
Thus,

$$\text{Profitability (ROA)} = \frac{GI}{TA} = \frac{EBIT}{FA+CA}$$

Where
ROA = Return on Assets
GI = Gross Income
TA = Total Assets
FA = Fixed Assets
CA = Current Assets
EBIT = Earnings before Tax

HYPOTHESIS
Null Hypothesis: Corporate governance does not have significant impact on Ashaka Cement Company's performance (profitability Ratio).
Alternative Hypothesis: Corporate governance has significant impact on Ashaka Cement Company performance (profitability).

Empirical Model

$$ROAit = \beta_0 + \beta_{01}TMVS_{1it} + \beta_{02}STOWN_{2it} + \beta_{03}INST_{3it} + \beta_{04}MINOWN_{4it} + \beta_{05}FOREI_{5it} + \beta_{06}BSIZE_{6it}\ \beta_{07}PED_{7it} + \beta_{08}PNED_{8it} + \beta_{09}DUAL_{9it} + \beta_{010}CACNE_{10it} + \beta_{011}WF_{11it} + \beta_{012}PMS_{12it} + \beta_{13}PNMS_{13it} + \beta_{14}PRIV_{14it} ++ u_{it}$$

Thus, the Corporate Governance proxies (Independent Variables) are defined as follows;

a. TMVS: Total Market Value of the Shares measures the Company's market capitalization. Its expected coefficient is positive, because, its reveals the level of investors' patronage and their assessment on the quality of the company's corporate governance.

b. STOWN: Measures the proportion of State Ownership in the company. The larger the proportion, the higher is the undue government interference. Therefore, its expected coefficient is negative which implies that restructuring will be difficult in the company.

c. INST: Institutional Ownership measures the proportion or percentage of institutional investors' ownership in the company. In view of that, its expected coefficient is positive which means that, the higher the proportion, the greater is the monitoring role of institutional investors. It also implies that managers would be under pressure to meet the expectations of institutional investors.
d. MINOWN: Minority ownership measures the proportion of minority shareholding in the company. The higher the proportion of their ownership, the higher the insiders' expropriation due to monitoring cost. However, the expected coefficient is negative, this is because, and the management will have incentive to connive with concentrated shareholders to promote their personal interests as against the minority owners.
e. FOREI: Foreign ownership measures the proportion of foreign investment shareholding in the company. The coefficient is expected to be positive, because, the higher the proportion of their ownership, the greater the possibilities of infusing new talents, new technologies and restructuring in the company. This implies that operational and financial reorganization will take place for a better performance.
f. BSIZE: the total number of directors in the board of directors measures the efficiency of delegated decision making and the level of investors' protection on company's operations. The expected coefficient is positive, because, cohesiveness of the Board members and having diverse expertise and experience may enhance the company performance. However, unwieldy group on the other hand may be detrimental to performance.
g. PED: the Percentage of Executive Directors on the board of directors. It is defined as the number of Executive Directors divided by the total number of directors on the board of the company. The coefficient expected sign is positive, i.e., the lower the proportion, the more independent is the board in making decisions.
h. PENED: the Percentage of Independent Directors on the board of directors. It is defined as the number of independent directors divided by the total number of directors on the board of the company. The coefficient expected sign is positive, i.e., the higher the proportion, the more independent is the board in making decisions.

1.DUAL: a binary variable representing CEO's who also double up as the Chairman of the board of directors. This variable takes the value of one if the CEO/Managing Director performs the dual role; otherwise it takes a value of zero. The coefficient expected sign is negative. This is because the effectiveness of the board as an internal governance device will be perceived to have been compromised by the roles not being separated. On the other hand, a unity of command structure can motivate the CEO to strive for excellent performance. If this is the case, the coefficient's sign is expected to be positive.

j. CACNE: a binary variable representing the Chairman of the Audit Committee. If the Chairman of the Audit Committee is a nonexecutive director, the variable takes the value of one; otherwise, this variable takes a value of zero. This serves to test the degree of independence of the audit committee. An independent chairman is expected to contribute to a more rigorous regime of monitoring and therefore improves performance of the company.
k. WF: Work force measure the total number of the company employees. It reveals the impact of privatization on work force. The coefficient expected sign is negative. Higher size means higher cost of corporate governance.
l. PMS: it measures the percentage of management staff that is directly involved in the corporate decision making and policy implementation in the company. It is defined as the number of management staff divided by the total number of the workforce of the company. The coefficient expected sign is positive.
m. PNMS; it measure the total number of company employees that are not involved in the corporate governance. It is defined as the number of non management staff divided by the total number of the workforce of the company. It reveals the impact of privatization on work force. The coefficient expected sign is negative, because, the higher the size the higher the cost of corporate governance.
n. PRIVt: Privatization with time which is dummy variable. The expected coefficient is positive, because, privatization will promote corporate governance efficiency that will impact positively on company's performance.

III DESCRIPTIVE STATISTICS RESULTS AND DISCUSSIONS

At this point, two types of results are presented and discussed accordingly, namely, performance trend analysis and OLS regression results. Performance trend analysis is aimed to identify the challenges of corporate governance efficiency on profitability (ROA) of the company. However, OLS regression is aimed to ascertain the significant impact of corporate governance on the company profitability (ROA).

Distribution of Performance Trend Analysis Results of Ashaka Cement Company

Observation	**Profitability Ratio %**
1991	28%
1992	27%
1993	33%
1994	22%
1995	37%
1996	26%
1997	24%
1998	13%
1999	17%
2000	17%
2001	
2002	24%
2003	27%
2004	37%
2005	39%
2006	28%
2007	10%
2008	13%
2009	9%
2010	15%
2011	2%

Source: Author's computations

The corporate governance of Ashaka Cement Company was saddled with numerous challenges between 1991 and 1992, among which the Board of Directors was unable to become proactive in discharging duty of Care to map out strategic measures that would contain macroeconomic problem of fuel shortage that has been militating against daily operations of the company, to the extent of disrupting production from time to time. Conspicuously, these problems were translated in management efficiency to utilize assets to generate returns. Therefore, profitability ratio decreases from 28% in 1991 to 27% in 1992, nevertheless, the profitability ratio was impressive. In 1993, the board of directors requested the management to operate company's plants in excess of its rate capacity, which increased production by 4%. This decision resulted to increasing profitability ratio to 33%. Unfortunately, 1994 witnessed a reduction in public expenditure which decreased the demand for cement products. Besides that, difficulty in obtaining foreign exchange caused delay in capital investment, receipt of essential spare parts as well caused the price of locally sourced materials to increase. These militating factors reduced the company's profitability ratio to 22%. Conversely, in 1995, availability of foreign exchange enabled importation of spare parts needed for daily operations, furthermore, the released of Petroleum Trust Funds money into major road construction projects generated substantial increase in demand for cement products. In effect, Profitability ratio rose to 37% which was the maximum return on assets realized in pre-privatization period.

Between 1996 and 1997 the company made a heavy capital expenditure, government devalued Naira that led to cost push inflation in the economy, which eventually, stimulated workers to demand for wages increment and general lack of demand for the company's products. These, resulted to decline of company's Profitability to 26% in 1996 and 24% in 1997 respectively. In 1998, however, importation of cheap cement created unhealthy competition and reduced demand for domestic cement, thereby reducing Profitability to 13%, which was the minimum return on assets realized pre privatization period. Admirably, in 1999, the Federal Government of Nigeria introduced stabilization policies that controlled interest rate and foreign exchange, banned cement importation and reduced import duty on manufacturing equipments to zero. These developments raised the company's Profitability to 17% in 1999 and 2000 concurrently. Notably, 2001 was a transition period of Ashaka Cement Company from public ownership to private ownership; therefore, the performance trend of the company at that period was neither interpreted nor analyzed. All tiers of government halted capital projects in 2002 for the forthcoming General Election in the early 2003. Nevertheless, the Profitability ratio rose to 24% in 2002. Likely, in the early 2003 down to 2005, Nigerian government realized handsome foreign earnings from the windfall of sales of crude oil, which permits it to embark on capital projects that stimulated the demand for cement products across the country. Within the same period, the government reintroduced reform policies that; stabilized Naira value, encourage cement industry to embarked on excess production to meet domestic demand and commence exportation as producer nation. To withstand the rigor of competition, again, the company adopted effective cost management and proactive business strategies. As a result of that, Profitability Ratio rose

to 27% in 2003, 37% in 2004, 39% in 2005, which was maximum profitability ratio, post privatization, and declined to 28% in 2006 respectively.
Federal Government granted licenses for the importation of cement in 2007, which increased supply without embarking on any fiscal policy that created marching demand in the economy. These factors adversely affected the company performance, where the profitability became 10%. Contrariwise, Ashaka Cement Company's corporate governance took the advantage of Federal Government desire to accomplish a power project in 2008 and increased production to match with the demand of the project. This raised the profitability ratio to 13%. However, global financial crises in 2009 and the reintroduction of deregulation policy on oil sector, culminated into reduction of demand for cement and increased cost of importing spare parts, these led to decline of profitability to 9%. Conversely in 2010 the company's profitability rose to 15% and suddenly declined to 2% in 2011.
Comparatively, the results exhibits that, pre privatization periods had a higher; profitability ratio, than post privatization periods. One could understand that the company was enjoying monopoly power, soft budget constraint and subsidy on some major inputs prior to privatization. Perhaps, these were the contributing factors that led to the handsome performance. The result, also, confirmed the propositions of stake holders' model, considering the adverse effects of weak private sector on the demand for cement products. On the other hand, the result defies the proposition of proponent of privatization, because, the trend of the company's performance behavior was not impressive within post privatization observational periods. In fact, the disparity between pre and post privatization performance indicators is too wide.

Distribution of Regression results of Profitability ratio on the set of independent variables of Ashaka Cement Company

Independent variables	Coefficient	Significance
1 (CONST)	-5.223	0.003
TMVS	7.496E-11	0.001
MINOWN	2.362	0.000
BSIZE	-0.156	0.003
PNED	7.878	0.005
WF	6.000E-5	0.612
PNMS	4.283E-6	0.997
PRIVt	-0.345	0.047B
R	0.936	
R^2	0.877	0.000
Ajd R^2	0.811	
F stat	13.234	

Source: Authors Computation

The profitability ratio result discloses that management's efficiency in assets utilization to generate returns (dependent variable) was associated with company's corporate governance (independent variable) to the tune of R= 93.6%. This implies that, there is a strong relationship between Return on Assets and corporate governance decisions. Similarly, R^2 result reveals that about 87.7% variation of return on asset was explained by the corporate governance performance and the result of Adjusted R^2 discloses that corporate governance proxies jointly accounted for 81.1% variation in Return on Assets (ROA). This means the influence of other factors on the variation of return on assets is insignificant. The calculated F-statistics is 13.234 and the estimated significant value is 0.000. Conducting surrogate test at 1% statistical significance, the model is strong in explaining the variation in Company's performance (profitability Ratio). In view of that, it can be concluded that, the model has a good fit.
The constant value -5.223 was the average value of Return on Assets (ROA), in the absence of corporate governance variables. Holding other variables constant, the result suggests that, the coefficient of TMVS is -7.496E-11 and estimated significant value is 001. This means, a unit increases in TMVS will lead to -7.496E-11 decrease in Company's performance (profitability Ratio). Actually, the expected coefficient was positive, because, investors patronize companies shares based on their assessment of the trend of the company's profitability. However, the result contradicted the expectations. This may not be unconnected with the facts that the value of company shares at the secondary market has no direct impact, in any way, in enhancing the company's operational strategies, demand for or price of cement that consequently enhances corporate earnings. One fascinating things to be noted here is that, the p-value 0.001 establishes that, TMVS has a significant impact on the company profitability having conducted the surrogate test at 1% statistical significance. In view of that, it can be concluded that TMVS has a negative and significant impact on Ashaka Cement Company's profitability.
Similarly, the coefficient of minority ownership (MINOWN) is 2.362 and the estimated significant value is 0.000. In effect, a unit increase in MINOWN will result to 2.362 increases in profitability ratio (ROA). The positive coefficient defies the expected negative coefficient of the study that viewed any unit increase in MINOWN will results into paving illegal ways for mismanagement of company's resource by the management

team and easy ways of manipulating corporate decision making to favour the illegitimate interest of the concentrated shareholders at the detriment of the other stakeholders. On the other hand, the result is probably suggesting that, an increase in minority shareholding will equally increase capital base of Ashaka Cement Company that will enable the company to expand productivity significantly, and thereafter, improve company's earnings simultaneously. Furthermore, the P-value of MINOWN 0.000 is signifying that, minority ownership has a significant impact on the company's profitability in conducting surrogate test at 1% statistical significance. Thus minority ownership has positive and significant impact on company's performance (Profitability Ratio).

The coefficient of board size is -0.156 and the estimated significant value are 0.003. The coefficient value are suggesting that, a unit increase in board size (BSIZE) will bring about -0.156 decrease in Return on Assets (ROA). The expected coefficient value of the study was positive coefficient, indicating that an increase in board membership with right people enhances board efficiency in decision making and checkmating management performance. However this result is contradicting such assumption. The p-value 0.003 is revealing that, BSIZE, has significant impact on the company's performance (profitability) in conducting surrogate test at 1% statistical significance. Thus board size has negative and significant impact on Ashaka Cement Company's performance (profitability).

The result discloses that the coefficient value of percentage of non executive directors is 7.787 and the estimated significant value is 0.005. Impliedly, a unit increase in percentage of executive directors (PNED) will lead to 7.878 increases in Return on assets. The positive coefficient of the result is consistent with the expected positive coefficient of the study, which opines that an increase in percentage of non executive directors will enhance board independence. This means that their role in serving audit committee and other statutory committees will promote efficiency and will be a very strong positive signal for accountability and reliability in the financial information issued to all stakeholders of the company. In conducting surrogate test at 1% statistical significance, the p-value reveals that the PNED has positive and significant impact on company's performance (profitability).

Similar coefficient with different p-value is obtained in workforce result in relation to ROA. The coefficient is 6.000E-5 and the estimated significant value is 0.612. The result indicates that, a unit increase in WF will lead to 6.000E-5 increases in Return on Assets (ROA). Unfortunately the coefficient of this result is quite contrary to the expected negative coefficient of the study, which suggests that an increase in WF will leads to decrease in profitability. However the significant test result reveals that the workforce has p-value at 0.612, which means that it has no significant impact on profitability. Thus workforce has positive and insignificant impact on Ashaka Cement Company's performance (profitability).

The coefficient of percentage of non management staff is 4.283E-6 and the estimated significant value is 0.997. This means a unit increase in PNMS leads to 4.283E-6 increase in Return on Assets (ROA). The coefficient contradicted the expected coefficient of the study which postulates that an increase in non management staff will lead to decrease in company's performance (ROA). The p-value 0.997 indicates that the PNMS has no significant impact on the company's performance.

Finally, -0.345 is the difference in Return on Assets (ROA) post Privatization compared to pre privatization and the estimated significant value is 0.047. The post privatization negative coefficient is inconsistent with expected positive coefficient of the study, which argues that privatization will promote efficient corporate governance that will impact positively on company's performance (ROA). The result is consistent with trend analysis result that pre privatization has higher profitability than post privatization. However, in conducting the surrogate test at 5% statistical significance, the p-value 0.047 reveals that privatization has negative and significant impact on the company's performance (ROA).

In view of the above, the profitability result violates Null Hypothesis, that corporate governance does not have significant impact on Ashaka Cement Company's performance; it will be pertinent to conclude that the result has accepted Alternative Hypothesis that corporate governance has significant impact on the company's performance (ROA).

Policy Recommendations

The study concludes that, corporate governance has significant impact on the performance of Ashaka Cement Company. However, unfavourable macroeconomic environment militated against its efficiency. Moreover, no remarkable performance improvement was recorded post privatization. The study recommends that, Nigerian government should ensure favorable macroeconomic environment, improve private sector activities. Foreign Investors should secure global cement market opportunities to justify investment and enhance companies' earnings

REFERENCE

[1] Aderson, J.; Lee, Y. and Murrell, P. (2000): Do competition and Ownership affect enterprises efficiency in the absent of market institution? Evidence after privatization in Morgolian Working paper: Department of Economics and IRIS Centre, University of Maryland College Park, Maryland.

[2] Aderson, S.; de Palma, A. and Thesse, J. (1997): "Privatisation and Efficiency in a Differentiated industry", *European Economic Review*, **4**: 1635 – 54.

[3] Ainworth, P.; Danies, D.; Plumlee, R. D. and Larson, C. X. (1997): Introduction to Accounting, An Integrated Approach, **II**.

[4] Aljifri, K. and Mustapha, M. (2007): "The Impact of Corporate Hovermance Mechanism on the Performance of UAE Firms; An Empirical Analysis; *Jornal of Economics and Administrative Science*, **23** (2): December (71 – 93).

[5] Allen, F. and Gale, D. (1999): Corporate Governance and Competition. Wharton Financial Institute Centre. Working Paper Series, 99 – 28, University of Pennsylvania.

[6] Allen, F. and Gale, D. (2002): A Comparative Theory of Corporate Governance.

[7] Allen, F.; Jun, Q. and Meijun, Q. (2002): "Law, Finance and Economic Growth in China", Wharton Financial Institutions Centre, Working Paper, 02 – 44.

[8] Andrei, Y. (2008): State-Business Relations and Improvement of Corporate Governance in Russia joint paper of Japan-Russia Research Paper. Instiutute of Industrial And Market Studies State University Moscow.

[9] Barja, G.; Mckenzie, D. & Urquiola, M. (2002): "Capilization and privatistion in Bolivia" Manuscrpts. Cornel University, Ithaca, New York US.

[10] Birdsall, N. and Nellis, J. (2002): "Winners and Losers: Assessing the Distributional Impact of Privatisation", Centre for Global Development Working Paper Number 6, May**.**

[11] Birdsall, N. and Nellis, J. (2003): ''Winners and Loser; Assessing the Distribution Impact of Privetionzation", *World Developmemt*, **31** [2003] .Pp 1617-1633.

[12] Boubakri, N. and Cosset, J. C. (1998): "The Financial and Operating Performance of Newly Privatized Firms: Evidence from Developing Countries". *Journal of Finance*, **53**.

[13] Boubakri, N. and Cosset, J. C. (1999): "Does Privatisation meet the Expectations? Evidence from African Countries", Paper presented at the Plenary on Privatisation and Corporate Governance. African Economic Research Consortium, Biannual Research Workshop, Nairobi, Kenya, 4th – 6th December.

[14] Boubakri, N.; Cosset, J. C. and Guedham, O. (2001): "Liberalisation, Corporate Governance and the Performance of Newly Privatised Firms". Annual Conference Paper of Administrative Science Association of Canada.

[15] Boubakri, N.; Cosset, J. C. and Guedham, O. (2002): "Post Privatisation Corporate Governance: The Role of Ownership Structure and Investor Protection".University Laval Quebec, Canada GIK 7 PA.

[16] Boycko, M. A.; Shleifer, A. and Vishny, W. R. (1997): *Privatisation in Russia*, **42** (Issues 1-2): 244-246.

[17] Boycko, M. A.; Shleifer, A. and Vishny, W. R. (1996): "A Theory of Privatisation", *Economic Journal*, **106**: 309-19.

[18] Cadbury, A. (1992): Report of the Committee on the Final Aspect of Corporate Governance: The Committee and Gee London.

[19] Chong, A. and Lopez-de-Silanes, F. (2002): "Privatisation and Labour Force Restructuring around the World", World Bank Policy Research, Working Paper, Number 2884, September.

[20] Chong, A. and Lopez-de-Silanes, F. (2003): "The Truth About Privatisation in Latin America", Chong, Alberto and Florencio Lopez-de-Silanes (2004): "Privatisation in Mexico", Inter-American Development Bank, Working Paper No. 513, August.

[21] Claessen, S. and Djankov, S (1998): "Politicians and Firms in Seven Central and Eastern European Countries", World Bank Policy Research, Working Paper 1954, August.

[22] Claessen, S.; Djankov, S. and Xu, C.L. (2000): "Corporate Performance in the East Asian Financial Crisis", *The World Bank Research Observer*, **15** (1): February: 23 – 46.

[23] Claessens, S.; Djankure, S. and Long, H. (1999): The Seperation of ownership and control in East Asian corporation. *Journal of Financial Economics*, **38** This Issue.

[24] Clerkson, M. B. E. (1994): A Risk-based model of stakeholder theory, Toronto Canada: The Centre for corporate Social Performance and Ethics.

[25] D'jankov, S. and Murrel, P. (2000): "Enterprises Restructuring in Transit: A Quantitative Survey", Muneo, World Bank.

[26] D'Souza, J. and Megginson, W. L. (1999): "Financial and Operating Performance of Privatized Firms during the 1990s": *Journal of Finance* **54** (4).

[27] D'Souza, J.; Megginson, W. L. and Nash, R. (2006): "The Effects of Changes in Corporate Governance and Restructuring on Operating Performance: Evidence from Privatisations". Prince College of Business, University of Oklahoma normaOK78019-4005.

[28] D'Souza, J.; Magginson, W. L. and Nash, R. (2000): Determinants of Performance Improvement in Privatisation firm: The Role of Restructuring and Corporate Governance.

[29] D'Souza, J.; Megginson, W. L. and Nash, R. (2001): "Determinants of Performance Improvements in Privatised Firms: The Role of Restructuring and Corporate Governance". Prince College of Business, University of Oklahoma normaOK78019-4005.

[30] Delfino J. A. and Casari, A. A. (2001): "The Reform of the Utilities Sector in Agentina", UN University WINDER, Discussion paper No. 2001/17, June.

[31] Demsetz, H. and Lehn, K. (1985): The Structure of Corporate Ownership: Causes and Consequences, *Journal of Political Economy*, **93**: 1155 – 1177.

[32] Dewenter, K. and Malatesta, P. (1997): "Public Offerings of State-Owned and Privately-Owned Enterprises: An International Comparison". *Journal of Finance*, **52** (4): 1659- 1679

[33] Dhamija, A K. (2010): The Impact of Corporate Governance as Financial Performance: A study of Nigerian Companies. Minor Project Report Department of Management Studies. Indian Institute of Technology Delhi

[34] Dyck, A. (2000): "Privatisation and Corporate Governance: Principles, Evidence and Future Challenges", October . . . . . . for info contact Prof. Dyck search for his email on the web and act accordingly.

[35] Dyck, A. (2001): Privatisation and corporate governance: Principle, Evidence and Future Challenges: The World Bank Challenge.

[36] Dyck, A. and Zingales, L. (2002): Private benefit of control: An International Comparison, *Journal of Finance*, forthcoming.

[37] Esterbrook, F. H. and Fisher, D. R. (1991): "The Economic Structure of Corporare Law Combridge", Mass: Harvard Univ. Press.

[38] Fama, E. F. and Jensen, M. C. (1983): ''Separation of Ownership and Control'', *Journal of Law and Economics*, **26** (2): 301-325.

[39] Friedman, M. (1953): Essay in Positive Economics: Chicago University of Chicago Press.

[40] Garton, G. and Schmid, F. (2000): Universal Banking and the Performance of German Firms, *Journal of Financial Economics, **58*** this issue.

[41] Gluder, K.; Mueller, D. and Yurtoglu, B. (2003): "Corporate Governance and the Return On Investment. ECGI Working Paper No. 6.

[42] Goldman, E.; Rocall, J. and So, J. (2009): "Do Politically Connected Boards Affect Firm Value?" *Review of Financial Studies*, **22**: 2331-2360**.**

[43] Gorton, G. and Schmid, F. (2000): Universal Banking and Performance of German Firms, *Journal of Financial and Economics*, **58**: This Issue.

[44] Greanias, C. G.; Windsor, D. and Jones, J. H. (1982): The Changing Boardroom: Making Policy and Profits in an Age of Corporate Citizenship. Gulf Publishing Company Houston London.

[45] Hant, O. and Moore, J. (1990): Property Right and the Nature of the Firm, *Journal of Political Economy*, **98**: 119 – 58.

[46] Heggs, (2003): Review of the Role and Effectiverness of Non-Executive Director. Landon; Department of Trade and Industry-7.

[47] Heibatullah, S.; Wang, J. T. and Zhou, H. (2009): Corporate Governance and Operating Performance on Chinese Listed Firm. Paper Presented At Annual Congress Of The European Accounting Association.

[48] Ibrahim, G. and Iraj, H. (2003): "Mass Privatization Corporate Governance And Endogenous Ownership'', William Davidson Institute Working Paper 596, July.

[49] Jensen, M. and Meckling, W. (1976): Theory of the Firm: Managerial Behavior, Agency, Cost and Ownership Structure, *Journal of Financial Economics*, **3**: 305 – 360.

[50] Jesa, M. L.; Nickds, L. and Steven, J. L. (1986): Contribution of Diversification, Promotion and R and D to the Value of Multi Production: A Tobin Q Approach, *Financial Management*, **15** (4): 12.

[51] Johnson, S. (1999) "Does Investment Protection Matter: Evidence from Germany's Neuer Market", Working Paper (MIT Cambridge M.A)

[52] Johnson, S.; Boone, P.; Breech, A. and Friedman, (2000): Corporate governance in the Asia Financial Crisis, *Journal of Financial Economics*, **58**, this issue.

[53] Johnson, S.; Le Porte, R.; Lopsez-de-silame, F. Shielfer, A. (2002): Tunneling America Economic Review Paper and Proceedings, **90**: 22 – 27.

[54] Jose, M. L.; Nichols, L. M. and Steren, J. L. (1986): Contribution Diversification, Promotion and R and D to the Value of Multi Product Firms; A Tobin's of Approach, *Financial Managed*. **15** (4): 12.

[55] Joskow, P.; Rose, N. & Shepherd, A. (1993): "Regulatory Constraint on CEO Compensation: Brooking Paper on Economic Activity: *Microeconomics*, 1-58.

[56] La Porta, R. and Lopez-de-Silanes, F. (1997): "The Benefits of Privatisation – Evidence from Mexico", Public Policy for the Private Sector, Note No. 117 World Bank, June.

[57] La Porta, R.; Lopoz-de-Silanas, F.; Shleif; A. and Vishney, R. W. (1999): Corporate ownership Around the World, *Journal of Finance*, **54**: 471 – 517.

[58] Lang, L.; Stuly, R. and Walking, (1989): Managerial Performance Tobin's Q and the Gain from Successful Tender Offer. *Journal of Financial Economics*, **24**: 137 – 154, 12.

[59] Lehn, K. (2002): "Corporate Governance in the deregulated Telecommunications Industry: Lessons from the Airline Industry", *Telecommunications Policy*, **26:** 225 – 242.

[60] Machlup, Fritz (1967): "Themes of the Firm: Marginalist, Behavioural Managerial" *American Economy Review*, **57**: 1 – 33.

[61] McConel, J. J. and Seavees, H. (1990): "Additional Evidence on Equality Ownership and Corporate Value", *Journal of Financial Economics*, **27**: 595 – 612.

[62] Megginson, W. L.; Nash, R. C. and Randenborgh, M. V. (1994): "The Financial and Operational Performance of newly privatised firms: An International Empirical Analysis", *Journal of Finance*, **49**: 403 – 452.

[63] Ndama, A. (2010): Corporate Governance and Firm Performance in Nigeria. *Abuja Journal of Banking and Finance*, **1** (1): 53.

[64] Nellis, J. (2003): "Privatisation in Africa: What has happened? What is to be done?" *Centre for Global Development*, Working Paper Number 25, February.

[65] Nellis, J. (2003): "Privatisation in Latin America", *Centre for Global Development*, Working Paper 31, August.

[66] Nellis, J. (2005a): Enterprise Reform in Sub-sahara Africa. EDMAP Technical paper 084 Washington World Bank.

[67] Nellis, J. (2006): "Privatisation – A Summary Assessment", *Centre for Global Development*, Working Paper Number 87, March.

[68] Nellis, J. and Loser, S. (2002): "Recent Preratyative Trew in OECD Countries", *Financial Market Trew*, **82**: 43-58.

[69] Nellis, J. and Sunita K. (1992): "Lessons from Privatisation in Developing Countries", chapter 5 in Nellis, John and Sunita Kikeri (ed.) *Privatisation: The Lessons of Experience*, www.unescap.org/drpad/publication/dp22_2122/chap5.pdf.

[70] Ogabo, A. M.; Agba, M. S.; Ushie, E. M. and Festus, N. (2010): Privatisation, Job Security and Performance Efficiency of Privatized Enterprises in Nigeria Critical Reassessment. *Journal of Art Science and Commerce*, ISSN2229-4186

[71] Perotti, E. (1993): "Bank Landing in Transit Economies", *Journal of Banking and Finance*, **17**: 1021 – 1032.

[72] Perotti, E. (1995): Credible Privatization, *American Economic Review*, **85**: 847 – 59.

[73] Perotti, E. and Guney, S. E. (1983): Successful Privatisation Plan: Enhancement Credibility through Timing and Pricing of Sale. *Financial Management*, **22**: 84 – 98.

[74] Rose, S. (1973): "The Economic Theory of Agency: The Principal Problem. *American Economic Review*, **63** (2): 134-139

[75] Salacuse, J. & Braker, H. J. (2002): "Corporate Governance in the UNECE Region", ... check web for email address and act accordingly. Salacuse, J. (2009) Report to the United Nation.

[76] Sanda, A. U.; Garba, T. and Mikailu, A. S. (2005): Board Independence and Firm Financial Performance: Evidence from Nigeria. CSAE conference 2008 on economic development in Africa St Catherines College, University of Oxford.

[77] Shleifer, A. (1998): "State versus Private Ownership," *Journal of Economic Perspectives*, **12**: 133- 150.

[78] Shleifer, A. and Vishny, R. W. (1994): "Politicians and Firms", *The Quarterly Journal of Economics*, November, pp. 995 – 1025.

[79] Shleifer, A. and Vishny, R. W. (1997): "A Survey of Corporate Governance", *The Journal of Finance*, **LII** (2): June, pp. 737 – 783.

[80] Shleifer, A. and Vishny, R. W. (1986): "Large Shareholder and Corporate Control", *Journal of Political Economy*, **94**: 461 – 488.

[81] Shleifer, A. and Vishny, R. W. (1996): The Theory of Privatization. *Quarterly Journal of Economics*, **106**: 309-319.

[82] Smith, Jr. and Watts, R. (1992): "The Important Opportunity Set and Corporate Financing, Dividend and Cooperative Policies", *Journal of Financial Economics*, **38**: 263 – 292.

[83] Stightz, E. (1999): "Bankruptcy Law: Some Elementary Economies Priciples", Paper Presented at the Annual Conference on Development Economics, Europe 1999, Paris. Processed.

[84] Stightz, J. (1994): Quis Custodiet 1850 Custotes? Corperate Governance Failure in the Transition: Paris work Bank.

[85] Tran, T. and Que, G. (2004): Impact of Corporate Governance on the Performance of Private Firm in Vietnam.

[86] Waqar, I. G. and Junaid, A. (2005): Corporate Governance, Business Group Affiliation and Firm Performance; Descriptive Evidence from Pakistan. CMER working paper series No. 105-35

[87] Weinstein, D. and Yafeh, Y. (1998): On the Cost of a Bank-Centred Financial System: Evidence from the Main Bank Relation in Japan, *Journal of Finance*, **53**: 636 – 672.

[88] Yuan, D.; Hua, Z. and Junxi, Z. (2008): The Financial and Operational Performance of Chinese Family owned listed Firms. *Journal of Management International Review*.

[89] Zanir, I. and Mirakhor, A. (2004): Stakeholders Model of Governance in Islamic Economic System. *Islamic Economic Studies*, **11**(2): Islamic Research and Institute (IRTI)