CORPORATE BOARD DISCLOSURE AND FIRM PERFORMANCE:

THE MODERATING EFFECT OF CORPORATE BOARD CHARACTERISTICS ON THE RELATIONSHIP BETWEEN CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE AND FIRM PERFORMANCE IN NIGERIA

Babawande Oore-Ofe Sheba

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by Babawande Oore-Ofe Sheba

Propositions

1. The level of corruption within various public institutions in Nigeria hinders the promotion of good governance and deep engagement with corporate social responsibility.
   – ***This Thesis***

2. Corporate social responsibility disclosure is not a key determinant of firm performance in Nigeria.
   – ***This Thesis***

3. Corporate board characteristics do have a moderating role to play in the strength of the relationship between corporate social responsibility disclosure and firm performance. In many cases, stronger corporate governance characteristics reduce the magnitude of the positive relationship (if any) between corporate social responsibility disclosure and firm performance.
   – ***This Thesis***

4. The biggest indicator of a Nigerian company's accounting performance for return on sales and return on equity is its financial leverage – the higher the financial leverage, the lower the performance. Thus, considerations for financial leverage, as a key control variable, must be given to similar studies on Nigeria.
   – ***This Thesis***

5. As far as corporate social responsibility is concerned, doing good is not always financially rewarding; yet, not doing good can prove disastrous.

6. The 2016 Brexit referendum is possibly the biggest indicator that the current adult generation has not been able to successfully instil their primary values in their children. In the referendum, 71% of under-25s voted to remain within the European single market while 64% of over-65s voted to leave (YouGov, 2016).

7. To prevent teenage crimes and reduce future prison-population, societies must do all it can to keep children in school. In the UK, 63% of children suspended or temporarily excluded from school later end up in prison (Williams, Papadopoulou and Booth, 2012).

8. Poverty porn, an act where the privileged parades the poor, often a child orphan, in front of the media in order to showcase the privilege's humanitarianism is a form of domination by the oppressor rather than a quest for mutual humanisation.

9. Examinations in school education prevent the achievement of heightened cognition necessary for the liberation of the mind. To truly liberate the mind of the young, assessment design is schools must prioritise the role of a dialogical engagement.

10. "It takes patience to kill a lion." ***– A Yoruba proverb***

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Preface

A faceless Nigerian folk musician by the name *Lagbaja* (translated '*Somebody'*) wrote a song with a line that reads *"the biggest disease that can infect a society is bad leadership."*

As a teenager growing up in Nigeria, I became rather curious about the role of leadership within societies. After all, a week did not go by without news on issues such as corruption, oil spillage, gas flaring, counterfeit drugs, workers strike, inadequate education provision, youth unemployment, and so on. After my move to the UK to continue my post-secondary education, I became even more intrigued by what good leadership can achieve. It was after completing my Master studies that I begin to pay particular attention to the role of good governance within corporations, particularly the dynamics of corporate boards. Further to this, I had a quest to better understand the social issues faced by Nigeria and what is being done (or can be done) to alleviate these issues. This is why I embarked on a study of Corporate Social Responsibility (CSR) and Corporate Governance (CG).

During a discussion over coffee with dr. Jag Kundi at London Euston train station, I became convinced that my curiosity required an action – a PhD study. I then read several works on CSR and CG where it became evident to me that little research has been carried out on these subject areas, particularly when it comes to the Sub-Sahara African context. I would often find that many of the work in these areas have not examined the impacts on firm performance. I also found that even when they do, the study is usually for one year. As I would later discover, access to data may have impeded early researchers on this subject within the Sub-Sahara Africa context, and particularly in Nigeria.

Subsequent to this, I began to find that decisions around engagement with CSR practices are driven by corporate boards, but only a few researchers have examined the combined effect of the two on firm performance in Nigeria. Thus, I set out to address this although it took many readings before I finally decided to focus on the role of Corporate Governance (CG) characteristics particularly the structure of the board as a moderator in the relationship between Corporate Social Responsibility (CSR) disclosure and Corporate Firm Performance (CFP) in Nigeria. To provide a useful output and address limitations of many of previous studies in this area, I decided to collect data on multiple years rather than to focus on a single year.

This thesis provides a rich insight into CSR as well as the role of good governance in fostering societal improvements. The write-up is based on well-informed literature, with provision for a background chapter on Nigeria which readers outside of Africa will find particularly useful as, without this context, the significance of this study becomes understated. The chapters delve into principles, theories, and models of both CSR and CG, including the importance of CSR disclosure, various reporting instruments, and priority issues for Nigeria.

The methodology of the data analysis conducted included an examination of the website of all listed firms on the Nigerian Stock Exchange from 2010 to 2015 and a subsequent robust regression analysis of 49 of the largest listed companies in Nigeria. This analysis was instrumental in establishing the impact of both CSR disclosure and Board characteristics on CFP, including an assessment of the role of Board characteristics as a moderator in this relationship. The methodology employed is original in many areas with the hope that future researchers will find this approach useful.

These past five years have been a journey in the making, a journey of personal and professional discovery. Personal discovery in that I have come to understand and appreciate the importance of planning and scheduling in getting things done. Professionally, I have had to read as many literature as possible and often find myself being drawn from one relevant literature to a completely new topic or issue. For me, the benefit of undertaking this study goes beyond the study in itself. It is my view that undertaking this process has made me a better person, more patient and measured, and more active in engaging in both academic and professional discourse. I have also learned to be in the moment with every situation I find myself given the time pressures presented by the process of undertaking this PhD study.

None of these would have been possible without the guidance and support of prof.dr. Jos van Hillegersberg, dr. Jag Kundi, and prof.dr. Kuldeep Kumar, all of whom I am very much grateful to.

Baba Sheba

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List of abbreviations

ANCOR:	Anti-Corruption Revolution
AUCPCC:	African Union Convention on Preventing and Combating Corruption
BBC:	British Broadcasting Corporation
BIS:	Business, Innovation, and Skills
BRIC:	Brazil, Russia, India, and China
CARs:	Cumulative Abnormal Returns
CBN:	Central Bank of Nigeria
CDP:	Carbon Disclosure Project
CED	Committee for Economic Development
CEO:	Chief Executive Officer
CG:	Corporate Governance
CFP:	Corporate Firm Performance
CoC:	Cost of Capital
CR:	Corporate Responsibility
CSP:	Corporate Social Performance
CSR:	Corporate Social Responsibility
CSV:	Corporate Shared Value
CTA:	Cash to Assets
DJSI:	Dow Jones Sustainability Indices
DY:	Dividend Yield
ECOWAS:	Economic Community of West African Countries
EFCC:	Economic and Financial Crimes Commission
EITI:	Extractive Industries Transparency Initiative
EPS:	Earnings Per Share
ESG:	Environmental, Social, and Governance
ESSPIN	Education Sector Support Programme in Nigeria
ETA:	Expense to Assets
ETS:	Expense to Sales

GDP	Gross Domestic Product
GHG:	Greenhouse Gas
GRI:	Global Reporting Initiative
GRO:	Growth in Sales
IFRS:	International Financial Reporting Standard
ICT:	Information and Communications Technology
ILO:	International Labour Organization
IMF:	International Monetary Fund
IMS:	Integrated Management System
IIRC:	International Integrated Reporting Council
JSE:	Johannesburg Stock Exchange
KLD:	Kinder, Lydenberg and Domini
LIBOR:	London Interbank Offered Rate
LnCAP:	Logarithm of Market Capitalisation
LNG:	Liquefied Natural Gas
LP:	Labour Productivity
MBR:	Market-to-Book Ratio
MENA:	Middle East North Africa
MINT:	Mexico, Indonesia, Nigeria, and Turkey
MTVB:	Market-to-Book Value
MVA:	Market Value Added
NAFDAC:	National Agency for Food and Drug Administration and Control
NAICOM:	National Insurance Commission
NBS:	National Bureau of Statistics
NECO:	National Examination Council
NOL:	Net Operating Loss
NOX:	Nitrogen Oxide
NSE:	Nigerian Stock Exchange
OAPEC:	Organisation of Arab Petroleum Exporting Countries

OCF:	Operating Cash Flow
OECD:	Organisation for Economic Co-operation and Development
OP:	Operating Profit
PDCA:	Plan-do-Check-Act
PENCOM:	National Pension Commission
PM:	Profit Margin
PR:	Public Relations
RET:	Abnormal returns
RBV:	Resource Based View
RoA/ROA:	Return on Asset
ROCE:	Return on Capital Employed
RoE/ROE:	Return on Equity
ROR:	Return on Revenue
RoS/ROS:	Return on Sales
SASB:	Sustainability Accounting Standards Board
SEC:	Securities and Exchange Commission
SOX:	Sulfur Oxide
STA:	Sales to Assets
TBL:	Triple Bottom Line
UBE:	Universal Basic Education
UBEC:	Universal Basic Education Commission
UK:	United Kingdom
UN:	United Nations
UNCAC:	United Nations Convention Against Corruption
UNGC:	United Nations Global Compact
UNECA:	United Nations Economic Commission for Africa
USA/US:	United States of America
WAEC:	West African Examination Council
WBCSD	World Business Council For Sustainable Development

Chapter 1: Introduction

1.1 Phenomenon

The management area which this research addresses is Corporate Governance (CG) and Corporate Social Responsibility (CSR), which is also referred to as Environmental, Social and Corporate Governance (ESG) issues. Shleifer and Vishny (1997, p.737) defined corporate governance as *"the ways in which suppliers of finance to corporations assure themselves of getting a return on their investment."* This particular definition of corporate governance is appropriate as a starting point for this research due to Shleifer and Vishny's focus on the links between governance and financial returns, in addition to the high levels of citations that this definition has received (19,153 citations recorded by Google Scholar as of 8th March 2019).

The general principles of corporate governance require businesses to be conducted with integrity and fairness, as well as being transparent in all transactions, making all necessary disclosures, complying with relevant laws, showing responsibility and accountability to all stakeholders, and above all be committed to a strong corporate ethical behaviour.

Corporate governance studies have garnered several interests within the past decade. These studies have either focused on the normative framework or the behavioural patterns for corporate governance (Claessens & Yurtoglu, 2013). However, there is a gap in the study of the role of corporate governance for social and environmental performance.

The normative framework focuses on rules under which firms operate such as legal, judicial, financial markets, and labour markets. The approach of such studies has been comparative, with key insights into how differences in normative framework of corporate governance affect behavioural patterns of firms and their shareholders.

Studies on behavioural patterns have focused on a range of issues such as performance, efficiency, treatment of shareholders and other stakeholders, growth, and financial structure. These types of studies have often focused on a single country or firms that operate within a country or closed region i.e. countries with objectives that are closely aligned. Some of the specifics have included how the board of directors operate (which is a key area of focus for this study), the role of executive compensation in firm performance, labour policies relation with firm performance, and the role of multiple shareholders.

Many studies on corporate governance have focused solely on developed economies such as the United Kingdom (UK), the United States of America (USA), and Germany. Some of the recent studies that have addressed the normative framework include studies on the market reaction to recent legislative and regulatory actions (Larcker, Ormazabal & Taylor, 2011); the state of corporate governance during the 2007–2008 financial crisis (Erkens, Hung & Matos, 2012); and the effectiveness of the principle-based approach to corporate governance (Arcot, Bruno & Faure-Grimaud, 2010). Studies on specific behavioural patterns have included the impact of governance and ownership variables on agency costs in the UK (McKnight & Weir, 2009); the usefulness of corporate governance in competitive industries (Giroud & Mueller, 2010); ownership as a form of corporate governance (Connelly, Hoskisson, Tihanyi & Certo, 2010); and value creation through corporate governance (Acharya, Gottschalg, Hahn & Kehoe, 2010).

The few studies that have concentrated on developing economies, especially those in sub-Saharan African countries such as Nigeria, Ghana and Kenya have focused largely on the framework for effective implementation of effective corporate governance practices. Some of the notable research in this area have focused on the following: corporate governance framework in Africa (Nganga, Jain & Artivor, 2003); barriers, issues and challenges hindering effective development and implementation of corporate governance in Nigeria (Okpara, 2011); corruption and corporate governance in Ghana (Mensah, Aboagye, Addo & Buatsi, 2003); corporate governance practices in developing countries such as Kenya (Mulili & Wong, 2011); corporate governance effect on earnings management and firms performance in the Nigerian manufacturing industry (Hassan & Ahmed, 2012); influences of key agents (such as international organisations, rating agencies, and local institutions) in the development of corporate governance practices in Nigeria (Adegbite, Amaeshi & Nakajima, 2013); and corporate governance effect on dividend policy in sub-Saharan Africa (Abor & Fiador, 2013).

Colley, Stettinius, and Doyle (2005) stated that organisations have multiple stakeholders whose needs must be considered to achieve a sustainable success. The needs of these stakeholders are grouped as a hierarchy starting from customers, to employees, to suppliers, distributors and creditors, and finally to the communities in which the business operates. The issue of companies meeting the needs of the communities in which they operate is an area that is becoming increasingly important to organisations. Many companies have embarked on social and environmental sustainability projects, which are aimed at participation in the governance of communities. This notion is referred to as 'Corporate Social Responsibility' (CSR) – *"how*

companies address the social, environmental and economic impacts of their operations and so help to meet our sustainable development goals" (Department for Business Innovation and Skills [BIS], 2013).

1.2 Problem statement

An under-researched aspect of corporate governance is on issues related to corporate social responsibility and environmental performance (Claessens & Yurtoglu, 2013). Whilst there are some established research on the effect of corporate governance on corporate financial performance (CFP) (corporate financial performance is used interchangeably with firm performance in this thesis), existing models have so far been seldom extended to examine the combined impact of corporate governance and social responsibility, particularly the role of corporate board as a moderator in the relationship between CSR and firm performance - corporate board being an important internal mechanism for corporate governance. The board of directors is seen as one of the most critical elements of control mechanisms in the way in which a firm is managed by the appointed agents (Said, Zainuddin, & Haron, 2009).

Kiliç, M., Kuzey, C., & Uyar, A. (2015) emphasised the importance of board structure on CSR and argued that matters such as board size, ownership structure, board composition, board diversity (better female representation) – their work found these are significant determinants of the level of CSR reporting by firms in Turkey. Thus, the nexus of corporate board, CSR and firm performance is a focus for this study.

Kabir and Thai (2017, p252) argued that it is important to examine the role of corporate governance as a moderator in the relationship between CSR and CFP, and that the local context is important because CG and CSR reporting are *"shaped by a country's economy, political system and culture."* This argument supports the inclusion of *Chapter 2* in this thesis to provide that local context as far as Nigeria is concerned; it also demonstrates while this study is key in furthering knowledge in this subject area.

Most existing theories have so far examined the effect of these two subject matters (CG quality and CSR practices) in isolation. For example, several established theories have ascertained that corporate financial performance depends on key corporate governance variables. Very few research has so far examined these elements (i.e. CG and CSR) together to determine the effect on CFP, either via the moderator or mediator rule. For clarity, Baron and Kenny (1986) explained that moderator variables are those that affects the direction and/or strength of the

relationship between an independent variable and a dependent variable, whereas mediator variables help explain when external events take internal significance. Both corporate board characteristics and CSR practices are generally determined internally to the corporation (although influenced by many externalities) hence the appropriateness of the focus on corporate board characteristics as a moderator for this work.

Ntim and Soobaroyen (2013) also found that better governed corporations are more likely to pursue a more socially responsible practice. Their work, which sampled large South African corporations between 2002 and 2009 found that better governed companies are more likely to pursue socially responsible practices, and that a combination of CG and CSR practices positively affect CFP. However, it should be noted that their method of determining CSR scores in based on a 'CSR word count' approach which focuses on the number of words written by each company on each of the broad areas of CSR being examined based on the South African King II Code of Governance Principles, is not necessarily the best approach. A critique of this word count approach to measuring CSR is provided in *Chapter 4*.

In addition, there is a growing requirement, for organisations to integrate stakeholder engagement into governance and relevant decision-making process. The AA1000 Stakeholder Engagement Standard 2011 (p.14) states *"governance and decision-making processes are relevant when they are associated with an issue or action that will have a material impact on a stakeholder or will affect the way in which a stakeholder has an impact on the organisation"*. As a result of this, many research that have examined the impact of corporate governance on corporate financial performance are merely causal, and not intentional.

Thus, the unexploited opportunity and under-researched area here is the combined effect of CG (particularly board characteristics) and CSR disclosure/reporting on CFP. More specifically, it is vital to establish whether the relationship between CSR and CFP is strengthened or hindered by the traits exhibited by the Board structure – the moderator. Since there are established models on either the effect of CG or the effect of CSR on CFP, this research broadens existing models by focusing on CSR as a proxy for firm performance whilst examining the effect of corporate board structure as a moderator within the relationship. This is even more important for sub-Sahara Africa where the links between these issues are significantly underdeveloped.

Although some research has found that board characteristics in itself does not necessarily predict firm performance (Cheung, Connelly, Jiang & Limpaphayom, 2011), the association between board characteristics and CSR including via their interaction and their

association with firm performance have not been established. Cheung et al. (2011, p167) argued that board responsibilities are important to corporate governance and that the *"framework should ensure the strategic guidance of the company, the effective monitoring management by the board, and the board's accountability to the company and the shareholders."* Previous research by Ferris *et al*. (2003), Fich and Shivdasani (2005), and Vafees (1999) had also found that Board activities such as meeting frequency and attendance, can positively impact firm performance. Fama (1980) also emphasised the role of independent directors (outside directors) in ensuring the viability of the board and reducing the potential conflict of interested between the top management and shareholders.

1.2.1 Focal aspects of the problem

In recent years, firms have placed greater emphasis on CSR activities with many not just involve in dialogues with relevant stakeholders but being more proactive in engagement with such activities. However, Claessens and Burcin Yurtoglu (2013) argued that it is still less clear whether participation in social issues translates to good firm performance. Also, involvement in some of these issues can be costly to firms and thus putting them at an economic disadvantage when compared with less responsible firms (Devinney, 2009; Friedman, 1970; McGuire, Sundgren & Schneeweis, 1988). In addition, Ntim and Soobaroyen (2013) argued that studies that investigates the link between a company's CG and its CSR strategy (Haniffa & Cooke, 2005; Michelon & Parbonetti, 2012) and/or how a company's CG might potentially influence the CFP-CSR nexus (Arora & Dharwadkar, 2011; Ntim, Opong, & Danbolt, 2012) are very rare. Thus, this research examines the role of the corporate board and corporate social responsibility disclosure for firm performance. The disclosure element is particularly important because of the high-profile governance failings and ongoing efforts to promote transparency. To provide context to this, a literature search for *"Disclosure and Corporate Governance and Corporate Social Responsibility"* returned significantly less results that all other search terms used during the literature review search process for this work (see the *Literature review concept matrix* in *Table 5.1* for full details). To further support this, Wang, Dou and Jia (2016) in their systematic review of CSR-CFP links, based on a review of 42 previous studies, found that although empirical CSR-CFP research have suggested that the lack of conclusion and inconsistency of results in previous studies may be due to contingency factors, it remain surprising that new studies are yet to examine the moderating effects of contextual contingencies on the CSR-CFP links. The contextual contingency in this case of this study is corporate governance.

Thus, the new dimension in this research is on the convergence of the three broad areas identified and evaluated which is now widely known as Environmental, Social, and Governance (ESG) and the need for a new wave of research to focus on the combined effect of these two business topics on firm performance. Thus, this research thesis, through the methodology detailed in *Chapter 5* seek to first revisit the state of CSR disclosure in Nigeria, followed by a comprehensive analysis of the moderating effect of corporate board structure on the association between CSR disclosure and firm performance in Nigeria. The results of these analyses should facilitate the creation of key proxies for corporate governance and social responsibility practices aimed at governance and social improvements.

This research is specific to developing economies in sub-Saharan Africa and is examined within the context of Nigeria, which is the largest economy in Africa, by Gross Domestic Product (GDP) – this is still an under-researched area of CG and CSR in general. Moreover, many research on these areas in developing economies have been largely descriptive, often with recommendations based on events in advanced economies with very different legal and infrastructural structure. Also, several research highlight weak / non-existent regulatory framework in certain developing economy e.g. Nigeria, largely due to the high levels of corruption (which is critically evaluated in *Chapter 2* of this work). Given such level of corruption, the current regulatory framework is unlikely to substantially improve. In addition, there has been very little research on 'theory building' or 'hypothesis testing'. This research does not claim to be replicable outside of the context in which it is being examined and further research would have to be carried out to assess whether this work can be replicated within another context.

1.2.2 Significance of study

This study is significant in theory and practice for five key reasons:

i. It addresses an under-researched aspect of corporate governance and social responsibility, which is key to the sustainability of any organisation – the role of the corporate board in explaining the relationship between CSR and firm performance.
ii. It provides a deep understanding of the impact of corporate governance, specifically board structure, on CSR - an area that is of great importance to social issue participation within developing economies.

iii. The time period used provides an alternative view to many current corporate governance research i.e. a research that is functional and intentional versus a mere causality study.

iv. It helps to ascertain potential benefits that the integration of CSR practices into corporate governance framework might have on organisations that operate within developing sub-Saharan African economies; and

v. The findings are beneficial to organisations that operate in developing economies as it may provide a model for activities that might foster governance and social improvement in those developing economies.

1.3 Aims and objectives

The aim of this research is to *critically evaluate the moderating effect of corporate board characteristics on the relationship between corporate social responsibility disclosure and firm performance*. This aim has been carefully developed after rigorous review of existing studies and gap in research. Corporate governance framework of any company is what determines the direction of such company and therefore will likely influence many of the issues faced by such company, either positively or negatively. There is also a theoretical basis for the use of corporate governance (the board in this case) as a moderator as explained earlier in *Section 1.2* of this chapter as it has become more important to understand how the corporate board characteristics of a company actually influence the nature of the CSR-CFP relationship between, and the most appropriate way to do this based on insights of econometricians such as Baron and Kenny (1986) is via moderator variables.

In the case of this study, the focus on disclosure has been ignored by many of the work already conducted as previously explained in *Section 1.2.1* of this chapter. There has been little effort to review the content of what is being disclosed by companies operating in sub-Sahara Africa and verify whether these disclosures are meeting a recognisable regional or global standard. The aim of this work is to address this by focusing solely on what has been disclosed by the companies being examined in their integrated annual report or corporate social responsibility report and the like. To avoid falling trap to many previous research approaches of content analysis which trace sentences or count the number of words that a company has written on a particular CSR issue in their annual report e.g. in the work of Uadiale and Fagbemi (2012), this work carries out a content analysis which scrutinises each company's disclosure of CSR issues

for compliance with the Global Reporting Initiative (GRI) G4 framework (detail of this is provided in *Chapter 5 Section 5.6.4*). For corporate governance, empirical studies are used to identify characteristics to be considered for the statistical analysis conducted (details of this is provided in *Chapter 5 Section 5.6.4*).

The objectives of this research are:

i. To empirically and critically evaluate the link between CSR practices and disclosure, corporate board characteristics, and firm performance,
ii. To review and evaluate the mechanisms and regulatory framework for corporate governance, particularly on board-related matters, and attitudes toward corporate social responsibility disclosure in Nigeria,
iii. To statistically analyse the moderating effect of corporate board characteristics on the relationship between CSR disclosure and firm performance, and
iv. To recommend key guidelines for 'good' corporate governance specific to the internal mechanism of the board, and CSR practices aimed at governance, social and environmental improvements, including the likely implications for firm performance.

1.4 Research questions

To address the objectives above, below is the overarching question:

- *Does CSR disclosure in Nigeria explain firm performance through the* moderating *effect of board characteristics?*

Answering the question above requires the following sub-questions to be explored and answered:

i. Is there a positive correlation between Board characteristics (as measured by identified board characteristics) and the extent of CSR disclosure (as measured by a disclosure score) by firms?
ii. When examining current disclosure on Board characteristics and CSR within Nigeria, is there any evidence to suggest that the practices are translating into improved firm performance?
iii. Can firm performance be predicted by the extent of CSR disclosure? And does the characteristics exhibited by a firm's Board enhance or hamper the relationship between CSR disclosure and firm performance?

iv. Can the optimal behaviour (for Board characteristics and CSR disclosure) that might foster governance, social and environmental improvement be recommended? Note that panel data will be used in order to carry out a multi-year (4) robust regression analysis.

1.5 Research feasibility and methodology

Meeting the objectives of this research requires rigorous quantitative and qualitative analysis. Since corporate governance is based on the promotion of transparency amongst organisations, this research employs an empirical study mechanism aimed at analysing publicly available data. Whilst this may be difficult within developing economies (e.g. Nigeria) due to CSR reporting being a voluntary activity, this study adopts a baseline framework through the use of the GRI G4 framework to assess whether each company's disclosure on a CSR issue meets expectations – this assessment is subjective as a result but represent a new contribution to methodology and makes a significant improvement on previous approaches.

This research is an empirical study and is based on a quantitative analysis of secondary data (through a descriptive analysis and a time-series regression analysis). In terms of access to data, the Nigerian Stock Exchange (NSE) Index is used to identify the companies that forms the basis of analysis. The website of all 175 listed companies is analysed to determine companies' attitudes towards separate reporting of CSR and the findings of these are presented through a descriptive analysis. Also, each company's website and/or regulatory repositories is used to access relevant integrated financial reports and available CSR reports of the largest 49 listed companies. This allows for common key performance indicators (KPIs) for CSR, CG, and firm performance to be identified, as disclosed by those companies. This data forms the basis of a comprehensive time-series robust regression analysis, in addition to year effect controls and firm-level control variables which accounts for other influences such as age, size and leverage. The choice of a robust regression analysis (panel data) with a multi-year approach is important because very few works on corporate governance and CSR takes medium to long term view with many using a cross-sectional approach which examines data in only one year. Other studies such as the work of Kabir and Thai (2017) takes a different approach by focusing on a performance in 'Year *t*' and independent variables of CG and CSR in 'Year *t-1*'. For this study, it is important to ensure that the conclusions drawn are robust and doing this via a 4-year data approach means that panel data is the best way to conduct a statistical analysis. Also, as it is difficult to guarantee that what a company reports on in *'Year t'* actually relates to that year,

this study eliminates the chances of possible false conclusions that may have been drawn in many previous studies, bearing in mind that this is study is peculiar to Nigeria.

The Global Reporting Initiative (GRI) has a reporting framework and measures for CSR variables. This framework has proven to be the most popular today and forms the basis for the measurement of CSR variables. The challenge in relation to Nigeria is on the level of disclosure. For example, in 2010-11, 97% of African companies that reported on GRI were South African; the remaining 3% were from Nigeria, Egypt, Kenya and Mauritius (The Global Reporting Initiative [GRI], 2013). The implication of this is that there is a need to be flexible when examining disclosures in Nigeria as the method of disclosure will differ from one company to another.

For planned statistical analysis, below is a summary of the process:

1. Review the state of CSR disclosure in Nigeria in order to ascertain the attitudes towards CSR disclosure, improvements made to date, and the volume of CSR disclosure. This review helps to understand the nature of the data collection process for the robust regression analysis and the optimal number of years to focus on. This is achieved through the following means:
    - A descriptive analysis of all listed 175 firms in Nigeria covering 2010-2015, the purpose of which is to understand the attitude toward CSR reporting, and to see if there has been an increase on reporting year-on-year.
    - Provide details of how firms disclose CSR (how many discloses and how many does not, what do firms disclose, what do they not disclose, and why?)
2. Test the effect of CSR disclosure on firm performance, and the moderating effect of corporate board characteristics within this.
    - Collect data on a sufficient sample of the largest listed firms on the Nigerian Stock Exchange
    - Analyse the relationship between CSR, Board, and CFP over time
    - Test the interaction effect of specific CG variables on the relationship between CSR disclosure and firm performance.
    - Where appropriate, control for relevant firm-specific characteristics.

1.6 Research deliverables

The ultimate deliverable of this research is this PhD thesis, presentations at academic conferences, production of peer-reviewed research papers, design of a postgraduate level module which focuses on this subject matter, production of classroom materials, and the establishment of a Portal where the data collected can be assessible to others in order to address data accessibility issues peculiar to sub-Sahara Africa. These deliverables combined, aim create new knowledge and/or advance existing one. Below is a timeline of deliverables over the course of the research (full details of deliverables to date can be found at the end of this thesis under *'List of academic work'*):

Table 1.1. Research timeline

Year	Activities
2014-15	• Refine research questions • Complete review of literature • Identify data collection sources and tools for analysis • Identify appropriate scientific conferences that include peer review and proceedings
2015-17	• Select appropriate methodology and devise research methods • Collect data • Submit to scientific conferences that include peer review and proceedings (*an example of this Cologne Business School's Centre for Advanced Sustainable Management*)
2017-19	• Analyse data • Complete all individual sessions • Complete relevant research papers for publication • Complete final thesis
Post-completion	• Build a portal or utilise existing portals that can be used to share the data collected • Submit any outstanding papers for publication

1.7 Research contributions

This study contributes to both practice and knowledge. In terms of practice, it contributes to current research on corporate governance and social responsibility by adding a new dimension i.e. corporate governance as a moderator, to studies within the subject matter. From the author's perspective, this research contributes toward the development of the author's academic career through the development of expertise in the subject matter. Also, it benefits the author's consulting aspirations within developing economies by providing a platform in which future consulting activities aimed at helping organisations to engage more with such issues.

In terms of knowledge, this research examines the extent to which CSR disclosure and corporate board characteristics affect firm performance – a vital, but yet under-researched aspect of corporate governance studies. In addition, it provides recommended solutions to problems faced by several organisations by proposing key proxies for corporate governance and social responsibility practices aimed at governance and social improvement.

1.8 Outline of chapters

To provide clarity, the subsequent chapters in this thesis have been carefully structured in the following manner:

Chapter 2, Systemic issues hindering the development of effective corporate governance and social responsibility practices in Nigeria: This chapter provides a thorough background context for Nigeria, the country of choice for analysis in this research. Examined are issues relating to the level of corruption with the various aspects of the Nigerian economy, and their implications for the promotion of good governance and engagement with CSR, including disclosure. The chapter also examine regulatory issues within the codes of corporate governance adopted in Nigeria.

Chapter 3, A review of theoretical and empirical literature on CSR: This chapter reviews existing literature on CSR with a systematic approach which examined themes such as the evolution of CSR as a subject area; conceptual matters, theories, and models; framework for implementing and integrating CSR into business models; empirical findings on CSR's impact on firms' performance; reporting instruments used in measuring CSR and leading indices which measures sustainable practices amongst firms; as well as empirical findings on CSR reporting in Nigeria.

Chapter 4: A review of theoretical and empirical literature on Corporate Governance and its links with CSR and firm performance: This chapter reviews existing literature on corporate governance and its links with corporate social responsibility. Also examined are the links between these concepts and firm performance. The gap in literature is clearly identified, discussed and critically examined in order to establish the basis for the analysis subsequently conducted in this study.

Chapter 5: Research methods and methodology: This chapter details the methodology and methods employed in conducting this research, with sections dedicated to issues such as

philosophical assumptions; research approach and the justification of choices made; methodological choice in research design; the research strategy, time horizon and their justifications; techniques and procedures including a full account of the systematic literature review process and justification for choices; variables used in panel data analysis; data validation, testing and cleansing; data analysis process including matters relating to model specification and tests conducted; as well as ethical and practical considerations applicable to this research. This chapter also provide a descriptive analysis of the state of CSR disclosure in Nigeria – which is an essential step in determining the samples for the subsequent time-series regression analysis.

Chapter 6: Research findings and discussions on the moderating effect of Board characteristics on the relationship between CSR disclosure and CFP: This chapter presents and discusses the results of a series of time series (also known as panel data) regression models conducted on the 49 companies listed on the Nigerian Stock Exchange as detailed within the methodology chapter. A number of hypotheses were tested in order to determine the significance, if any, of the relationship between CSR, board characteristics, and CFP. In addition, a number of the models also examined the moderating effect (i.e. interaction models) of specific board characteristic on the relationship between CSR and the three measures of CFP (Return of Sales, Return on Equity and Return on Assets).

Chapter 7: Conclusions, recommendations, and outlook: This concluding chapter evaluates the entire study conducted and provide a clear set of conclusions as they relate to the aim and objectives of this study. The chapter provides clear statements that answers the research questions and objectives while also making recommendations that are drawn from the findings of this study. An outlook section would be beneficial to those who may want to conduct future research in this area particularly in terms of what they might concentrate on.

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Chapter 2: Systemic issues hindering the development of effective corporate governance and social responsibility regulations in Nigeria

2.1 Context

The challenges facing many companies operating within frontier and emerging economies on corporate governance and social responsibility issues can be linked to the prevalent systemic issues faced by those economies. This chapter critically examines the systemic issues prevalent in Nigeria, which are hindering the development of strong Corporate Governance (CG) and Corporate Social Responsibility (CSR) practices. A review of key literature is carried out focusing on issues relating to corruption and governance systems, including the effect that these have on social responsibility practices. It critically evaluates relevant aspects of corruption as identified by Transparency International and the impact that these have on both the economy and the society. Current economic challenges facing Nigeria are critically examined while the strategic importance of good governance for socially responsible practices are also evaluated, including reforms being made to address these issues. A wide range of sources of literature were used to inform this review, including government and non-governmental reports (38% of sources used for this chapter), academic journals (22%), news articles (22%), conference proceedings (8%), books (5%), and company reports (5%). This chapter provides an important foundation for researchers and businesses who are concerned with governance framework and systems in Nigeria, and how these affect social responsibility practices of businesses. More importantly, this chapter sets the Nigerian context for this study.

2.2 Background into Nigeria

Nigeria is a country that has been on a roadmap to economic advancement for quite some time. It is a country that has been engulfed by various events from colonisation, to independence, to civil war, to military dictatorship, to corruption, to democracy, and economic and political instability, often fuelled by poor governmental decisions and regional and ethnic conflicts.

The choice of Nigeria as a focal point for this research is in the significance of Nigeria as a major economic force in Africa. The country has embarked on a major reform process since the early 2000s, primarily aimed at improving economic performance through a sustained growth, reducing poverty, improving provision for education, health, and infrastructure, and finally to take advantage of the large but under-developed human capital, as well as the vast

amount of natural resources available within the country. The developments being achieved by Nigeria has seen the country being predicted to become one of the major economic powerhouses in the world within the next 25 years.

Jim O'Neil, the economist who in 2001 identified the BRIC countries (i.e. Brazil, Russia, India, and China) as the next big economic powerhouses, has predicted the emergence of MINT countries (Mexico, Indonesia, Nigeria, and Turkey), as the new emerging economic powerhouses that are poised to achieve similar growth rates experienced by BRIC countries over the next 20 years. It remains to be seen whether the current oil price downturn will derail Nigeria's plans for socio-economic development.

From a political standpoint, Nigeria is a very difficult country to govern. The country is characterised by its diverse ethnic population with over 250 ethnic groups and 500 indigenous languages (Central Intelligence Agency [CIA], 2014). This level of diversity has posed a great deal of challenge to the administration of the country. In recent times, the country has been engulfed by a combination of political and religious turmoil. Although the democratic era since 1999 signalled a break away from decades of military dictatorship, the troubles experienced by the period of military dictatorship have since been replaced by high-level corruption, coupled with the lack of significant investment in education and infrastructure, as well a high rate of unemployment. With regards to unemployment, data from the Nigerian National Bureau of Statistics (NBS) indicates that the total unemployment rate in the country was 23.9% in 2011, with urban unemployment rate at 29.5% (National Bureau of Statistics [NBS], 2014a). More recent data from the International Monetary Fund found that unemployment rate was 16.5% in 2015 in 2017 compared with 5.6% in advanced economies during the same year (International Monetary Fund [IMF], 2018).

2.3 Corruption

Corruption is a problem for most frontier and emerging economies, including Nigeria. Corruption is often seen as a symptom of poverty and is rooted within cultures. Nigeria is no exception to this. It is also important to note that corruption is a challenge not just to frontier and emerging economies but also to developed economies. This is a challenge that cuts across beliefs, ethnicity, culture, religion, and politics. Many believe that corruption aid in deepening poverty whilst creating social, political, and social instability, which are often characterised by violence. Transparency International through its Corruption Perception Index has shown that

corruption is very high in many countries around the world. The Corruption Perception Index, which was introduced in 1995 scores countries on a scale of 0 (indicating high corruption) to 100 (indicating no corruption). This scoring mechanism in based on how the public sector of each country and territory is perceived to be (Transparency International, 2013). However, results have consistently shown that most of the world economies experience a high level of corruption. For example, the 2013 Corruption Perception Index showed that two-thirds of countries scored below 50 (Transparency International, 2013). This, according to Transparency International, is an indication of a serious, and worldwide problem with corruption. Thus, there is a need for more to be done to tackle corruption issues, which are often associated with political finance, money laundering, and stolen assets.

Most studies on corruption have focused on the bureaucratic performance of third world countries. Today, the consensus in the western society is that corruption is 'an unethical set of activities that belies economic and social development' (Agbiboa, 2011). One of the earliest definitions of corruption is that of Bayley (1966, p.720) who defined corruption as "a general term covering misuse of authority as a result of considerations of personal gain, which need not be monetary". There are also many other notable definitions of corruption. Werlin (1973, p.73) defined corruption as the "diversion of public resources to non-public purposes". This definition is typical in a country like Nigeria where key public figures have been accused of diverting a large part of the country's income into their personal accounts, usually located in foreign accounts. For example, the former Head of State and military dictator of Nigeria, late General Sanni Abacha, is believed to have stolen between US$3 billion and US$5 billion of public money during his 5 years as the head of state between 1993 and 1998 (Jimu, 2009). However, corruption does not always have to involve monetary assets or public resources. Balogun (2003, p.129) argue that there is a presence of corruption when "approved codes or rules have been ignored to attain personal ends or manipulated to frustrate public intentions".

2.4 Aspects of nations exposed to corruption

Statistics over the years have shown that Nigeria suffers from consistent level of corruption across several institutions. Table 2.1 below shows the extent to which Nigerian institutions are perceived by the public to be most affected by corruption.

Table 2.1. Nigerian Global Corruption Barometer 2010/11

Institution	Extent of corruption (1 = Not at all corrupt; 5 = Extremely corrupt)
Political Parties	4.5
Parliament and Legislature	4.2
Police	4.7
Business and Private Sector	2.9
Media	2.7
Public Officials and Civil Servants	3.5
Judiciary	3.7
Non-Governmental Organisations	2.4
Religious Bodies	2.2
Military	3.1
Education	3.8

(Source: Transparency International, 2013)

From the above table, corruption exists in all aspects of Nigeria's institutions with the highest level of corruption seen within the Police force, along with very high levels of corruption amongst political parties, and parliament and legislature. These statistics presents a challenge to the country as a whole as the institutions expected to lead the reduction in corruption in the country are in fact the most corrupt. Public opinions have also shown that 63% of those surveyed in Nigeria reported paying a bribe in 2010 (Transparency International, 2013). In addition, 73% of those surveyed believed that the level of corruption has increased between 2007 and 2010 (Transparency International, 2013). Whilst corruption is a broad issue, it is important to recognise that there are different aspects of corruption. These according to Transparency International (2013) are: politics and government; defence and security; climate change; sport; intergovernmental bodies; health; poverty and development; access to information; public procurement; judiciary; education; forestry; private sector; international conventions; water; oil and gas; whistleblowing; and humanitarian assistance. These key aspects have an impact on the Nigerian economy and society in various ways and the specific aspects relevant to this paper are examined below. In one of their recent study, Transparency International (TI) which ranked Nigeria 148th out of 180 countries in their Corruption Perception Index (CPI) has once again ranked Nigeria low in its 2017 corruption perception index (CPI). There is very little to suggest that Nigeria's image has improved when it comes to corruption (Yanga & Ibrahim, 2019).

2.4.1 Politics and government

Corruption is embedded in the heart of politics and government in Nigeria. Data from Table 2.1 above shows that the levels of corruption in politics and government in Nigeria are alarming. Such corruption can range from election rigging to bad governance (often due to elected officials' motivation for personal gain). In addition, some Nigerian politicians are known to have diverted resources away from those that are poor and disadvantaged. In many cases, government policies are not dictated by the pressing need of the society. Instead, policies are driven by self-fulfilling interests. For example, a Governor of the oil-rich Niger Delta State of Nigeria was arrested in Dubai in 2010 and subsequently extradited to London where he was tried and found guilty of misappropriating nearly £50m of the state's money and subsequently imprisoned (The Guardian, 2012). Although the 2015 presidential election was widely seen as a success especially after Goodluck Jonathan, the incumbent, handed over power to the newly elected Muhammadu Buhari, despite Jonathan having only served one term in office, corruption in politics and government is still prevalent and the latest election in 2019 saw reported vote rigging and violence in several polling districts (The Times, 2019).

2.4.2 Defence and security

Defence and security is exposed through various contracts, often awarded to private companies. The implication of this is that those in government are often under pressure from those vying for those contracts and thus were always tempted to engage in corrupted practices. For example, the former Vice President of the United States, Dick Cheney was allegedly aware of bribery activities between the engineering firm KBR and officials of the Nigerian Government. KBR had pleaded guilty to paying US$180m in bribes to officials in Nigeria while the company was still a subsidiary of Halliburton of which Mr Cheney was the Chief Executive Officer. The bribery was made so that KBR could win a major contract, which related to the development of a Liquefied Natural Gas (LNG) plant in Nigeria. KBR later paid US$579m in fines related to the case. However, the charges against Mr Cheney were dropped due to insufficient evidence to support his knowledge of the bribery activity (The British Broadcasting Corporation [BBC], 2010; Smith, 2010).

2.4.3 Intergovernmental bodies

As the world becomes more globalised, governmental bodies collaborate to achieve common goals. An example of this is the G20 Nations group, which cooperate on global economic and financial issues. For Nigeria, membership of the Economic Community of West African Countries (ECOWAS) has allowed for intergovernmental activities aimed at fighting

corruption. The ECOWAS protocol on the fight against corruption obliges member nations to develop mechanisms aimed at fighting corruption through four main categories namely preventive measures, criminalisation, international cooperation, and follow-up mechanism. Monitoring for this is through a combination of self-evaluation process, expert review, and mutual evaluation.

2.4.4 Health

Corruption in health is prevalent in many frontier and emerging economies. It is often the case that access to lifesaving treatment is difficult for the poor. Some medical practitioners may be pressured into allowing wealthy patients jump through treatment queues at the expense of poorer patients. An audit report in 2001 on the misappropriation of funds in Nigeria revealed that over N465.1m (US$2.5m) were misappropriated within the Federal Health Ministry (Maiyaki, 2010). The Nigerian Agency for Food and Drug Administration and Control (NAFDAC) was formed in 1994 to tackle issues relating to health corruption. The Nigerian market, along with the broader African market had been characterised with counterfeit drugs, which have resulted in the loss of many lives. In 2006, a NAFDAC survey found that 68% of drugs in Nigeria were unregistered and as a result likely to be substandard or counterfeit in nature (Dyer, 2006). NAFDAC subsequently developed mechanisms to tackle this issue. A subsequent survey conducted in 2004 found that the number of unregistered drugs had fallen by 80% (Dyer, 2006). This level of improvement was achieved through a coordinated effort that resulted in the removal of a significant number of corrupt officials from their duties, along with an education campaign aimed at helping members of the public identify counterfeit medicines across the country. In addition, the government took measures to control the flow of drugs into the country by closing all pharmaceutical borders whilst keeping a very few opened with tight control measures. Despite this, Klantschnig and Huang (2018), in a 2014 field survey of 540 healthcare workers found that the problem of counterfeit drugs is still prevalent in Nigeria.

2.4.5 Poverty and development

For Nigeria, corruption over the years has resulted in enormous levels of poverty for the resource-rich country. In addition, corruption has impacted infrastructural development due to the misappropriation of funds, which in many cases resulted in the collapse of infrastructural projects. For example, an audit report in 2001 revealed that over N23bn (US$125.37m) were misappropriated across ten federal ministries namely: co-operation and integration in Africa,

power and steel, works and housing, defence, education, police affair, information, commerce, health, and industry (Maiyaki, 2010).

2.4.6 Access to information

One key aspect exposed to corruption is the access to information to which many are denied and as a result disadvantaged. Corruption within defence projects are often hidden under the disguise of government's secrecy (although sometimes necessary). In addition, information that should be free could often be held back by those with access to it and only disseminated to those who are willing to pay for it. A report by Open Society Foundations (2006) revealed that access to information is a problem in Nigeria with 16% of requests refused orally with requesters often being told that the information is 'secret' or 'classified'. Another alarming detail is that several public interest information was not held by the Nigerian government. Details of these according to the Open Society Foundations (2006) are below:

- There are no records of the amount of money spent on public hearings by the Senate since 1999.
- There is no record of the number of kilometers of water pipes laid in the Federal Capital, Abuja, since 1992 (although this information should be calculable on the basis of the construction contracts, and therefore is probably held by the Water Authority).
- There is no record of the number of days in 2002 in which Abuja residents did not have a functioning water supply, nor of the reasons for any such water cuts.
- There is no record of the quantity of effluents discharged by private companies in the Abuja district.
- There are no records of the tons of waste generated monthly in Nigeria's Federal Capital Territory.
- There is no record of the number of children vaccinated for polio in the Federal Capital Territory between 1999 and 2003—when requested orally, the official said "most children" but did not have precise numbers.

In 2011, Nigeria became one of the few counties in Africa who guarantees access to information (Duru, 2016). The Freedom of Information Act (2011) now serves as a basis for citizens and public of Nigeria to request such information. The Act also makes clear, the types of information that cannot be disclosed by public institutions. Despite this, Duru (2016) found that there are still ambiguities in a number of national legislations and policies, particularly in relation to national security which makes the implementation of the act very difficult.

2.4.7 Public procurement

This involves purchases relating to government goods and services. The Organisation for Economic Co-operation and Development (OECD) reports that public procurement accounts for approximately 13% of GDP in member countries of which Nigeria is one (Organisation for Economic Co-operation and Development [OECD], 2014). A problem in Nigeria is in the lack of fairness and competitiveness in the award of public contracts across the country. Practices that can cause this type of corruption include collusion between private and state parties, manipulation of the bidding process, and abuse of the specified guidelines relating to the bidding process, quality of information provided, and quality of the services rendered. Other fraudulent practices include inflated cost estimates of contracts, poor project planning, and lack of competition (often due to poor advertisement of the contracts). To address these issues, the Nigerian government have embarked on reform notably the Public Procurement Bill that was passed by the National Assembly and subsequently signed into law in 2007. In addition, the National Council of Public Procurement along with the Bureau of Public Procurement was established to monitor and oversee public procurement practices in the country.

2.4.8 Education

The state of the education system in Nigeria is a concern to many of its citizens. Education provision is an aspect of government policy that has suffered greatly from lack of funding and from corruption. The implication for the country is enormous. According to Samuel (2014), the following are the major highlights of the problem facing the Nigerian Education System:

- 1 in 6 school age children not in school worldwide are Nigerians.
- With 10.5 million children out of school and rising, Nigeria is home to the highest number of out of school children worldwide. But as the frequently quoted 10.5m figure does not include the 20m and 6.5m un-enrolled for Early Childhood and Junior Secondary Education, the scale of the challenge from all indications is vastly understated.
- With 62% of children from the poorest quintile, compared with less than 2% from the richest quintile of Nigerian households out of school, the poor are the most affected.
- At 35 million, Nigeria also has the fourth highest concentration of illiterate adults worldwide.
- In 2008, 53% of girls could not read or write after six years of school; a rise of 12% from 2003 (41%).

- In Kano, Northern Nigeria, in a training-needs analysis conducted by ESSPIN, 78% of teachers were found to have limited knowledge of English language.
- With over 21,274 malpractice cases recorded, almost 1 in 3 students who sat for the 2012 NECO (National Examination Council) exams were caught cheating.
- Less than 4 in 10 of students who sat the 2012 WAEC examinations passed, an increase of 8% on 2011.
- 122,000 2012 WAEC (West African Examination Council) results were withheld on suspicion of exam malpractice.

The statistics listed above were borne as a result of a combination of poor funding, corruption, and inadequate resource mobilisation. These have over time resulted in lack of infrastructural development for schools, along with unpaid salaries, which often lead to strikes which inadvertently lead to poor performances by students at all levels. Misappropriation of education funds have been particularly alarming in Nigeria. In 2008, six states were found to have misappropriated N4b (US$21.5m) Universal Basic Education (UBE) funds (Samuel, 2014). These funds were part of the N54.78b (US$294.45m) allocation, which represents 2% of the consolidated revenue fund given to the Universal Basic Education Commission (UBEC) by the Federal Government in 2005 and 2006 (Samuel, 2014).

2.4.9 Private sector

Like anywhere else in the world, corruption in the private sector is an issue for Nigeria. Data from Table 2.1 above showed that corruption in the private sector is not as prevalent as in many of the other sectors within the Nigerian economy. However, a corruption barometer score of 2.9 is still an indication of a high level of corruption. In the 2014 Ernst & Young Global Fraud Survey, which looked at bribery, fraud, and corruption in the private sector, the results of the survey conducted found that Nigeria has the 2nd highest level of corruption, behind Egypt. Also, over 80% of respondents of the survey in Egypt, Kenya and Nigeria, thinks that corruption is widespread (Ernst & Young, 2014). In addition, 30% of respondents reported that their organisation had experience a significant fraud in the past 2 years (Ernst & Young, 2014). To address these challenges within the Nigerian Private sector, the Economic and Financial Crimes Commission (EFCC) outlined its plan to overhaul private sector involvement in the commission's operations. A key aspect of the overhaul involves the replacement of the commission's citizen's initiative campaign, the Anti-Corruption Revolution (ANCOR), which it believes had become a victim of corrupted practices. Thus, ANCOR is being replaced with a

new initiative known as the Anti-Corruption and Economic Crimes Support Network (ACE-NETWORK) (Musari, 2014).

2.4.10 International conventions

There is a need for countries to agree on national and cross-border anti-corruption measures. International conventions provide countries with the opportunity to discuss and agree on measures that can help reduce national and cross-border corruption. International convention bodies such as the United Nations (UN) Convention Against Corruption (UNCAC) (2003), and the African Union Convention on Preventing and Combating Corruption (AUCPCC) (2003) help in combating these challenges. Within Africa, there are a number of anti-corruption initiatives aimed at reducing corruption within the continent. One of these is an initiative of the United Nations Economic Commission for Africa (UNECA), headquartered in Addis Ababa, Ethiopia, which is being undertaken in collaboration with the African Union Advisory Board on Corruption. The aim is to address corruption issues by ensuring that the continent becomes corruption free, thus improving governance and economic prosperity. The initiative by UNECA uses a "multi-track strategic approach which combines policy research and analysis, with training and capacity development, peer learning and knowledge and information sharing and documentation of best practices on anti-corruption, policy dialogue and special events on corruption in Africa" (United Nations Economic Commission for Africa [UNECA], 2011).

2.4.11 Oil and gas

High profile cases of corruption in the oil and gas industries, most notably bribery, extortion and blackmail are occasionally exposed in the media. In 2012, the US Securities and Exchange Commission charged three oil executives with bribing customs' officials in Nigeria to obtain oil rig permits required for drilling operations. Panalpina World Transport Holding Limited, a Swiss freight-forwarding company, along with five other oil and gas service companies and subsidiaries, were fined over $156 million for making illegal payments to foreign officials in countries including Angola, Kazakhstan, Brazil, Turkmenistan, Azerbaijan, Russia and Nigeria. In the case of Panalpina, the company admitted to making the payments on behalf of customers such as Shell Nigeria, Transocean and Tidewater Marine, amounting to at least $27 million between 2002 and 2007 (Securities and Exchange Commission [SEC], 2012).

Corruption in oil and gas represent a much larger issue for most countries in the world. One of the ways by which such issues are being addressed is in the adoption of the EU Accounting Directive Chapter 10 by the UK government - a measure that will have an impact on activities in a country such as Nigeria. Beginning in January 2015, the directive required UK-registered

gas, oil and mining companies to report on payments made to governments in all countries they operate. It has been adopted to increase transparency and help reduce corruption in those countries with reserves of valuable natural resources but with many extremely poor citizens. This initiative should further advance transparency in the affected sector along with the widely commended initiative Extractive Industries Transparency Initiative (EITI) which has been developed to promote transparency within the extractive industries.

2.4.12 Whistleblowing

Near and Miceli (1985) defined whistleblowing as “disclosure by organisation members (former or current) of illegal, immoral or illegitimate practices under the control of their employers, to persons or organisations that may be able to effect action”. Whistleblowing in Nigeria is a difficult concept and probably accounts for the reason why corruption had been so widespread in the country. The government has spent a lot of effort in encouraging people to voice cases of corruption, but these efforts are hampered by the level of risk involved. This is because whistle-blowers are often subjected to harassment and physical abuse, with very little legal protection against dismissal. An example of a whistleblowing case involves Cadbury Nigeria Plc. whose board of directors in October 2006 notified its shareholders and regulatory authorities of irregularities in its accounts which relate to overstatement of accounts spanning several years and accounting for between N31 billion and N51 billion (Abdullahi, Enyinna & Stella, 2010). The findings were as a result of investigations triggered by Cadbury Schweppes Plc. (a London based confectionery company) following its increase in the stake of Cadbury Nigeria Plc. from 47% to 50% (Abdullahi et al., 2010). The subsequent lawsuit led the Council of the Nigerian Stock Exchange to bar both the Managing Director and the Finance Director of Cadbury Nigeria Plc. from running any publicly quoted company for life. This case represented a significant failure of a company that was seen prior to these events as one with one of the highest corporate governance and ethical standards in the country. With this in mind, whistleblowing continues to be an effective tool to fight corruption (Schultz & Harutyunyan, 2015). To combat corruption, the Nigerian government in 2016 introduced a whistleblowing policy which provides guidance for a number of anti-corruption agencies along with rewards and protection for individuals who come forward (Gholami, & Salihu, 2019). Being a new policy, time will tell how effective the implementation of this policy is.

2.5 Economic advancement

The Nigerian economy began to experience real growth rate in the late 1990s and this has been marred by a decline in poverty incidence (Aigbokan, 2008). Historically, growth in Nigeria had been driven by the agricultural sector especially in the period leading up to the 1970s. By mid 1970s, the emergence of the oil and gas sector became apparent, primarily due to the oil embargo, which was proclaimed by the Organisation of Arab Petroleum Exporting Countries (OAPEC), which led to Nigeria becoming a major producer for key clients including the United States of America. Between 1970 and 1980, the share of the oil and gas sector of the Nigerian economy (based on the Gross Domestic Product, GDP) had risen from 7.1% to 22% while at the same time, the share of the agricultural sector had decreased from 47.6% to 30.8% (Aigbokan, 2008).

As of 2013, the rebased 2013 GDP figures confirmed that the agricultural sector contributed 21.97% (N17.625 trillion or US$112.26 billion) to the economy of the country while crude petroleum and natural gas (part of the mining and quarrying sector) contributed 14.4% (N11.55 trillion or US$73.56 billion) to the economy. The recovery of the agricultural sector can be associated with the recent reform embarked upon by the Nigerian government.

2.5.1 Reforms

Nigeria embarked on a major reform process in the early 2000s, primarily aimed at improving economic performance through a sustained growth, reducing poverty, improving provision for education, health, and infrastructure, and finally to take advantage of its large human capital, as well as the vast amount of natural resources available within the country. According to Aigbokan (2008, p.25), "economic reforms can create opportunities for the poor, and thereby promote pro-poor growth…. this requires that conditions are in place for the poor to take advantage of these opportunities, for absolute poverty to fall rapidly". The developments being achieved by Nigeria has seen the country being predicted to become one of the major economic powerhouses in the world within the next 25 years. Although oil resource, for which Nigeria is known for accounts for 40% of the GDP, recent reforms have led to a shift towards other industries for the achievement of a sustained economic growth including significant expansion to the service industry such as the financial services, and the manufacturing sector. An example of such improvements in the manufacturing sector can be seen in the production of vehicles with companies such a Nissan, Hyundai and Peugeot producing within the country. These car productions are alongside those by Innoson Vehicle Manufacturing, a Nigerian owned (and

Africa's first) automobile and bus manufacturing company. In April 2014, Nissan introduced a new model known as 'Nissan Patrol' labelled as the first 'built in Nigeria for Nigerians' (Nissan Global, 2014). Many of these developments have been aided by the introduction of a new Nigerian Automotive Policy. Nigeria has also made significant strides in trade with neighbouring nations. Data from the Nigerian government to the IMF showed the importance of the informal sector of the economy especially in relation to petroleum products and food cereals. For example, Nigeria meets 70% of the cereal needs of neighbouring Niger and Chad, while the highly subsidised Nigerian gasoline accounts for over 80% of gasoline consumed in Benin (International Monetary Fund [IMF], 2014).

2.5.2 GDP rebasing

In July 2014, the Nigerian National Bureau of Statistics (NBS) completed the revised nominal and real GDP estimates of Nigeria while also concluding new estimates of the growth rate of Nigeria from 2010 to 2014. The revised GDP figures confirmed that the Nigerian economy expanded to N80 trillion in 2013 (US$488 billion) – up from the US$262.6 billion estimated in 2012 under the old series (National Bureau of Statistics [NBS], 2014a). The revision to the GDP was conducted because the base year (i.e. reference year) for the GDP calculation had been 1990. Thus, the base year was adjusted and changed to 2010 to truly reflect the current state of the Nigerian economy. In most western countries, the GDP calculation is usually carried every few years (the UN recommends that this is carried out every 5 years). Also, the NBS had decided to start accounting for the informal sector of the Nigerian economy, which represents a significant portion of the economy - this is in line with the new global standards of calculating GDP and had been adopted by the United States of American and the European Union countries. The informal sector now represents a challenge for the government especially in relation to how to collect taxes from the activities of the sector.

The rebasing exercise by Nigeria, although whilst almost doubling the initial GDP estimates, also resulted in lower estimates of both sectoral and real GDP growth rates. Other changes include the reclassification of processing of farm produce, which had initially been attributed to 'Agricultural' activities, to 'Manufacturing'. The implication of this is a potentially lower growth rate for the agricultural sector, whilst increasing the growth rate for the manufacturing sector. In addition to this, Nigeria has always been the hub of entertainment for Africa and the wider world and this had not been properly accounted for in the past. For example, the Nigerian movie entertainment industry widely known as 'Nollywood' is the world second largest movie industry in the world by film production (with India being the first) (Liston, 2014). This

industry now constitutes 1.4% of the country's GDP (NBS, 2014b). The movie industry, which is part of Arts and Entertainment, is one of the many 'new' economic activities that were identified in the rebasing calculation. Another is telecommunications and information services, which contribute 8.69% of the country's GDP (National Bureau of Statistics, 2014). The rebasing exercise also saw the expansion of the quantity and quality of the data collection process, which resulted in a more informed calculation, and estimation of the Nigerian economy. Also, the rebasing meant that no single industry dominates the Nigerian economy unlike in previous estimates. For example, oil and gas activities was responsible for 32% of the GDP under the 1990 figures, but now only represent 14% under the rebased GDP process (Liston, 2014). Nevertheless, revenues from oil and gas still represents the government's main source of income. In addition, the Debt-to-GDP of Nigeria was 19% using the old calculations (old series) while this has reduced considerably to 11% under the rebased calculation (new series) (NBS, 2014b). The figure below shows the impact of the rebasing of the GDP on the Nigerian economy.

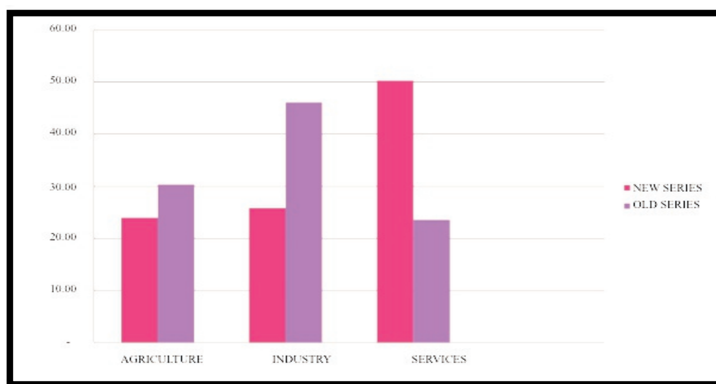

Figure 2.1. Sectoral Percentage Share of GDP for old and new base years

(Source: NBS, 2014b)

2.5.3 Current problems

The challenges facing Nigeria is predominantly around leadership. For the country to reach the potential that all data points have suggested that it is capable of, there is a need for continued reform to ensure that the ease of doing business in the country continues the right path. Also, security and corruption continue to pose a risk to the country in achieving these predicted growth rates. Investments in infrastructural developments have been slow with investment in the education system lagging other frontier and emerging economies. Also, the current

instability with the price of oil threatens to derail Nigeria's growth plan as the country is still very much dependent on oil.

In addressing these challenges, the country continues its reform path whilst at the same time attempting to diversify its economy through investments in other sectors especially in agriculture where the country in 2011 began a transformation agenda aimed at increasing the domestic supply of food by 20 million metrics by 2015 and as a result creating 3.5 million new jobs (Adegoke, Chidi & Araba, 2014; Forbes, 2013). This agenda has resulted in an investment of $1.6 billion (both domestic and foreign) between 2011 and 2013 (Adesina, 2014). The agricultural sector has seen growth in the export of in the key products such as cocoa beans, but at the same time, other products have begun to take a significant share of the export market especially products such as cotton, sesame seeds, frozen shrimps and prawns, cashew nuts, and natural gum Arabic.

The Nigerian Government recognises that there are a number of threats that could potentially derail the country's economic developmental plans. These threats include oil price shock, continued oil theft and production loses, weaker fiscal policy stance, substantial deterioration of security in the North of Nigeria, and protracted economic and financial volatility (IMF, 2013). There are a few contingencies aimed at ensuring that the country is prepared for such eventualities and the risk assessment carried out in the 2013 Article IV Consultation with the IMF provides an analysis of these risks and the recommended policy response. For example, in order to mitigate against the threat of protracted economic and financial volatility, the IMF recommends enhanced prudential supervision, and that if persistent pressures emerge in the foreign exchange market, the exchange rate should be allowed to adjust. Full details of the Risk Assessment Matrix can be found in Appendix C.

A key problem with the current economic growth initiative in Nigeria is the below-average score for key social indicators within the country when compared with the averages for sub-Saharan Africa, especially in relation to poverty. Despite Nigeria's advancement from an economic growth standpoint, poverty levels continue to rise. According to Nigeria's National Bureau of Statistics, cited by BBC (2012), the number of Nigerians in poverty (i.e. on less than US$1 per day) in 2012 stands at almost 100 million (approximately 59% of the population). Also, the increase in poverty since 1980 according to the Nigeria's National Bureau of Statistics, cited by BBC (2012) is listed below:

- 1980: 17.1 million

- 1985: 34.7 million
- 1992: 39.2 million
- 1996: 67.1 million
- 2004: 68.7 million
- 2010: 112.47 million

The northwest and the northeast of the country both have an alarming poverty rate of 77.7% and 76.3% respectively, with another northern state of Sokoto recording the highest poverty rate of 86.4%. The poverty rate in the southwest is 59.1%. In order to address this issue by accelerating reduction in poverty through economic growth, Aigbokan (2008, p.26) recommended four policy reforms, which are highlighted below:

i. Build human capital by refocusing public spending. Invest in basic and technical education to raise the supply of skilled labour. And, given that labour is the main asset of the poor, create opportunities for them to be gainfully engaged.
ii. Closely related to the above is the need to correct market failures, particularly in the credit market. These include regulating the banking system to ensure that shareholders do not gain at the disadvantage of the poor. A situation where the spread between deposit and lending rate is as wide as 15 percent would favour the shareholders than the depositors, which will in turn burden poor consumers more.
iii. Redesign stabilization programmes to avoid sharp demand contraction and protect pro-poor public spending. Education and health spending traditionally suffer in stabilization programmes.
iv. Improve governance to reduce “state capture” by the rich and leakages in poverty alleviation programmes.

2.6 Implications for the development of strong corporate governance and social responsibility practices

The coupling of CG and CSR is as a result of their links with market forces. Kirkpatrick (2009, p.7) states “the purpose of corporate governance is to help build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies”. Corporate governance is fully explored in Chapter 4 of this thesis. Steurer, Langer Konrad and Martinuzzi (2005) defined CSR as “a concept whereby companies integrate social

and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis". CSR is fully explored in both Chapters 3 and 4 of this thesis.

This links with market forces is recognised by Rahim (2013) who in their book chapter which narrates CG's convergence with CSR, viewed the objectives of both CG and CSR as being necessary for the attainment of each other's goals despite the differences in the set-up of each of their corporate framework. This is also supported by Kabir and Thai (2017, p252) who argued that the local context is important because CG and CSR reporting are "shaped by a country's economy, political system and culture." For businesses, on-going political and economic issues have implications for CG and CSR. There is an argument for governments to play an active role in the development of CG and CSR. Research has shown an increasing role by governments in the promotion of the CSR agenda through a relational approach, and this is seen in Italy where the government stays impartial and instead focus on facilitating participation from all sectors during policy creation (Albareda, Lozano, Tencati, Midttun & Perrini, 2008). What has become important is the increasing relationship between governmental institutions, companies, and the public, and for countries whose stage of development is still heavily influenced by government policies and regulations, progresses within CG and CSR practices can be said to be dependent on the level of engagement among those governmental institutions. Albareda et al. (2008) argued the need for the government to act not only promote and encourage CSR but to also work as a mediator between businesses and NGOs.

As a country that is poised to become one of the biggest 20 economies in the world by 2050, it is only a matter of time before companies operating within Nigeria begin to face the level of scrutiny currently experienced by those in more established economies. In addition, given that Nigeria currently faces several issues especially in corruption (which the current President, Muhammadu Buhari, has promised to rigorously tackle), the subject of governance and responsibility toward the wider stakeholder becomes even more important for companies operating within Nigeria.

A few Nigerian companies have experienced governance failings whilst there have been questions about the extent to which many others engage with their wider stakeholders and the environment in which they operate. Whilst what constitute good governance will vary from one company to another as well as from one country to another, past evidences have shown

that many corporate failures are associated with governance failings. It is therefore imperative that for Nigeria to continue its economic advancement and its drive for improvements in the standard of living of its residents, good governance must be a feature of companies operating within its borders. In order to contribute toward improvements in the standard of living of those within Nigeria, companies must proactively engage in CSR activities that are relevant to their operations within the country.

The developing nature of Nigerian structural system means that some key framework for corporate governance are still under-developed and are sometimes conflicting in nature. For developed economies, there are established codes that governs how companies are expected to operate e.g. the U.K. Corporate Governance Code. In the case of Nigeria, many of these codes are within multiple regulatory frameworks. For example, the Nigerian SEC (Securities and Exchange Commission) 'Code of Corporate Governance for Public Companies' was established in 2003 as a voluntary code that governs all listed companies on the Nigerian Stock Exchange (NSE). This code was revised in 2011. The CBN (Central Bank of Nigeria) code of conduct is a mandatory code that governs banks operating in Nigeria. Other codes include the SEC code for Shareholders, which is a voluntary code established in 2007; the PENCOM code (Code of Corporate Governance for Licensed Pension Operators) which was established as mandatory in 2008 to govern licensed operators; and the NAICOM Code which was established in 2009 as mandatory to governs Insurance companies. Many of these codes were developed to assist the relevant sector or group in engaging with best practice corporate governance code relevant to them, as well as being a way to addressing shortcomings of companies to satisfy their shareholders (Osemeke & Adegbite, 2016).

Having multiple codes is a challenge for businesses and has implications for developing effective CG and CSR practices. A study by Osemeke and Adegbite (2016, p.17) found a few conflicts between the different codes that have been established in Nigeria to govern or guide businesses; ambiguities were found on issues relating to recommendations on "board size, directors' independence, CEO duality, board membership and audit committees." A notable example is on the recommendation of board independence where the SEC, PENCOM, and NAICOM codes recommended the presence of at least one independent director whereas the CBN code recommended a minimum of two (Osemeke & Adegbite, 2016). In addition to this, the CBN code found that multiple concurrent directorships lead to conflict of interests and could interfere with the director's ability to discharge his/her responsibilities, whereas the SEC code places no limit on the number of boards that directors can serve on (Osemeke & Adegbite,

2016). The works of Osemeke and Adegbite (2016) proposes a mandatory code of corporate governance for Nigeria, to advance the enforcement mechanisms of the code.

Strategically, CSR is important for companies in Nigeria. Firstly, companies have a responsibility to ensure that the interests of customers, employees, shareholders, communities, and the environment, are central to their operations. It is imperative for the Nigerian government to put mechanisms in place to ensure that this is possible so as to foster improvements in the lives of residents in the country. CSR, when used strategically can provide companies with an alternative model of business which focuses on profit generation and responsibility, which effectively turns CSR into a business innovation used to support profit generation (Bondy, Moon & Matten, 2012). For example, social and environmental activities can act as drivers for innovation in the creation of new products and services. Matten and Moon (2004) argued that at the core of CSR is the idea that "it reflects both the social imperatives and the social consequences of business success".

Previous studies have shown that Nigerian companies are engaged with CSR activities at some level but while several companies are aware of CSR, many of them fail to follow this up with significant actions (Babalola, 2012). Also, the type of engagement with CSR is different between Nigeria and other nations (especially western countries). Amaeshi, Adi, Ogbechie and Amao (2006), in their study which explored the context in which Nigerian companies operate, found that companies in Nigeria place more emphasis on community involvement (i.e. social issue participation component of CSR), less on socially responsible employee relations, and virtually no emphasis on socially responsible products and processes (i.e. stakeholder management component of CSR). This highlights the perception of CSR (especially in Africa) as only pertaining to social issue participation and thus ignoring other aspects, which relate to environmental performance, and social performance (including employment, human rights, and product responsibility) i.e. closer stakeholders.

2.7 Chapter conclusion

This chapter advances CG and CSR research in relation to frontier and emerging economies, particularly Nigeria, where the contribution of this research lies. The central claim is that there are systemic issues that pose a challenge to the development of effective CG and CSR practices in Nigeria. These issues relate to the level of corruption with the various aspects of the Nigerian economy, which are in-effect failing to promote the spirit of good governance and serious

engagement with CSR. There are also specific issues relating to the existence of multiple codes of corporate governance within Nigeria. It is apparent that Nigeria continues to experience several issues relating to infrastructural development, security, and corruption, whilst the same time, the economy continues to improve, and the country is well positioned to become a world's major economic powerhouse within the next 30 years, having already become the largest country in Africa by economic output. These advancements can be attributed to the reforms that began in the early 2000s. However, there remains the issue of how these improvements in the economic performance of the country can positively impact the lives of many residents and communities, majority of which still live below the poverty line. Also highlighted within this is the importance of good governance and socially responsible practices within Nigeria and how the government can act as intermediaries between business and governmental institutions, in order to drive both economic and societal developments. There are areas for further research, especially in relation to ways by which the foundations for an effective implementation of CG and CSR can be developed within the context of frontier and emerging economies.

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Chapter 3: A review of theoretical and empirical literature on CSR

3.1 Context

This chapter provides a systematic review of literature on CSR as a subject matter, with a critical insight into literature from a variety of sources including scientific journals, published governmental reports/guidance documents, and where appropriate broadsheets. In doing this, the following sequence of review is employed in order to ensure completeness of arguments and links between key themes of the subject matter:

i. Evolutionary themes of CSR, focusing on conceptual matters, theories, and models.
ii. Conceptual matters, including theories, and models of CSR.
iii. Framework for implementing and integrating CSR into business models.
iv. Empirical findings on CSR's impact on firms' performance.
v. Reporting instruments used in measuring CSR and leading indices which measures sustainable practices amongst firms.
vi. Empirical findings on CSR reporting in Nigeria, focusing on priority issues, level of engagement, and state of disclosure.

Where appropriate, additional references are made to specific items or cases which are located in the appendix section of this thesis.

A systematic literature review process was used in conducting this research, based on Webster and Watson (2002) concept-centric approach to literature review which helps to determine the organising framework for a review. In reviewing previous literature, higher order concepts were identified to form the basis of database searches. This involved the identification of specific search terms which were then registered with the Google Scholar as a primary database (a gateway to multiple peer-review sources) which has now become the dominant gateway for literature content (Halavais, 2017). This was then supported by the use of Athens database which served as another gateway to multiple resource. This approach is in line with recommendations from Haddaway, Collins, Coughlin and Kirk (2015) and it ensured that key literature were not missed during the literature search process.

The beginning 210 literature formed the basis of knowledge that informed the development of this study. Whilst these were the primary source of literature used, subsequent development

led to the discovery of new literature that were included in the review process. Particular attention was paid to articles that specifically reviewed past literature on a particular concept.

The approach taken to review literature ensures that the review carried out is thorough, thus demonstrating the breadth and credibility of the study conducted. Furthermore, care was taken to ensure that the time period of the literature used allowed for full grasp of the development of the subject matter, with significantly higher weightings given to recent period. Hence, 44% of the literature came from the 2010s-period, 37% came from the 2000s-period, 14% came from the 1990s-period, 3% came from the 1980s-period, while 1% came from the 1970s-period.

Full details of the systematic literature review process, including the concept matrix results, average citation of selected literature, analysis of the 35 unique database resources used, and analysis of literature by time period can be found in the methodology chapter of this thesis *(Chapter 5 Section 5.6.1)*.

3.2 Evolution of Corporate Social Responsibility (CSR)

Historically, CSR was deemed irrelevant when considering the impact on the success of organisations. Even today, many still question the motive behind organisations' engagement in social responsibility practices. Whilst some arguments have clearly articulated the importance of social responsibility practices to businesses and the wider community, others have seen it as merely a PR (Public Relations) stunt that companies only engage with when convenient especially when there is a business benefit to be gained from such activity. Also, up until the late 1970s, the wider business community saw CSR as irrelevant (Lydenberg, 2005). Later on, the concept of CSR began to gain significant interest by various aspects of the society especially from consumers, investors, governments, non-governmental organisations, and corporations. Several international organisations also began to provide guidelines on how organisations can implement effective CSR practices (Lee, 2008). These organisations include the World Bank (WB), The Organisation of Economic Co-operation and Development (OECD), and the United Nations (UN). Whilst less than 50% of Fortune 500 companies referred to the term CSR in 1977, by the early 1990s, almost 90% of these companies see CSR as an essential part of their organisational goal and document this while actively promoting the concept in their annual reports (Boli & Hartsuiker, 2001).

The evolution of the CSR has been rather remarkable; starting in the days of Henry Ford where he outlined the purpose of the Ford Motor Company as being able to cater for everyone concerned with the business by making money and then using the money to provide employment and get people to use their car to improve their lives (Lewis, 1976). This is perhaps one of the earliest evolutions of the concept of the Triple Bottom Line (TBL) (also known as Profit, People, and Planet), which has become central to the concept of CSR and is explored within this chapter. The idea of business existing to serve the society was challenged by the shareholders of the Ford Motor Company, especially the Dodge brothers who demanded maximum dividends, with the Supreme Court of Michigan granting this in 1919. This decision provided the 2 contrasting views of why businesses exist – the traditional view demonstrated by the Dodge brothers that businesses exist solely to maximise the wealth of its shareholders, and the view demonstrated by Henry Ford, that businesses exist as a service to the society (Lee, 2008).

The Dodge brothers and early shareholders of Ford Motor Company (1919 period) were not the only ones that viewed businesses as existing only for profit maximisation. Adam Smith (the Scottish moral philosopher) also failed to see the reasoning behind businesses existing for the greater good of the society and as a result, investors were mostly interested in investing in a company that will likely provide superior return on their investments rather than one that will divert portions of those returns to societal-related programmes.

Nevertheless, CSR continued to gain widespread popularity, and this has led to the evolution of the definition and meaning of the concept over time. In the United States, CSR gained widespread popularity in the 1960s as a result of the social movements that defined that decade. Examples of this include academics that were attempting to articulate the meaning and implication of CSR for businesses, as well as social movements by prominent groups which included civil rights, consumer rights, women rights, and environmental groups (Carroll & Shabana, 2010). In Europe, the widespread of CSR can be traced to the early 1950s where many countries during this period developed a welfare state with the state effectively becoming the primary provider of welfare, while companies were expected to comply with laws and pay their taxes. At the same time, it was recognised that profitability is an important ingredient necessary to satisfy both shareholders and workers (Mansini, 1979). This represented a shift in the definition of the role of the state and that of companies with more attention being paid to voluntary activities being undertaken by companies in fostering socio-economic and environmental development. In the case of Africa, CSR is still at its infancy with many

activities falling under the concept of corporate philanthropy aimed at fostering socio-economic development. Also, given that CSR activities across both regions of the continent (Middle East North Africa – MENA, and Sub-Sahara Africa – SSA) are mostly conducted by European and US companies with local operations, many of the locals see this as an agenda imposed by the West on African countries with the aim of extracting as many resources as possible from the continent.

3.3 Conceptualisation, theories, and models of CSR

There has been significant evolution in the way in which researchers conceptualise CSR. It is widely believed that CSR has its roots in stakeholder theory, which recognises the obligations of organisations to all stakeholder groups rather than just the shareholders (Asif, Searcy, Zutshi & Fisscher, 2013). The additional interest groups include customers, suppliers, government agencies, debtors, creditors, and the wider community, amongst others.

Many of the earlier works have examined CSR from a macro-social standpoint i.e. focusing mainly on the relationship with the broader society. Since the 1980s, this conceptualisation has evolved into a microanalysis of CSR and its effect on financial performance i.e. organisational-level analysis. These studies are often based on cross-sectional data, focusing on the effect on CSR on financial performance at a specific point in time.

Apart from the conceptualisation of CSR described above, there has also been an evolution in the theories of CSR. According to Lee (2008), research on the theories of CSR have evolved from "explicitly normative and ethics-oriented studies to implicitly normative and performance-oriented studies." Since the 1990s, more and more shareholders have begun to understand and embrace the concept of strategic CSR – aligning CSR to an organisation's strategic objectives with the view of generating financial rewards in the long run. For example, the environmental aspect of CSR (the others being social and economic) has received the support of many institutional investors as a result of the link between this type of CSR and the performance of corporations (Margolis & Walsh, 2003; Vogel, 2005). Many of the research into the long-run benefits have so far generated various results, many of which are inconclusive (Margolis & Walsh, 2003; Vogel, 2005).

Despite these evolutions, there are still conflicting views of the role of CSR in organisations with opponents of the concepts arguing that politicians and the civil society are responsible social development while the focus of any manager should be to maximise the wealth of those

who employed such manager (i.e. shareholders), and as a result should not be distracted in doing so by focusing on social problems. Lee (2008) identified 4 evolutionary periods that depicts the theory of CSR. The analyses of these evolutionary periods focused on pivotal publications, the dominant themes within these publications, level of relationship (coupling) between each dominant theme and Corporate Firm Performance (CFP), the motivation behind these publications, and the level of uncertainty with CSR in terms of its acceptance as an important business issue within the corporate environment. These are presented in the table below.

Table 3.1. Theoretical trends in CSR thinking

Period	Pivotal publication(s)	Dominant theme	Coupling with CFP	Motivation	Level of uncertainty with CSR
1950s and 1960s	Bowen (1953)	Ethics and social obligation of businesses	No coupling	Corporate externality control	Very high
1970s	Wallich and McGowan (1970)	Enlightened self-interest	Loose coupling	Reconciliation of two opposing sides of the debate	High
1980s	Carroll (1979); Wartick and Cochran (1985); Wood (1991)	Corporate social performance model	Tighter, but still somewhat loose coupling	Pragmatic and comprehensive model construction	Medium
1990s	Freeman (1984); Clarkson (1995); Jones (1995); Hart (1997); Elkington (1994)	Stakeholder approach and strategic management	Tight coupling	Practicality (empirical testing and implementation) and competitive advantage	Low
2000s and 2010s	Porter and Kramer (2006)	Corporate boardroom; business integration and reporting	Tight coupling	Practicality (link to financial performance and corporate image)	Low

(Adapted from: Lee, 2008)

Further details on the evolution of CSR definitions can be found in *Appendix D*. An addition to these theories is the Triple Bottom Line model which is also evaluated in *Section 3.3.5*.

3.3.1 Ethics and social obligation of businesses

Prior to the 1950s, many researchers and prominent commentators examined the relationships between corporations and societies. However, Howard Bowen's work on the *'Social Responsibilities of the Business Men'* in 1953 is widely regarded by many as the first attempt to theorise CSR – in its relationship between corporations and society. Bowen (1953) advocated for CSR as a concept that should be encouraged and supported whilst also recognising that CSR on its own could not solve the world's problems. Bowen (1953, p.44) argue that the obligations of businessmen in relation to social responsibilities are to *"to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."* This definition according to Lee (2008) provides a clear indication of Howard Bowen's stance on the issue of CSR. Also, Bowen's standpoint was heavily contested by prominent researchers especially from economic researchers such as Milton Friedman who argued that the responsibility (social) of any corporation is to maximise the wealth of its shareholders, and that any suggestion that this is not the case, especially arguments advocating for CSR is a threat to the foundation of the role of corporations within the society (Friedman, 1962).

3.3.2 Enlightened self-interest

The research commissioned by the 'Committee for Economic Development' resulted in a publication by Wallich and McGowan (1970), which attempted to evaluate the relationship between the social and economic interests of corporations. Their research was aimed at providing a business case for CSR i.e. aligning the interests of CSR with those of corporate shareholders as a way of obtaining shareholders buy-in into the concept of CSR. Wallich and McGowan (1970) proceeded to explain that although the argument by Friedman (1962) still stand, the interest of shareholders has been significantly altered over time. This is because many shareholders are owners of the stock of not just one, but also many corporations, through diversification and risk minimisation, and as a result, judge the return on their investment on the basis of their overall interest, rather than on the basis of their interest in a single corporation. Thus, they argue that investors now seek to spread their social expenditures evenly and to the point where marginal cost equals marginal benefits (Wallich & McGowan, 1970). Other research in support of the enlightened self-interest include those by Ackerman (1973), Elkins (1977), Fitch (1976), Keim (1978), Moyer (1974), and Murray (1976). The implication of this is a shift in the nature of research into CSR, from normative framework, which focused on the argument for corporations' engagement with CSR, to implementation of CSR in organisations, in a way that aligns with the strategic interest of shareholders.

Despite these advances in the study of CSR, Lee (2008) argued that the enlightened self-interest model does not provide a theoretical framework to build on and that it was difficult to provide clear (tight) outline of the mechanisms that provides the casual link between CSR and CFP – this Lee (2008) argued was important in order to reconcile social and economic interests.

3.3.3 Corporate social performance model

The corporate social performance (CSP) model of CSR was arguably first developed by Carroll (1979) who conceptualises corporate social performance as having three dimensions – social issues, CSR, and corporate social responsiveness. This three-dimensional model of CSR argued that both economic and social goals integrally form the basis of a complete social responsibility of businesses. The categories of complete social responsibility identified by Carroll (1979) are economic, ethics, legal, and discretionary. The CSP model acted as a framework for which organisations can identify and assess social issues through any of four actions, namely: reactions, defence, accommodation, or pro-action (Lee, 2008).

Figure 3.1. Carroll's pyramid of corporate social responsibilities

(Adapted from: Carroll, 1991)

Economic responsibilities address the single most important motive of most businesses which is to be profitable. By being profitable, companies can pursue other responsibilities whilst also fulfilling the obligations to shareholders. The pursuit of economic responsibilities advocates the sale (distribution) of goods and services that are of value to the society. Hence, companies that are selling or distributing goods and services that are not classified to be of 'value' by the society can be said to not be fulfilling their economic responsibilities. This obligation requires companies to pursue competitive positions and are sometimes required by law. For example,

one of the legal duties of directors of UK companies is to promote the success of the company (UK Parliament Companies Act, 2006[1]).

Legal responsibilities are about obeying the law that governs the jurisdictions where the company operates. Today, there is often an argument of whether obeying the 'letter' of the law is what matters or whether it is more important to obey the intended 'spirit' of the written law. This is where those ethical responsibilities become important. Carroll advocate for the need for businesses to do what is right, just, and fair (in the eyes of the society). In doing this, businesses must avoid causing harm to individuals or the society at large.

In the case of philanthropic responsibilities, businesses have a duty to be good citizens of the society in which they operate although these may not necessarily be expected by the society. An example of this is of Microsoft, the global hardware, software and computer services firm which engage in philanthropic activities which cuts across multiple issues within the society. Microsoft achieves this through its volunteering grant programme where Microsoft encourages its staff to volunteer within their communities for any social cause that the employee supports. Microsoft then support the charity of the employee's choice by matching the employee's donations to that charity, and by contributing US$25 per hour for every hour the employee volunteers for that charity.

will be the company, Facebook, which recently began to focus on investments in programmes aimed at the eradication of diseases in the world. Facebook being a social network is not expected to do this, either legally or morally. However, by pursuing this, the company is exercising its philanthropic responsibilities.

With the four layers of responsibilities in Carroll's pyramid, economic responsibilities are the foundation for the attainment of other layers within the pyramid. A company that is able to fulfil its economic responsibilities can fulfil it legal responsibilities. Once a company is able to fulfil both economic and legal responsibilities, it can then begin to pursue those ethical responsibilities which society expects but are not necessary enforced by law (many aspects of CSR focuses on this). Finally, it is only when a company has fulfilled its ethical responsibilities that it can begin to pursue those philanthropic responsibilities. The principles of Carroll's

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[1] Directors' general duties are defined in sections 170-177 of the Companies Act 2006.

pyramid of responsibilities closely mirror Maslow's (1943; 1954) hierarchy of needs which essentially argue for five stages of human motivation. Maslow's stages (in increasing order) are physiological needs, safety needs, belongingness and love, esteem needs, and self-actualisation (Maslow, 1943; 1954). This model was later expanded to include cognitive and aesthetic needs, both of which appear above esteem needs (Maslow, 1970a), and transcendence needs which appear above self-actualisation needs (Maslow, 1970b).

Whilst the CSP model provided another conceptualisation of CSR, many argued that it lacked application as it was difficult to measure and test the effectiveness of the model, thus rendering it un-implementable (Wood & Jones, 1995). Without a metric for measuring the CSP model, firms are unable to understand how to engage in social activities and also find it difficult to assess the impact or compare with other firms. This means that the relationship between CSR and CFP remained loose, albeit tighter than the enlightened self-interest concept.

3.3.4 Stakeholder approach and strategic management

By the 1990s, several studies on CSR had begun to examine the relationship with CFP thus providing businesses with a stronger motive and platform for implementation. At this stage, several research shed light on why some companies perform better than others (Lee, 2008). The development of the stakeholder approach to CSR is as a result of strategic management research, which examined stakeholder analysis and its impact on CSR. The development of the stakeholder model of CSR helped address issues with earlier conceptualisation and theories of CSR by providing clearer metrics for measuring the relationship between CSR and firm performance. The stakeholder theory argues that the executives of a firm must create as much value as possible for all the stakeholders that it engages in business with. These stakeholders are the customers, suppliers, employees, communities, and shareholders. Advocates believe that the interest of all stakeholders must be fully aligned in order for the firm to succeed and continue as a going-concern. This approach to strategic management transcends the earlier conceptualisation of CSR, which struggled to align social and economic performance of firms together. The stakeholder approach argued that not only are both important (i.e. social and economic performance), they are indeed intertwined and that the interest of a stakeholder must not be traded off against another. This approach provides recognition of the intrinsic value of the interest of non-shareholding stakeholders (Donaldson & Preston, 1995), which is in stark contrast to early 20th century argument by the Dodge brothers and many other shareholders.

Further research provided some distinction between the stakeholder issues and social issues. Lee (2008, p.61) defines social issues as *"sufficiently substantial public issues that prompt eventual legislation or regulation. If no such legislation or regulation exists, it may be a stakeholder issue, but not necessarily a social issue"*. This distinction was first applied by Clarkson (1995), while other researchers such as Jones (1995) provide a link between CSR and economic theories such as the principal-agent theory, which laid the foundation for corporate governance in organisations.

Work by Berman, Wicks, Kotha & Jones (1999) provided two types of stakeholder approach to CSR namely strategic stakeholder model, which they argued has more empirical support and is based on the development of a business case for CSR, and intrinsic stakeholder model, which has less empirical support and is based on the moral argument for CSR. Porter and Kramer (2006) later categorised firms' CSR activities into Responsive and Strategic CSR. They argue that responsive CSR involve firms acting as good citizens whilst actively ensuring that harmful effect of their operations (i.e. throughout the value chain) are mitigated against. Strategic CSR, as argued by Porter and Kramer (2006) goes beyond responsiveness alone by using CSR as a proxy for competitive advantage – doing something that differentiate the firm from its competitors, whilst providing real benefit to the society and the environment in which the firm operates.

3.3.5 The triple bottom line

The notion of the Triple Bottom Line (TBL) was first developed in 1994 by John Elkington who founded the British Consultancy called SustainAbility but became more widespread towards the end of the decade. According to Elkington (2004, p.3), the *"TBL agenda focuses corporations not just on the economic value that they add, but also on the environmental and social value that they add – or destroy"*. The TBL model is an accounting framework which with three axis that describe the social, environmental, and financial aspects of an organisation. These are also referred to as the three pillars of sustainability (people, planet, and profit). Whereas traditional thinking has been that companies only exist to make profit, the TBL model argues that the sustainability of any company is dependent upon the three axis and that companies must focus equally on the three for their sustainability. The challenge for organisations has been in measuring the social and environmental impact of their business activities. The notion of TBL can also be traced by to Carroll (1979; 1991) in the categorisation of the responsibilities of a corporation namely economic, legal, ethical, and discretionary.

Elkington (2004) argued that businesses were entering an era of the TBL which will be driven by seven sustainability revolutions will reshape the ways in which businesses are carried out from the old paradigm (compliance, hard, closed, product, subversion, wider, and exclusive), to a new paradigm (competition, soft, open, function, symbiosis, longer, and inclusive). These seven revolutions are identified below:

Table 3.2. Elkington's seven sustainability revolutions

	Old Paradigm	**New Paradigm**
1 Markets	Compliance	Competition
2 Values	Hard	Soft
3 Transparency	Closed	Open
4 Life-cycle technology	Product	Function
5 Partnerships	Subversion	Symbiosis
6 Time	Wider	Longer
7 Corporate governance	Exclusive	Inclusive

(Adapted from: Elkington, 2004)

A detailed explanation of the seven sustainability revolutions in *Table 3.2* above can be found in *Appendix E*.

The World Business Council for Sustainable Development has endorsed the concept of the TBL while companies such as Shell and BP have adopted it. The issue with the concept is in its implementation where many government agencies that were required to implement TBL have struggled to do this due to the difficulty in measuring social and environmental costs. The TBL is intended as a philosophy of sustaining an organisation through a focus on economic value, which can easily be measured in accounting terms, and environmental and social values, which are not easily measured in accounting terms. The problem with this is many organisations are attempting to measure environmental and social value in accounting terms and are thus finding this very difficult.

The principles of the triple bottom line model suffer from the continued evolution of the principles of sustainability, which appeals to enlightened self-interest (Porter & Kramer, 2006). The principles of sustainability advocates for organisations to operate in ways that ensures the security of long-term performance. This effectively means that companies must focus on issues that affect their economic and regulatory interests. Companies that have benefited from this

include DuPont who saved over US$2bn from energy reductions between 1990 and 2005; and McDonald's changes in materials used for wrapping food which resulted in 30% reduction in solid waste (Porter & Kramer, 2006, p.4). These, according to Porter and Kramer (2006) were *'smart business decisions'* that were entirely apart from their environmental benefits. Also, they argued that while other activities such as philanthropy (discretionary responsibilities) may benefit the society, the rationale for balancing long-term objectives against their short-term costs is weak and may not align with the principles of sustainability of a business.

TBL is quite challenging because of the difficulty in integrating the concept fully into businesses. Although many companies engage with the concept by running several activities that embodies TBL, it remains unclear how these activities fit with corporate strategy and corporate governance. Also, given that the principles of TBL requires engagement with a wide range of stakeholders, it is imperative that companies develop a comprehensive approach to the implementation of TBL so as to coordinate activities of TBL and carefully align these with corporate strategy and corporate governance. *Table 3.3* below depicts the integration challenges of TBL into businesses.

Table 3.3. Integration challenges of TBL into businesses

	Governance	Markets
Emerging	Boards	Business models
Existing	Balance sheets	Brands

(Source: Elkington, 2004)

3.4 Integration frameworks for CSR

In order to implement CSR within an organisation, it is important that the business case for such implementation is understood. Several research have provided evidences that corroborate the relationship between CSR and firm performance thus supporting the argument for the business case (Margolis & Walsh, 2003; Orlitzky, Schmidt & Rynes, 2003). For example, engagement with CSR practices provides strategic competitive advantage to companies as companies can differentiate through their CSR programmes or practices (Burke & Logsdon, 1996).

However, many of the previous research arguing the business case for the integration of CSR into business processes failed to articulate the framework for such implementation. Thus, many

companies were left unable to integrate CSR in a way that ensures *'tight-coupling'* with firm's performance (see *Table 3.1*). Hence, the key question is on how a company might implement CSR, and measure the effectiveness of such implementation e.g. what are the key performance indicators and how can we determine whether our engagement with CSR has resulted in a competitive advantage? After all, the business case CSR implementation argues that there is a strategic advantage to be gained from such engagement. Three prominent business integration framework of CSR are evaluated below. These three framework were the most cited or referred to during the literature review search process.

3.4.1 The CSR Framework

Castka, Bamber, Bamber and Sharp (2004) developed the CSR framework for organisations to establish, manage, improve and document a CSR management system. This framework presents a case for CSR integration into business setting (processes). In developing the framework, the authors considered the various CSR related standards that were in existence at the time including: AA 1000 (1999) by Institute of Social and Ethical Accounting, SA 8000 (2001) by Social Accountability International, DR 03028 (2008) which was an Australian Corporate Social Responsibility draft standard, SII 10000 by the Standards Institution of Israel, and ISO CSR management system standard. Leading up to the development of this framework, it became increasingly evident that the main issue is not in the compliance with CSR issues but in understanding the organisational change that is associated with the implementation. This framework, as argued by Castka *et al.,* (2004) is based on three distinct propositions which are:

> **P1**: The CSR framework should be integrated into business systems, objectives, targets and performance measures.
>
> **P2**: The governance system, whose purpose is to control, provide resources, opportunities, strategic direction of the organisation and be held responsible for doing so, is an integral part of business hence CSR system.
>
> **P3**: Central to the CSR framework is the transformation of stakeholders' needs and expectation into business strategy, where the organisation has to balance the need for CSR from their key stakeholders with entrepreneurship.

Thus, the CSR framework is developed as a generic and process-based framework (so that it is easily implemented across a range of businesses).

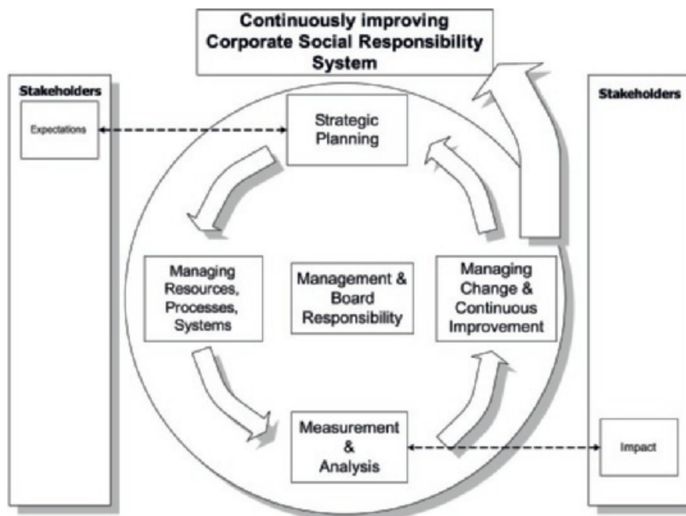

Figure 3.2. The CSR Framework

(Source: Castka et al., 2004)

The CSR framework depicted above is based on the PDCA (Plan-do-Check-Act) approach which was made popular by W. Edwards Deming (quality control) and is integral to many ISO quality and environmental management standards. The framework proposes a cycle of activities aimed at transforming stakeholder expectations into organisation's operations.

These activities begin with strategic planning which is involved with the ways by which organisations sets priorities, actions, and outcomes that are aimed at fulfilling the organisation's desired future state. In this regard, the strategic planning process is expected to incorporate key CSR issues into the organisation's planning process. This way, CSR becomes an integral part of planning as opposed to being an add-on. In their proposition, Castka *et al.* (2004) argued that the responsibility lies on the board to set the strategic direction which ensures that there are board level objectives and appropriate operational structures required to meet their CSR obligations. It is also important that expectations are clear to the various stakeholder groups that the company engages with on their CSR agenda.

Once the strategic planning stage is in place, the emphasis is then on the management of resources, processes, and systems. For this stage to be fully implemented, it is important that there are clear levels of responsibility and accountability. In addition to this, appropriate support mechanisms must be in place to ensure the success of this. The proposition by Castka *et al.* (2004) argues for management that focuses on the *"delivery of those objectives"*. What

this implies is that all levels of the organisations must be aware of their CSR obligations, how this links with the organisation's objectives, and resources in place to ensure the success of this.

The next stage in the cycle is on measurement and analysis, which focuses on key performance indicators that will allow all levels of the organisation to fully understand the progress being made in relation to the set objectives. In addition to this, stakeholders can assess the impact of the organisation's activities against earlier expectations. Many CSR reporting mechanisms today focus on ways of measuring and analysing CSR programmes especially in relation to compliance and stakeholder impact.

The fourth stage is managing change and continuous improvement associated with CSR issues in an ever-changing society. Organisation's should be flexible enough to adjust to changes within their environment, including those that directly relate to CSR issues. The authors of the framework implied that this stage is vital for overall improvement of a CSR system of an organisation.

Central to the four-stage process within the CSR framework is the role of the board in terms of management and responsibility. Without CSR being directed at board-level, it is unlikely that any subsequent implementation will be as wide-reaching as possible/expected. The CSR framework being generic in nature has its limitations which cannot be ignored by businesses seeking to integrate CSR into their strategy using this framework. One key limitation is in the one size fits all approach employed by the author which assumes that the four-stage process can be implemented into any type of business or industry. In addition to this, Castka *et al.* (2004) recognised the likely conflict between 'profitability' objectives and CSR objectives. After all, CSR is about doing good, even if the pursuit of this good results in a net-cost to the organisation. Nevertheless, given the success of many quality management systems across industries, a CSR framework that has its focus on quality management may very well be the platform for successful implementation and integration of CSR into businesses.

3.4.2 Stakeholder oriented integrative strategic management reference model

Katsoulakos and Katsoulacos (2007) in their work provided clear distinction between CSR and corporate sustainability, both of which they argue are the two dimensions of responsibility within businesses. CSR, they argue is specifically related with ethical issues and commitments which extend beyond applicable laws and regulations. Hence CSR is about stakeholder engagement on key social issues in terms of standards, monitoring and reporting. Within this

concept are corporate citizenship and social accountability. The former deals with how a business contribute to the society through its core business e.g. by selling goods or providing services that meets societal needs or drives societal improvements, as well as its social investment and engagement in good causes (Katsoulakos & Katsoulacos, 2007). In the case of social accountability, this deals with the management and reporting of the company's performance on social and environmental issues i.e. ways by which all relevant stakeholder groups can assess the impact of the company's CSR work.

For corporate sustainability, Katsoulakos and Katsoulacos (2007) state that this is *"associated with support for sustainable development and the long-term performance stability and survival of the corporation"*. Hence, corporate sustainability attempts to balance the conflict between meeting today's needs and protecting the very resources that will be needed by the future generations.

Despite these differences, both concept of 'responsibility' and 'sustainability' have become intertwined as they both advocate for companies to do what is right and fair within the societies in which they operate while ensuring that future generation have access to the resources needed. The stakeholder oriented integrative strategic management reference model focuses on how 'instrumental' elements of CSR can be integrated into competitive strategy and contribute to sustainable competitive advantage (Katsoulakos & Katsoulacos, 2007). The model is depicted in *Figure 3.3* below and is based on a cluster of organisational strategies that work together to create core competencies and dynamic capabilities of organisations.

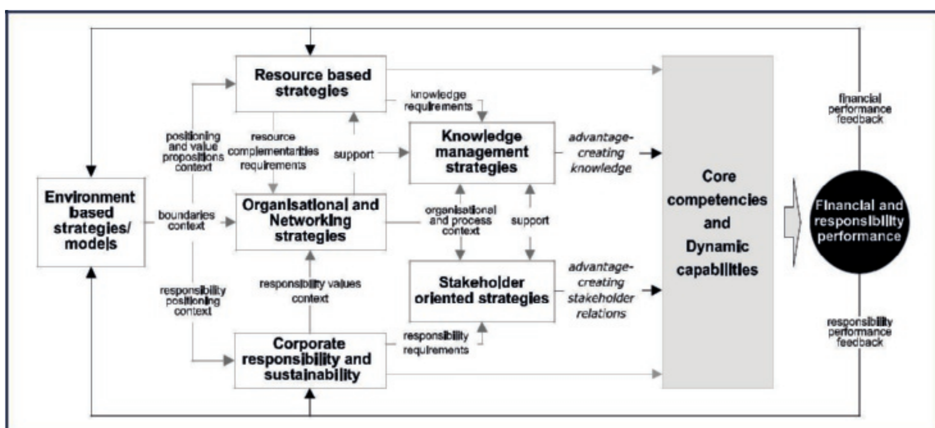

Figure 3.3. Stakeholder oriented integrative strategic management reference model

(Source: Katsoulakos and Katsoulacos, 2007)

The model is influenced by 4CR[2] classification of strategic management theories against criteria of value, responsiveness and responsibility. The key theories utilised according to Katsoulakos and Katsoulacos (2007) are:

- *industrial organisation/environmental approaches;*
- *resource based view (RBV) and related theories of core competencies and dynamic capabilities;*
- *business networking and relational perspectives; B knowledge view of the firm;*
- *corporate responsibility and sustainability; and*
- *stakeholder approaches.*

The stakeholder-oriented framework is based on a few underlying principles, one of which is that corporate responsibility and sustainability strategies provides guidance for stakeholder-oriented strategies. What this implies is that businesses must first establish their CSR and sustainability related strategies before developing fully aligned stakeholder-oriented strategies. The model emphasised the importance of environment-based strategies and integration with resource-based strategies, organisational and networking strategies, CSR and sustainability, knowledge management strategies, and stakeholder-oriented strategies. The integration of these strategies is intended to enable the organisation to develop both advantage-creating knowledge and advantage-creating stakeholder relations, which are the antecedents for core competencies and dynamic capabilities. Finally, these competencies and capabilities are the antecedents to financial and responsibility performance.

The main issue with this model is in the level of complexity required for a successful implementation. As with any business, many competencies and capabilities are not always explicit and as a result can be difficult to implement. Also, the level of interface between the various strategies require carefully defined objectives and measurement metrics. Unlike the CSR framework evaluated earlier, there is not a clear stage for stakeholder expectation setting which is also important if impact is to be appropriately measure. Also, there remains the question of whether it is possible that this approach is more closely linked with the Corporate Shared Value (CSV) concept which has gained some prominence in recent years. CSV

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[2] 4CR is a strategic framework that integrates various strands of corporate responsibility with strategic management and is based on Carroll's pyramid of responsibility with the new layers focusing on corporate competitiveness, corporate governance, CSR, and corporate sustainability.

advocates such as Mark Kramer and Michael Porter have argued, that, whereas CSR is about doing less harm, CSV is about driving change. Although both concepts are similar, the differences are in the definition of profit where CSV argues for the link between activities that promote shared value between businesses and society. CSV followers argue that CSR is merely bolt-on to business strategy, delivering reputational benefit while CSV links business strategy to societal needs, thus creating competitive advantage whilst delivering large-scale social and environmental needs. John Elkington (triple bottom line) and many others dispute this claim and argue that CSV is only incremental and unable to truly deliver a triple bottom line.

3.4.3 Integrated Management System (IMS) model

Asif, Searcy, Zutshi and Fisscher (2013) provided a comprehensive framework for the integration of CSR into organisational processes through a combination of top-down approach for integration and a bottom-up approach for the development of community-related indicators. The framework, also based on the PDCA process which places emphasis on the iterative process of continuous improvement through constant feedback loop, also encompass the Integrated Management System (IMS) model, whilst ensuring that innovation and learning embodies reporting and interaction with stakeholders and community, thus encouraging the development of institutional knowledge.

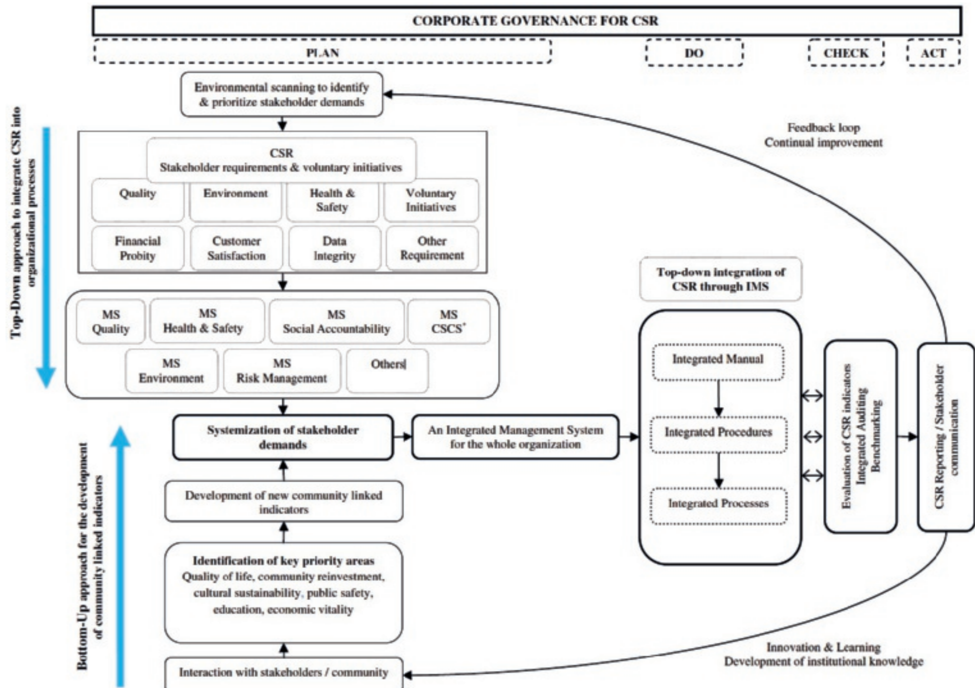

Figure 3.4. Framework for integrating CSR into business processes

(Source: Asif et al., 2013)

The top-down approach to CSR begins at the strategic level and is concerned by the development of an integrated management system, which will allow the organisation to embed CSR into existing management systems (IMS or MS). According to Asif *et al*. (2013), *"integration of MSs provides the infrastructure to manage the requirements of stakeholders in a coordinated manner"*. The implication of such integration is that CSR will become an essential part of management processes rather than a separate entity which may very well result in a conflict between existing processes and new processes required in the implementation of CSR.

The bottom-up approach to CSR emphasises the need to contextualise priority areas when developing a plan for CSR implementation within an organisation. The focus of this is on interaction with the community in which the company operates by interacting with all relevant stakeholders such as local and national government, employees, community, local suppliers, trade unions, and so on. The objective of such interaction is to understand the expectation of the community on social responsibility issues, and this will vary from community to community. For example, priority issues in Africa relate to poverty reduction and ultimately

eradication, health (notably malaria and HIV/AIDS prevention), skills development and education, youth development, and socio-economic development (Visser & Tolhurst (Eds.), 2010). Interaction with the community will enable the organisation to identify key priority areas, which subsequently leads to the development of community-linked indicators.

Systemisation and integration are the next stage once the top-down and bottom-up approaches have been carried out. This refer to the systemisation of stakeholder demands i.e. systemisation of incorporated stakeholder requirements and voluntary initiatives gathered into various management systems, and community related indicators. The argument for an IMS according to Asif *et* al. (2013, p.16) is that it *"provides a strong case for CSR integration into business processes"* due to one of the key features of IMS being the *"development of structures which provide the backbone for CSR"*. Thus, the organisation is able to systemise all stakeholder demands by linking the top-down approach with the bottom-up approach. This is then followed by an integrated management system for the whole organisation. Asif *et al*. (2013) argued for a top-down approach to the integration of CSR through IMS (Integrated Management System). This involves having a fully integrated manual, procedures, and processes.

Evaluation, reporting and feedback is necessary once the integration process has been carried out in order to determine the effectiveness of the CSR integration into the organisation. This require a check (Deming approach) of the CSR indicators to ensure that the organisation is engaging with the stakeholder identified demands, and that such engagement are being captured within the management system for reporting purposes. Effective evaluation requires an audit, as well as a benchmarking process. The evaluation is then followed by CSR reporting and/or communication with stakeholders the purpose of which is to provide transparency on the organisation's commitment and actions towards its social responsibility. An example of such reporting will be through the company's integrated financial report and also through compliance and participation in CSR reporting initiatives such as the Global Reporting Initiative's sustainability reporting guidelines, or AccountAbility's AA1000 standard, which is a reporting standard, based on the triple bottom line model discussed earlier. The framework for CSR integration by Asif *et al*. (2013) also emphasised the need for feedback, and innovation and learning. The feedback loop represents a process of continuous improvement, emphasising on regular environmental scanning process to ensure that stakeholder requirements and voluntary initiatives, which has been integrated into the organisation, are still relevant, and that new ones are captured. Also, the framework emphasises innovation and learning through

interaction with the community in a way that fosters the development of institutional knowledge.

3.4.4 IMS model modified for change management through training

Upon review of the IMS model discussed in *Section 3.4.3*, it can be argued that the implementation of this will require a significant change management effort. Hence, a modification is recommended (by the author of this thesis) to include emphasis on change management through 'training' in order to ensure the success of CSR integration.

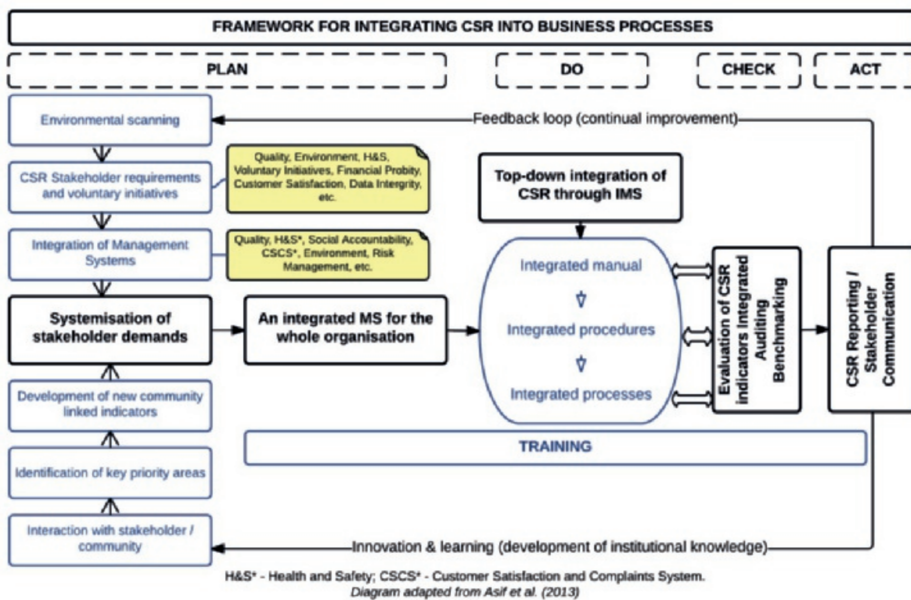

Figure 3.5. Modified for integrating CSR into business processes

(Adapted from: Asif et al., 2013)

Given the clarity in the implementation of the model, there is a strong argument that successful implementation must be built with training in mind. Embedding CSR into an organisation is a change process, and thus requires the organisation to undergo a change management process. Whilst the framework for CSR integration emphasise the role of various management systems, changes to the management systems will trigger changes in other parts of the organisation, according to the McKinsey 7-S framework which outlines the interrelated factors that influences an organisation's ability to change. These interrelated factors are structure, strategy, skills, staff, style, systems, and shared values. However, this thesis will not be discussing these factors as they are outside of the remit of this research, although the framework essentially

argues that any change in one of the seven factors will trigger a change and re-alignment of each of the remaining six factors. Thus, for an organisation to effectively integrate CSR into its management systems, training must be conducted across the organisation in order to obtain 'buy-in' from all employees. One of the ways by which this can be done is to involve employees in the process so that they might derive a sense of greater purpose from their work i.e. feeling good about their work because they are doing good for the society. Participation can involve employees volunteering in social projects set up by the company. For CSR to be fully embedded within a business, the vision must align with strategy and become a key part of the culture of the business. Training is an important way of communicating to staff and developing individuals within businesses to start thinking and acting, in line with the organisation's CSR agenda.

3.5 Empirical findings on CSR's impact on firm performance

There are a number of well publicised issues which has shown that bad CSR can lead to bad firm performance and this has been proven in cases where companies such as Perrier, Primark, BP and Shell have suffered the consequences of their failure to ensure a firm-grip on their social responsibility. In the case of Perrier, it took the company a while to act on the traces of Benzene, which was found in its water bottles in early 1990 in North Carolina, USA. The company subsequently recalled 160 million bottles but by this time, its market share had dropped substantially, falling from 60% to 9% in the UK (Goergen, 2012). This is a prime example of a negative effect that bad CSR can have on the reputation of a company. In the case of Primark, a company renowned in the UK for the affordability of its clothing range, it faced a number of issues relating to the use of child labour in its supply chain (Jones, Temperly & Lima, 2009).

3.5.1 CSR and firm performance

A number of studies have investigated the link between CSR and firm performance, with mixed outcomes over the years. Some researchers have found both positive and negative correlation while others failed to find a link. In addition, a number of studies could not assess the strength of such relationship, irrespective of the direction.

For the positive link, McGuire *et al.* (1988) and Wokutch and Spencer (1987) found positive link between CSR and firm performance. On the other hand, research by Vance (1975) found the link to be negative, resulting in a net-cost[3] to the firm.

On the causality between CSR and firm performance, some researchers have found that the link can work in both directions i.e. higher levels of CSR can lead to an increase in firm performance while an increase in firm performance can also lead to higher levels of CSR (Waddock & Graves, 1997). The research, by Waddock and Graves (1997), based on the KLD index (Kinder, Lydenberg and Domini) which measures companies' engagement with several aspects of CSR in the US, attributed the key reason for the positive effect of higher levels of CSR on firm performance to be as a result of good management, provides a strong rationale for the importance of good corporate governance in the establishment of the strong CSR programme that helps a company achieve its financial sustainability objective. Firm performance in this case was measured through Return on Asset (ROA), Return on Equity (ROE), and Return on Sales (ROS). In their test, Waddock and Graves (1997) found that current levels of CSR is determined by the previous year's performance, in each of the three performance measures employed i.e. ROA, ROE, and ROS. The research also found that current levels of performance (measured through ROA and ROS, but not ROE) is dependent on the levels of CSR in the past – thus providing a strong case for the positive impact of CSR on firm performance, and also a case for the role of good management (Goergen, 2012). As later discussed in this thesis, corporate governance provides a framework for good management.

Another key finding that examines the direction of causality between the two concepts (CSR and firm performance) is by McGuire *et al.* (1988) who found that the positive correlation exhibited is stronger for the impact of past performance on current levels of CSR than that of the impact of the current levels of CSR on future performance. The conclusive argument is that the higher the current levels of a firm's performance, the more cash it has for CSR programmes in the future. Hence, companies that are currently not performing well may not have the financial capability to engage with CSR in higher levels.

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[3] A net-cost refers to the loss incurred as a result of investment in CSR programme.

Many of these earlier findings have their limitations, one of which is in the difficulty in measuring CSR. The variables involved are rather complex and as a result were opened to greater levels of subjectivity. For example, many research such as McGuire *et al.* (1988) measured CSR based on a public perception survey by 'Fortune'. In addition, Goergen (2012) found that many earlier studies measured firm performance based on either accounting performance or stock perforce, rather than using both. The limitation of this method is that both measures had their limitations and the research did not account for these. Goergen (2012) argued that most of the studies that measured performance based on accounting data found a positive relationship with CSR but failed to adjust for some key firm characteristics such as age and risk, which once considered, resulted in no correlation (relationship). It should however be noted that the research by McGuire *et al.* (1988) did measure performance based on both accounting and stock data in reaching their conclusion.

One challenge that remained throughout the 1990s related to the impact of CSR on shareholders' value. As detailed within this section, many research have focused on the causality between CSR and firm performance, but very few attempted to explain when CSR create or destroy shareholders value. Also, very few research highlighted the models for CSR implementation, which can result in shareholder value creation through better performance (*Section 3.4* of this chapter provided a framework for integrating CSR in organisations). In terms of the relationship between CSR and shareholder value, Goergen (2012) explained that that are two components of CSR in this respect, which explains the impact on profitability; these are social issues, and the wider stakeholder management issues. Hillman and Keim (2011) presented the two components, where they introduced the Stakeholder Management (SM) component and the Social Issue Participation (SIP) component. Stakeholder Management component is sometimes referred to as the soft side of CSR with Social Issue Participation being often referred to as the hard side. Research findings have shown that Stakeholder Management positively affect firm performance while Social Issue Participation negatively affects firm performance (Goergen, 2012). Hence, companies with CSR programme that focuses on stakeholder management issues such as relationships with its customers, employees, board members, etc. are likely to see a positive impact on performance, while companies with CSR programme that focuses on social issue participation are likely to see a negative impact on firm performance. The pressing question is whether social issue participation can be ignored, given the clear implication for wider organisational performance that may not be

easily measured through accounting and stock performance e.g. impact on brand, reputation, and so on.

Many business leaders in the US are now in support of the implementation of CSR programmes as they now hold the view that there is a strong correlation between CSR practices and CFP. This assertion is based on the outcome of a 2008 survey by the Economic Intelligence Unit, (as reported by Carroll and Shabana (2010)). Nevertheless, it is important to be aware of the presence of other factors that can contribute to firm performance and appropriate measures must be taken to nullify the effect of such factors. For example, many of the earlier research that found positive correlation between CSR and CFP did not account for factors such as firm age and firm size as measured by the number of employees or in some cases the logarithm of the book value of assets.

Su, Peng Tan and Cheung (2016) investigated the signalling effect of CSR on emerging economies. They argue in their work that *"CSR practices may be a signal that reveals additional information to relevant stakeholders, especially in emerging economies"* (Su, Peng Tan & Cheung, 2016, p.481). Their methodology was based on data from multiple sources aimed that determining if the signalling effects of CSR are different for different institutional environments, with samples firms chosen from Hong Kong's Credit Lyonnais Securities Asia (CLSA) corporate governance reports. The sample consisted of firms across ten emerging Asian economies with reports from the years 2001, 2002 and 2004. In their regression model Su, Peng Tan and Cheung (2016) controlled for two institutional factors within the ten economies being examined: Gross domestic Product (GDP) per capita and level of Foreign Direct Investment (FDI). They also controlled for firm-level factors such as firm size (logarithm of total assets being the proxy for this), and organisational slack (current assets divided by current liabilities being the proxy for this). Finally, both family business and a cross-listing dummies were included in order to account for family ownership and overseas public listings. They measured firm performance based on the market-based measure of Tobin Q ratio and found that *"the positive effect of CSR on corporate financial performance is more salient in a market environment where the market development and information diffusion are lower"* (Su, Peng Tan & Cheung, 2016, p.487).

Lins and Servaes (2017) examined the performance of firms during the financial crisis of 2008-2009 and found that those that were more socially responsible had suffered less than those that were less socially responsible during this period. They found that those socially

responsible firms outperformed their peers with low CSR ratings by a minimum of 4% after controlling for firm-level and risk factors. Data on firms' CSR ratings were taken from MSCI ESG Stats Database which contains ratings on large US firms. It should be noted that governance was not examined in their study. Data on stock returns were taken from *Compustat*, with financial firms being omitted from the model due to those firms receiving government's support during the financial crisis, thus providing a final sample of 1,671 non-financial firms.

Nazari, Hrazdil and Mahmoudian (2017) investigated the links between the complexity of CSR disclosure and CFP. Their work was based on a sample of large US firms listed on the S&P 500 Index, with a review of their separate/standalone CSR reports during the period of 2008 to 2013 with a final 1,180 firm-year observations, using computational linguistics. The dependent variable used the Sustainability Reporting Complexity Index, while CSR performance was measured based on total ESG strengths less concerns. The model controlled for firm-level controls of size (logarithm of assets), institutional equity ownership, capital spending divided by total sales revenue, and industry and year dummy variables. Their findings were that the readability and size of CSR disclosure documents is positively associated with firm performance.

Maqbool and Zameer (2018) highlights the inconclusive nature of previous research attempt at evaluating the CSR-CFP links. Their work examined this issue within the Indian context through a panel data analysis of 28 Indian Banks listed on the Bombay Stock Exchange (BSE) with dataset convening the period of 2007 to 2016. CSR was measured using a content analysis of CSR disclosure within annual reports. For CFP, their work used a both accounting and market based measures namely Return on Assets (ROA), Return on Equity (ROE) and Net Profit (NP). Firm age, capital intensity (ratio of fixed to total assets) and financial leverage (D/E ratio) were the firm-level control variables utilised. The findings showed that CSR is positively associated with both profitability and stock returns.

In relation to the Nigerian context, very few research have attempted to quantify the links between CSR and firm performance although Uadiale and Fagbemi (2012) investigated this relationship based on a sample of 40 listed firms in 2007. Their research employed a quantitative analysis (regression model) technique based on 2007 audited financial reports of 40 listed firms in Nigeria. The financial sector was excluded from the analysis based on the assertion that their environmental impact is minimal as well as their risk profile which may have altered their average returns. Firm performance was measured through ROA and ROE,

while the focus of CSR was based on *"tracing of sentences of each component of corporate social responsibility disclosed in annual reports of Nigeria companies' sample"* (Uadiale & Fagbemi, 2012, p.46). Specifically, CSR measures were based on community performance, environment management systems, and employee relations. The findings of their research were that CSR positively affects firm performance.

3.5.2 CSR reporting and firm valuation

Dagiliene (2013) examined the relationship between Corporate Responsibility reporting and the value of listed companies. It should be noted that the term 'Corporate Responsibility' is sometimes used interchangeably with CSR, but at the same time is used by some firms that may not want to identify the term 'social' explicitly as the inclusion of the word may indicate to shareholders that that is a special focus on social issues which may not directly be in the interest of shareholders due to the cost involved in social disclosure. The value of listed companies was measured using an accounting measure namely: 'Return on Assets (ROA)' and a market-based measure namely: 'Market Value Added (MVA)'. These were then compared with the reporting level of the publicly listed company. The Vilnius stock exchange formed the basis of the analysis with an examination of all thirteen companies. Content analysis was employed in order to investigate the reporting levels of each company's corporate responsibility within their annual reports as well as on their websites. The results of the investigation showed no relationship between high CR reporting levels and high accounting or market-based valuations i.e. ROA and MVA. In addition, Dagiliene (2013) found that companies with the highest ROA and MVA are not necessarily socially responsible.

Furthermore, Cheung, Jiang, Mak and Tan (2013) examined CSP, firm valuation, and industrial differences, with Hong Kong being the focus of the research. The study wanted to determine the importance of CSP in Hong Kong, and more importantly, whether CSP affects the value of firms. Differentiation by industry also allowed the researchers to examine whether the relevance of CSP differs depending on the industry. Ordinary least squares regression was used to ascertain whether CSP relate to firm valuation. The research focused on three data years – 2002, 2004 and 2005, with a sample of the largest listed firms of constituent stocks in four major indices in Hong Kong namely: Hang Seng Index, Hang Seng Hong Kong Composite Index, Hang Seng China Affiliated Corporate Index, and Hang Seng China Enterprise Index. The results of the analysis showed that firm valuation is positively and significantly associated with CSP. In addition, such positive and significant association is stronger for service sector corporations. The researchers also found CSP is positively correlated to the market valuation

of a firm in the subsequent year. A contrary point which should be noted is that *"firms with better social responsibility may devote additional firm resources and managerial effort to CSP policy which may in turn lead to fewer resources and managerial efforts being allocated to business"* (Cheung *et al.*, 2013; p.626). This is a typical agency problem which could potentially mean that the agent i.e. managers are pursuing activities that enhance their own reputation whilst damaging those of the principal i.e. the shareholders.

3.5.3 Board gender diversity and corporate social performance

Boulouta (2013) examined the link between board gender diversity and corporate social performance. In other words, the research set out to find out if gender diversity on the board affects the social performance of a corporation.

126 firms within the Standard & Poor's (S&P 500) group of companies were used as the focus of the analysis based on the social performance ratings provided by KLD (over a 5-year period). The social performance indicators were used as the dependent variables in the research and this consisted of community, products, employees, and environment. Each company received a score of 1 or 0 depending on if it meets the meets the strength/concern requirements. They also controlled for other variables based on Margolis and Walsh (2001) research which reviewed 127 studies on the determinants of CSP and found that "*industry effects, company size and risk are the three most popular control variables in examining the relationship between social and financial performance*" (Boulouta, 2013, p.190). The research also found that the most popular measure of firm performance is Return on Equity (ROE), when compared with other measures of firm performance such as Return on Assets (ROA), Return on Sales (ROS), or Tobin Q Ratio (which measures market value against the replacement[4] cost of assets).

The finding of the research is that gender diversity has a significant impact on CSP although the impact depends on the CSP metric being examined. The work of Boulouta (2013) effectively found that board gender diversity helps in reducing negative social performance and thus argue for greater level of diversity writhing boards in order to achieve better CSP.

3.5.4 CSR as a conflict between shareholders

Barnea and Rubin (2010) on CSR as a conflict between shareholders examined whether there are other motives behind firms' pursuit of CSR other than 'pure firm value maximisation'. A

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[4] The replacement cost of assets is often difficult to ascertain, hence why many researchers tend to measure performance based on Market-to-Book Ratio MBR as the book value of asset is easily identified.

quantitative analysis method was employed based on the Kinder Lydenberg Domini, Inc. (KLD) social index which comprises of the CSR ratings of most US companies. The CSR rating of each firm, based on the KLD index was used as the dependent variable, measured using a binary variable of one and zero for compliance or non-compliance with the KLD screening. One of the key claims of their study is that there is evidence that managers over-invest in CSR and thus potentially reduce firm value. A reason for this is that some managers concentrate on self-reputation of being seen as good global citizens and therefore over-invest in CSR for their private benefit. The implication of such investment is that it reduces shareholder value. This is an agency problem associated with corporate governance and which will be evaluated later in this thesis. Barnea and Rubin (2010, p.84) finds that "*insiders potentially gain utility from the fact that they are associated with firms that have a high CSR rating*". Nevertheless, the fact that managers may over-invest in CSR programmes for private benefit also means that such conflict can lead to the promotion of social agenda, which is a benefit to the reputation of the organisation.

Wuttichindanon (2017) investigated the choices for CSR disclosure in Thailand where companies listed on the Thailand Stock Exchange have since 2014 been required to provide a registration statement or a separate sustainability report. Their studies found that both stakeholders' influence and corporate visibility are determinants of CSR disclosure. Their study also found that State owned companies a more likely to opt for a sustainability report than other companies.

3.5.5 Moderating roles of attainment discrepancy and organisational slack

Arora and Dharwadkar (2011) investigated the link between CG and CSR by examining the moderating roles of attainment discrepancy and organisational slack. Attainment discrepancy relate to situations where an organisation is not reaching its optimal level of attainment, while organisational slack relates to situations where an organisation's resources are not fully utilised. Essentially, they set out to determine if the relationship between CG mechanisms and CSR is contingent on satisfaction with firm performance.

The research employed a quantitative technique, with satisfaction with firm performance being a moderator in the relationship between CG and CSR. Their research utilised the RiskMetrics database (IRCC) as the measure of CG, while firm performance was measured using the Compustat North America database. In addition, CSR measurement focused on key social performance categories namely community relations, employee relations, diversity,

environment, product quality, governance and transparency, human rights, and other concerns. Hence, CSR was the dependent variable, while the independent variables consisted of CG, attainment discrepancy in financial performance, and organisational slack. For the moderating variable of firm performance, ROA was used as the accounting measure of firm performance while Market-to-Book Ratio (MBR) was used in determining the relative success of firms in maximising shareholder value (MBR examines the ways in which scarce resources are allocated and managed). A number of control variables were introduced to nullify their effect on the model namely industry, firm size, product differentiation, research and development intensity, market growth, demand instability, industry structure concentration, capital intensity, dividend payouts, and CEO age and tenure.

The main claim of the work of Arora and Dharwadkar (2011) is that effective governance has a symmetric effect on CSR and that it reduces both positive and negative CSR. Positive CSR is defined as companies actively pursuing sustainable practices. Negative CSR is defined as companies doing the minimum required in order to ensure compliance with regulatory guidelines. The outcome of the work of Arora and Dharwadkar (2011) is that effective governance produces a symmetric effect on CSR and more importantly reduces both positive and negative CSR – suggesting an alignment in the middle of the two extremes. Along with a number of other key findings, Arora and Dharwadkar (2011, p.148) argued for the need to integrate behavioural insights into CG theory in predicting CSR investments as their work found that *"organisational slack, attainment discrepancy, and GG jointly determine the levels of CSR"*. The focus of this thesis is not on organisational slack, attainment discrepancy although their relevance in the broader spectrum of sustainability is not being discounted.

3.6 Empirical findings on CSR reporting in Nigeria

CSR disclosure have gained momentum over the last decade as companies continue to explore ways of communicating with their wider stakeholder groups such as local communities and employees, rather than just their primary stakeholder (shareholders). Companies have adopted various names to describe their social and environmental impacts and their sustainability plans. These names include the well-known '*corporate social responsibility*', and others such as '*corporate responsibility*', '*corporate citizenship*', and '*sustainability*'. However, there are differences in the reporting approach used by companies. Within the past 15 years, there has been a focus on the integrated reporting of financial results, and social and environmental

impacts. Similarly, other companies have gone further by providing a separate CSR or a comprehensive sustainability report which is accessible to all of their stakeholders. Within Nigeria however, CSR disclosure is still in its infancy and while many companies provide some form of report on this, the nature of the disclosure is not always what can be considered as '*actionable*' information. Even the companies that have engaged with CSR reporting still lag their counterparts in developed nations. For example, Lafarge Africa Plc, an industrial goods company headquartered in Nigeria and which was awarded the best company in both environmental sustainability and stakeholder engagement in the Social Enterprise Report Awards (SERAs) in 2015, was found to have scored 15% on environmental disclosure based on the GRI framework (Owolabi, Akinwumi, Adetula, & Uwuigbe, 2016). The form of CSR disclosure in Nigeria is often through the '*integrated format*', that is, a section dedicated to CSR within the company's financial report but often, these sections are short and presented with little evidentiary details of specific actions taken by the company to address its CSR. The advocates of the '*one report*' format have long argued that it is a way by which a company can provide a holistic view of its interests to all stakeholder groups (Eccles & Krzus, 2010). However, integrated reporting assumes that companies are already expert at understanding the nature and process of CSR reporting although this is not always the case. Producing a separate CSR/Sustainability report that conform to a specific reporting instrument is one of the first steps in establishing what can and should be measured or reported on within CSR reports. The UK, which is a leader in CSR reporting mandates all listed companies to include a discussion on CSR within their annual reports (UK Parliament Companies Act, 2006). However, the separate and comprehensive reporting of CSR actions remains voluntary. In Nigeria, CSR disclosure is unregulated (Adeyemi & Ayanlola, 2015), and the majority of companies have adopted a laissez-faire approach to reporting although a small group of companies have adopted international standards for CSR reporting, primarily as a result of the requirements of their jurisdictions.

3.6.1 Reporting in Nigeria: separate versus integrated

Nigerian companies have to some extent embraced the reporting of CSR in an integrated format. However, the nature of such reporting varies substantially when compared with those in developed and advanced emerging economies. The reporting style in Nigeria is often intended to address some, rather than all, stakeholder groups. While the *'one report'* format has been advocated by some, a 2013 survey by Ernst & Young (EY) and Boston College Center for Corporate Citizenship found that 90 percent of the Global 250 companies now issue a

separate sustainability report which indicate that there is an incentive for Nigerian companies to communicate to all stakeholder groups. It can be argued that those stakeholders who are more interested in non-financial information are better served through a separate report. Drawing on examples from the UK, most companies report on their corporate responsibility partly due to the mandatory requirement of certain elements such as Greenhouse Gas (GHG) emissions. Some of these companies do this by issuing separate CSR reports while others keep this within their integrated financial reports (Idowu & Leal Filho, 2009).

There are benefits associated with producing a separate CSR/Sustainability report, especially one that is based on a reporting instrument. The Global Reporting Initiative [GRI] (2013, p.29) reported that the majority of companies that use its sustainability reporting framework found GRI processes useful in their "*development of an integrated report*". This is because many of the reporting instruments help in establishing what should be measured or reported on as well as the level of disclosure required. Moreover, there is a risk that the *'one report'* format is approached in a way that neglects the wider society especially in providing valuable information on the ways by which the company operates and ensures that its social and environmental practices and impacts are fully communicated appropriately to the society. Having said this, much of the reporting on CSR and wider Sustainability issues have become more complex. For example, a 2016 report by KPMG found that the number of sustainability reporting instruments have increased from 180 amongst the 44 countries surveyed in 2013, to 383 amongst the 64 countries surveyed in 2016. The report by KPMG also found that there is an increasing level of complexity and fragmentation of sustainability reporting which has the potential to result in both duplication and overlap in reporting.

Furthermore, the reporting approach to CSR and Sustainability showed an increasing support for the *'comply or explain'* model which has its roots in the UK. About one in ten countries have adopted the *'comply or explain'* approach to sustainability reporting (KPMG, 2016). It is also important to note that companies that have a high reporting rate do so due to the mandatory nature of reporting within those countries. In fact, countries that record more than 90% corporate responsibility reporting rate do so because such reporting is mandatory – these countries are India, Indonesia, Malaysia, South Africa, UK, France, Denmark and Norway (KPMG, 2015). In the UK for example, there is a mandatory requirement for companies to report on their Greenhouse Gas (GHG) emissions in their annual report, while South Africa mandates all listed companies on the JSE to apply King III Code of Governance Principles.

3.6.2 CSR data, reporting standards, and priority issues for Nigeria

Obtaining CSR/Sustainability disclosure data on Nigeria is challenging and there are many reasons for this. The associated governance system is relatively lax while CSR reporting is arguably not a top priority for several firms. Where an organisation has gone to a great length to produce a CSR report, there is no clear indication of the value in doing so within the local community. This suggests the need to engage with businesses about the purpose of CSR reporting. Also, whilst it can be argued that there is an increasing number of ethical investors in Nigeria, there is still a long way to go before investors can begin to push for both compliance and regular reporting of CSR programmes. This is a challenge for many researchers of this subject in Sub-Saharan Africa and hence why many published works within the field are often qualitative in nature and based on *'views'* generated from interviews, rather than through a comprehensive data analysis process. A research carried out by Lages, Pfajfar, and Shoham (2015) found that data collection issues, regional diversity, and lack of research support infrastructure are the most frequently mentioned challenges in conducting research in Africa, although they also noted that South Africa is an outlier.

CSR and Sustainability activities are reported in various ways in Nigeria. Previous studies have shown that Nigerian companies are engaged with CSR activities at some level (Babalola, 2012; Amaeshi, Adi, Ogbechie & Amao, 2006). However, whilst several companies are aware of CSR, many of them fail to follow this up with significant actions (Babalola, 2012). A review (by the author) of the Sustainability reports available on the GRI database by country in January 2017[5] showed that only eight Nigerian companies have produced a sustainability report that conform to one of the GRI standards between 2008 and 2016. Even with this, some of the reports have not gone through an external assurance process. Notwithstanding, such engagement with a global reporting instrument is commendable.

However, the clear majority of Nigerian companies fail to produce a CSR/Sustainability report, and in most cases, opt for a page or two within their integrated financial report. Also, the type of engagement with CSR varies between Sub-Saharan nations and their world counterparts especially in both developed and advanced emerging economies. The work of Visser and Tolhurst (Eds.) (2010) showed that priority issues in Africa are around poverty reduction and eradication, health (notably malaria and HIV/AIDS prevention), skills development and

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[5] This search was carried out on the GRI website (http://database.globalreporting.org) which provide details of all sustainability reports submitted to the platform, with clarification of those produced in line with GRI standards.

education, youth development, and socioeconomic development. Also, Amaeshi, Adi, Ogbechie, and Amao (2006) found that companies in Nigeria place more emphasis on community involvement (social issue participation component of CSR), less on socially responsible employee relations, and virtually no emphasis on socially responsible products and processes (stakeholder management component of CSR). This highlights the perception of CSR, especially in Africa, as only pertaining to social issue participation and thus potentially ignoring other aspects, which relate to environmental performance, and social performance (including employment, human rights, and product responsibility). For companies that provide CSR/Sustainability reports, the extent of their disclosure is often driven by the type of business (Asif, Searcy, Santos, & Kensah, 2012). For example, energy companies would normally provide data relating to the environmental impact (and efforts) of their operations whereas a marketing company may not provide this. Having said this, there are companies within Nigeria that failed to provide an integrated CSR/Sustainability report despite the high environmental impact of their operation.

3.7 CSR reporting and indices

There has been a move towards capturing CSR activities of firms in a way that is measurable and can help facilitate transparency. Many of these reporting initiatives commenced in the early 2000s and they continue to evolve. For firms, it has prompted a greater level of focus on capturing impact and ensuring timely disclosure, which can ultimately lead to enhanced reputation especially amongst socially and environmentally responsible investors. This section evaluates key CSR reporting instruments used worldwide, beginning with the motivations for CSR programmes, and then on key reporting standards and framework, followed by a review of key indices and the reporting context in Nigeria.

3.7.1 CSR reporting instruments

Reporting of CSR programmes have been the focus of many CSR-themed research over the past ten years. The challenge in reporting companies' CSR programme has been in the measurement of some of the activities or initiatives being carried out. Also, for companies operating in locations where local laws are not fully developed, there are often ambiguity in how to approach relationships with key stakeholder groups. For example, there have been notable instances where multinational companies have been seen to make donations to local chiefs in Nigeria in exchange for access to key operational sites. These donations, are often seen by companies as part of being 'charitable' although the implication of this can result in

the promotion of bribery – because these 'local chiefs' are often not law makers, and the so-called donations are merely for them to keep the local community 'quiet' while the multinational company carry on with its operations in the host community.

Porter and Kramer (2006) categorised companies CSR programmes into responsive an strategic. They advocated for companies to do more than satisfy the status-quo and instead align their CSR programmes with their strategic objectives in a way that results in a competitive advantage.

Responsive CSR is about companies being a good corporate citizen and ensuring that they continually mitigated the harmful effect of their operations across the value chain (Dai, Ng & Tang, 2013). Strategic CSR on the other hand goes beyond being just responsive and argue for companies to undertake initiatives that differentiate them from their competitors and at the same time represents a distinctive benefit to the society at large (Dai, Ng and Tang, 2013). Being strategic with CSR means that an organisation's board must direct resources to initiate and operationalise CSR programmes in a way that can make the company achieve a strategic competitive advantage. Porter and Kramer (2006) argue that it is through this level of commitment and alignment with strategy that societies truly benefit. Responsive CSR, as detailed by Dai *et al.*, (2013, p.2) "*depends on being a good corporate citizen and addressing the social risks that a business faces*" whereas strategic CSR is "*more selective and dynamic.*"

Global Reporting Initiative (G4 Sustainability Reporting): The Global Reporting Initiative is one of the leading organisations responsible for publishing sustainability guidelines. The organisation is independent and plays a vital role in the understanding, application, and integration of sustainability standards within the organisations. In addition, the guideline has enabled easier comparability of sustainability efforts of organisations. KPMG (2015) found that GRI is the most popular voluntary reporting guideline although the research also found that its usage declined among the largest companies in the world.

The current standard, known as the G4 Reporting Standard, launched in May 2013, was developed following a review of organisation's impact on critical areas of the environment, society, and the economy, however positive or negative such impact might be. More importantly, G4 consolidates key frameworks for measuring sustainability performances by effectively harmonising frameworks such as *"OECD Guidelines for Multinational Enterprises, the UN Global Compact Principles, and the UN Guiding Principles on Business and Human Rights"* (GRI, 2016, p.3). It is also important that the GRI G4 consolidates requirements

specified within ISO 2600. Hence, this is currently the most comprehensive reporting standard for environment, social, and governance issues. The indicators for measuring and reporting CSR, as identified by the GRI are highlighted in *Appendix J* of this thesis.

AccountAbility AA1000 Series: The Accountability series is a principles-based standard for stakeholder engagement which effectively encompasses key aspects of CSR. The latest version of the standard – the AA1000SES which was published in 2015 focus on three main principles namely: inclusivity (ensuring that people have a say on decisions that affects them), materiality (identification and clarity on material issues), and responsiveness (need for organisations act in a transparent manner on material issues) (AccountAbility, 2015).

While the AA1000 series is not solely focused on CSR, it is a key standard for comparing ways by which organisations engages with their stakeholder group. A significant aspect of the standard is on the need for review and improvements (synonymous with Edward Deming's approach to total quality management).

ISO 14001 & ISO 26000: ISO's are quality standards, and they play vital role within societies by ensuring that subscribing organisations comply with the minimum requirement of quality standards relevant to their operations. ISO 26000 is a guidance standard (not a certifiable one) for CSR, and is based on seven principles namely: accountability, transparency, ethical behaviour, respect for the interest of stakeholders, respect for the rule of law, respect for international norms of behaviour, and respect for human rights (ISO 26000, 2016).

In the case of ISO 14000, this certifiable standard focuses on environmental management responsibilities for businesses. The most recent revision to the standard, ISO14001:2015 pays closer attention to contemporary issues relating to climate change and stakeholders' expectations. The main changes to the latest revision advises on the integration of environmental issues into the strategic planning of organisations, leadership, protection of the environment, environmental performance, life-cycle perspective, improved communication, and digital documentation.

The United Nations Global Compact (Communication on Progress): The UN Global Compact (UNGC) is a principles-based standard for sustainability. It is based on ten guiding principles which participating organisations are required to adhere to. The ten principles are developed around five broad categories of human rights, labour, environment, and anti-corruption. Participating organisations are required to submit an annual report named 'Communication on

Progress' with focus on a statement from the chief executive officer, practical actions taken by the organisation or plans to be taken to implement the ten principles, and a measurement of outcomes (UNGC, 2016). This standard is one of the key standards used in the development of the GRI standard discussed earlier in in *Section 3.7.1.1.*

The OECD guidelines for multinational enterprises: The OECD guidelines for multinational enterprises is another key provider of sustainability reporting guidelines. The guidelines provide organisations with principles and standards required to conduct business in a responsible manner. It also aims to address the gap/conflict between government policies and business practices. Although backed by governments, it should be noted that these guidelines are legally non-binding i.e. they are expected rather than required. The guidelines were first developed in 1976 but have since been revised several times with the latest revision coming in 2011. Whilst this guideline has been embraced by many businesses, the focus on multinationals means that local (national) businesses are unable to participate.

Other reporting instruments: There are several other notable international reporting instruments and framework which have not been discussed above but deserves to be mentioned. The reason for not discussing them in detail are largely to do with the many of them being relatively new or has less relevance to this research. Some[6] of these instruments are listed below:

i. The International Integrated Reporting Council (IIRC)
ii. The Sustainability Accounting Standards Board (SASB)
iii. Greenhouse Gas Protocol (GHG Protocol) Corporate Standard
iv. International Labour Organization (ILO) Tripartite declaration of principles concerning multinational enterprises and social policy
v. Carbon Disclosure Project (CDP)
vi. UN Guiding Principles on Business and Human Rights
vii. The United Nations-supported Principles for Responsible Investment (PRI)
viii. Climate Disclosure Standards Board (CDSB)

[6] It is difficult to capture a list of all reporting instruments as many countries are implementing localised reporting of CSR activities hence the list continue to grow.

3.7.2 CSR indices

There are a few CSR indices that investors rely on in making ethical investment decisions. Indices such as the KLD 400 Social Index (FTSE Kinder, Lydenberg and Domini) use 'exclusionary screens' (also known as *'sin industries'*) along with strengths and weaknesses tests which are based on key indicators or attributes (Goergen, 2012).

For example, many indices, through their exclusionary screens will typically exclude companies that are involved in the following: tobacco, gambling, pornography, alcohol, firearms, and so on (Goergen, 2012). The screening process examines attributes which according to Goergen (2012) include the following:

- *Community relations* – such as the organisation's support for community issues such as housing and education.
- *Diversity* – such as the organisation's stance on attitudes towards minorities, as well as in its promotion of gender equality.
- *Employee relations* – such as the attitude of the organisation towards its employees especially on issues relating to work benefits, trade unions, and so on.
- *Environment* – such as policies and practices aimed at environmental sustainability focusing on issues such as pollution reduction, energy and water usage, and so on.
- *Product* – such as practices relating to product safety, products not excluding the socially disadvantaged, labelling, and so on.

3.7.2.1 Dow Jones Sustainability Indices (DJSI)

Porter and Kramer are two of the many authors who advocated for Dow Jones Sustainability Indices. The index assists investors in integrating issues relating to sustainability into their stock portfolio. The companies that form part of the index are chosen after a corporate sustainability assessment which considers industry-specific sustainability trends and evaluates companies using criteria such as strategies for climate change, energy consumption, human resource development, knowledge management, stakeholder relations and corporate governance (Dow Jones Indexes, 2015).

It should be noted that DJSI weighs customer service almost 50% more heavily than corporate citizenship. In the case of Nigeria, whilst customer service is an issue, it is probably not top of many company's CSR agenda. Hence, it is important to examine the importance of each indicator to the local context (i.e. where the company operates).

Also, some commentators have presented arguments that question the appropriateness of some of the indicators that is used within DJSI. For example, the DJSI uses the size of a company's board as an indicator of community involvement, even though size and involvement may be completely unrelated as argued (Chatterji & Levine, 2006). In addition, many of the measures that fully reflect social impact are unreliable due to survey response rates that are statistically insignificant – one reason being that companies tend not to respond to the survey if they do not want to disclose certain information (Porter & Kramer, 2006).

3.7.2.2 FTSE4Good Index

FTSE4Good Index is another CSR Indices advocated by Porter and Kramer. The Index measures companies ESG performance worldwide, thus providing investors with a '*framework for corporate engagement and stewardship*' (FTSE, 2016). The data used within this is structured at four hierarchical levels, utilising 350 indicators (fourth level), 14 theme scores (third level), 3 pillar scores for ESG (second level), and 1 ESG rating (top level). The rating system is derived through an analysis of the company's exposure to the themes, as well as the score of each theme.

Table 3.4. FTSE4Good Index ESG Rating

ESG Rating											
Environment				Social				Governance			
Climate Change	Water Use	Biodiversity	Pollution and Resources	Customer Responsibility	Human Rights & Community	Labour Standards	Health & Safety	Anti-Corruption	Tax Transparency	Risk Management	Corporate Governance
Environmental Supply Chain Theme				Social Supply Chain Theme							

(Source: Adapted from FTSE ESG Ratings, 2016)

One of the criticisms of FTSE4Good Index is that it does not contain measures of economic performance of customer service. Also, in certain instances, it is difficult to judge whether a criterion has been met, possibly due to the resources required to measure such activities of global corporations. Hence the focus tends to be on data that is readily available.

3.7.2.3 MSCI KLD 400 Social Index

the MSCI KLD Index provides exposures to securities that have outstanding ESG ratings. The index automatically excludes securities with negative social impacts thus providing investors with benchmarking on companies with positive social impacts. This index focuses on 400 US securities (weighted by capitalisation) and as a result, like most other indices are limited in that the variety of securities within the index are still predominantly US-based securities. There is

a parent index known as the MSCI USA IMI, which provides investors with exposure to large, mid, and small cap companies (MSCI, 2016).

3.7.3 Reporting context in Nigeria

Strategically, CSR is important for companies in Nigeria. Firstly, companies have a responsibility to ensure that the interests of customers, employees, shareholders, communities, and the environment, are central to their operations. It is imperative for the Nigerian government to put mechanisms in place to ensure that this is possible in order to foster improvements in the lives of residents in the country. CSR, when used strategically can provide companies with an alternative model of business which focuses on profit generation and responsibility, which effectively turns CSR into a business innovation used to support profit generation (Bondy *et al.*, 2012). For example, social and environmental activities can act as drivers for innovation in the creation of new products and services. Matten and Moon (2004) argued that at the core of CSR is the idea that *"it reflects both the social imperatives and the social consequences of business success"*.

The work of Dagiliene (2013) provides a useful way of measuring CSR within annual reports using content analysis. The work utilised social information in annual reports by sentences, and then break these into percentages (HR sentences, environment sentences, community sentences). In addition to this, CR reporting was also measured through social information on websites by sentences, and looked for a yes/no on social reports, before determining the CSR rating:

- *Rating 1 = companies that reveal the most info in the annual reports and websites, and prepare social reports.*
- *Rating 2 = social info in the annual reports and websites. Companies that only provide compulsory information are rated 3.*

Performance is then measured by Return on Assets (ROA) and Market Value Added (MVA). Hence, the predictor in this case is the CSR rating and the outcome is the performance. It should be noted that no 'moderators' were utilised.

The limitation of such analysis is that companies seeking to present an over-inflated impression of their social efforts can easily write more than is needed in their annual reports and on their websites. In addition, many organisations are now known to hire PR (Public Relations)

companies who will go to great length to ensure that positive 'news' are disseminated amongst multiple websites whilst negative 'news' are suppressed.

In the case of Nigeria, obtaining CSR data is challenging and there are many reasons for this. The law is relatively lax while CSR reporting is not a priority for several firms. Where an organisation has gone a great length to produce a CSR report, there are no clear indication of the value in doing so within the local (i.e. Nigeria) community. Also, whilst it can be argued that there is an increasing number of ethical investors in Nigeria, there is still a long way to go before investors can began to push for both compliance and regular reporting of CSR programmes. This is a challenge for many researchers of this subject in Sub-Saharan Africa and hence why many published works within the field are often qualitative in nature and based on 'views' generated from interviews, rather than through factual data that are then scientifically tested. A research carried out Lages, Pfajfar, and Shoham (2015) showed that data collection issues, regional diversity, and lack of research support infrastructure are the most frequently mentioned challenges in conducting research in Africa, although they also noted that South Africa is the only outlier. CSR/Sustainability activities are reported in various ways in Nigeria. For example, Access Bank Plc is the only company in the country that produces a CSR report based on the GRI guideline while an addition few produces a report that claims compliance with global standard albeit without any evidence of external verification. However, the clear majority of companies fail to produce a CSR/Sustainability report, and in most cases, opting for a paragraph within their integrated financial report. The way around this issue is to examine what each organisation has reported on (based on transparency in disclosure) and then score this based on various criteria within a specified benchmark or standard such as the GRI.

Previous studies have shown that Nigerian companies are engaged with CSR activities at some level. However, whilst several companies are aware of CSR, many of them fail to follow this up with significant actions (Babalola, 2012). Also, the type of engagement with CSR varies between Sub-Saharan nations and their world counterparts (especially developed economies). Amaeshi *et al.* (2006) found that companies in Nigeria places more emphasis on community involvement (i.e. social issue participation component of CSR), less on socially responsible employee relations, and virtually no emphasis on socially responsible products and processes (i.e. stakeholder management component of CSR). This highlights the perception of CSR (especially in Africa) as only pertaining to social issue participation and thus ignoring other aspects, which relate to environmental performance, and social performance (including

employment, human rights, and product responsibility) i.e. closer stakeholders. Also, for companies that provides a CSR/Sustainability report, the extent of their disclosure is often driven by the type of business (Asif *et al.,* 2012). For example, energy companies would normally provide data relating to the environmental impact (and efforts) of their operations whereas a marketing company may not provide this. Having said this, there are companies within Nigeria that fails to provide an integrated CSR/Sustainability report in spite of the high environmental impact of their operation. In addition, the work of Visser and Tolhurst (Eds.) (2010) showed that priority issues in Africa are around poverty reduction and eradication, health (notably malaria and HIV/AIDS prevention), skills development and education, youth development, and socio-economic development. Hence, it is important to develop a thematic approach that examines the link between actions of organisations in tackling these issues and how corporate governance acts the antecedents for an effective and sustainable CSR programme. Hence, in the case of Nigeria where disclosures may not be sufficient for a purely quantitative analysis, a mixed method approach which considers the key thematic issues pertaining to the local society may become necessary.

In terms of how CSR is measured, this is quite complex and probably explains the infancy stage of CSR in general. Many have argued that doing good does not necessarily need a measurement point but how do we determine what is good or the level of goodness without developing key measurement criteria? The work of Dahlsrud (2008) established that CSR can be measured along five dimensions namely: environmental, economic, social, stakeholder, and voluntary. As mentioned in *Section 3.7* of this chapter, there are a number of CSR reporting standards which provides indicators along these dimensions, the most widely used of which is the GRI framework where 74% of the largest 250 companies in the world report on their sustainability performance using the GRI reporting standards (GRI, 2016). Framework identifies three broad categories (economic, environmental, and social) with 46 sub-categories/aspects (i.e. measurement indicators). The framework includes additional indicators which can be adapted to the individual sector/industry (Asif *et al.,* 2013). Over the years, the GRI standard has been subjected to some criticisms notably on the the large number of indicators needed within the standard as well as the weakness of the guideline in providing a business case for implementation that goes beyond reporting alone (Goel & Cragg, 2005; Asif *et al.,* 2013). In addition to this, critiques of the GRI standard argues that it cannot be considered a management tool and therefore lacks practical implementation (Goel & Cragg, 2005).

3.8 Summary of Literature Review on CSR

The original diagram below provides a summary of the literature review carried out on the concept of the CSR within this thesis. This is a concept map which shows the approach to the literature review of CSR which has been conducted in this chapter. The idea behind this is to first review the evolution of CSR as a subject area, focusing on the themes inherent in previous studies. This is then followed by a review of theories and/or models that have been presented in literature, as well as ways in which previous studies have proposed the integration of CSR into business, thus bridging the gap between theory and practice. Finally, the process is completed by focusing on the ways in which those CSR activities are being disclosed/disseminated to wider stakeholder groups.

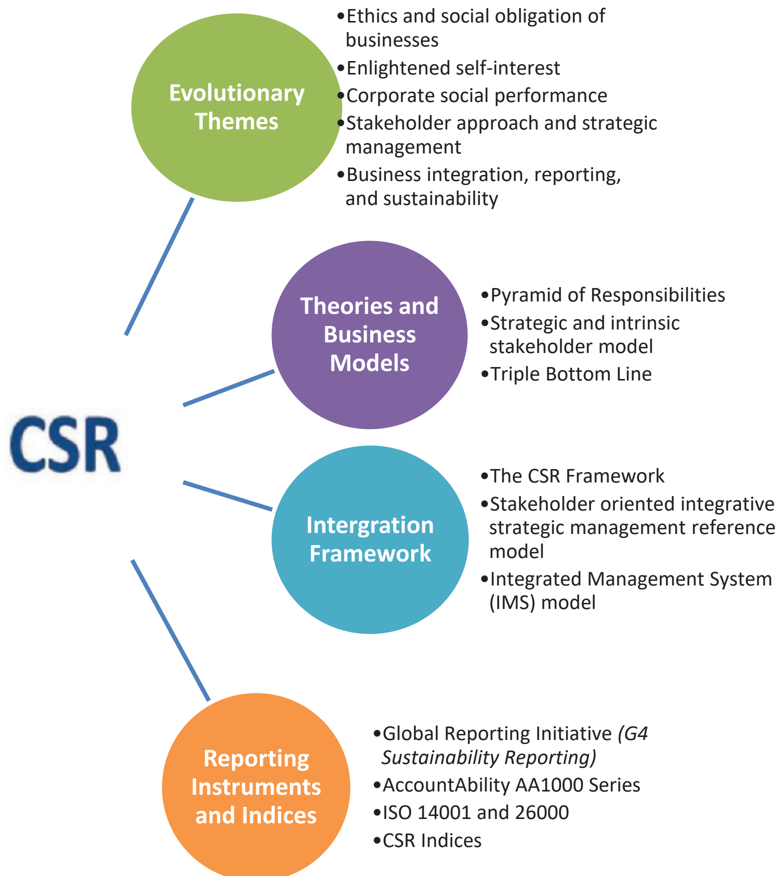

Figure 3.6. CSR in perspective: an evolutionary journey

(Author's original work)

3.9 References

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Chapter 4: A review of theoretical and empirical literature on Corporate Governance and its links with CSR and firm performance

4.1 Context and definitions

This chapter reviews literature on corporate governance, and its links with corporate social responsibility. In addition to this, link between environmental, social, and governance issues, including a focus on the role of the board, is critically evaluated along with the links with firm performance.

Corporate governance remains one of the most important ingredients required in order to efficiently run a business. Where there is a governance failure, the impact is often severe. *Appendix F* provides an original case study by the author on lessons that can be learned from corporate failings and corporate governance through an evaluation of failings at Northern Rock, a major UK bank.

There are internal and external mechanisms for ensuring a strong corporate structure. Internal mechanisms are associated with the ways (i.e. controls in place) in which the organisation monitors its activities, particularly in ensuring alignment with shareholders' interests. Examples of other internal mechanisms of corporate governance other than the board structure include independent audit committees, levels of responsibility and segregation of control and policy development.

External mechanisms activities which are controlled by external entities to the organisation but whose decisions have an impact on the organisation. This include legal compliance, banks who provide loans or manage corporate debts, and regulatory bodies who set practice standards.

This thesis focuses on the structure of the board of directors and key committees, which are internal mechanism for corporate governance, and their role in moderating the relationship between CSR and firm performance.

Corporate governance has many definitions depending on how it is being viewed. Some definitions are concerned with behavioural patterns of corporations while others are concerned with the rules governing the operations of firms i.e. normative framework.

From a behavioural viewpoint, Claessens (2006, p93) states that corporate governance *"considers such matters as how boards of directors operate, the role of executive compensation in determining firm performance, the relationship between labour policies and firm*

performance, and the role of multiple shareholders." From a normative framework viewpoint, Claessens (2006, p93) states that corporate governance *"investigates how differences in the normative framework affect the behavioural patterns of firms, investors, and others and analyses how countries' legal and institutional framework shapes the use of various corporate governance mechanisms."* Claessens (2006, p93) also argued that corporate governance could *"encompass corporate social responsibility, including such aspects as the firm's dealings with respect to culture and the environment."* For a broader definition, the Cadbury Committee (1992) defined corporate governance as *"the system by which companies are directed and controlled."*

Full details of the systematic literature review process, based on the Webster and Watson (2002) concept-centric approach, including the concept matrix results, average citation of selected literature, analysis of the 35 unique database resources used, and analysis of literature by time period can be found in the methodology chapter of this thesis *(Chapter 5 Section 5.6.1)*.

4.2 Theories of corporate governance

Corporate governance attempts to resolve the most common problems encountered in the management of companies – managers working to advance their own interest rather than the interest of their employers (shareowners).

There are many definitions of corporate governance depending on the point of view being examined. Abdullah and Valentine (2009, p88) defined corporate governance as *"a set of processes and structures for controlling and directing an organisation."* For Aras and Crowther (2008, p434), corporate governance is *"environment of trust, ethics, moral values and confidence – as a synergic effort of all the constituents of society – that is the stakeholders, including government; the general public etc; professional/service providers – and the corporate sector."*

The development of corporate governance theories has its roots in this, although there are other assumptions that are demonstrated in the development of other theories.

4.2.1 Agency theory

Agency theory is one of the fundamental basis of corporate governance. The theory assumes that managers, if left alone without appropriate monitoring and control mechanisms, will work to advance their own individual interest and place such interest ahead of the interest of their

employers i.e. shareholders and possibly other stakeholders. The owner of the business is considered the principal while the manager is considered to be the agent (Nordberg, 2011). The principal-agent theory or model was first introduced by Michael Jensen and William Meckling in a 1976 paper (Goergen, 2012). The relationship between the principal and the agent is one of delegation in that the agent is there to act in the best interest of the principal. In return for this, the principal pays the agent a fee. However, this process is no longer as simple as the explanation above implies. This is because there is an increasingly grey area (especially among corporations) about where the true accountability lies in the relationship between the principal and the agent. In simple terms, a owner of a local shop can employ a manager to be responsible for the day-to-day running of the shop for an agreed monthly fee. The manager will then ensure that daily sales are carried out, stocks are replenished, and that customers experience are positive so as to generate return sales. In this relationship, the managers compensation is based on the agreed fee – since it is not a partnership. Depending on the nature of the contract, there may very well be a provision for an additional bonus payment should the shop exceeds its target. In this relationship, the owner can step in where necessary, change the direction of the business, release the manager for sub-par performance, and so on.

However, in the world of corporates, the relationship is a lot more complex. The owners of companies tend to be individuals who have very little control over the company despite being tagged as owners. Their ownership is merely in the shares they own and their ability to have a say on the affairs of the company is often limited. The nature of the stock market also means that ownership of shares can change hand several times, so the 'principal' is not constant whereas there is a level of stability in the case of the 'agent'. This presents an issue in the agency theory as the principal is not necessary around for long enough to monitor the actions of the agent. What tends to happen is that shareowners with a significant amount of share and long-term view of the company can exert a greater level of influence than many other shareowners whose ownership are less significant. Nordberg (2011, p.30) states that the *"the principals of the business will seek to minimise the agency cost while monitoring the agent's performance"*. Agency costs consists of monitoring expenses[7] incurred by the principal,

[7] Monitoring expenses is the cost incurred by the principal to keep track of agents behaviour (Goergen, 2012).

bonding costs[8] incurred by the agent, and residual loss[9] incurred by the principal (Goergen, 2012).

There are contrasts between how the principal control and monitor the activities of agents in various countries. Generally, voting rights have become an important way for shareholders to show support for or object to the agents plans. In many European countries, shareholders (principals) are able to vote on motions put forward by the board of directors (agents) and their votes are binding meaning that the board cannot then act against the outcome of the vote. Also, the board has an obligation to adopt a motion voted in favour of, even if the board had previously expressed disagreements. In the US, the voting rights are advisory and not legally binding. Hence, the board may very well pursue agendas that have been voted down by the shareholders and there is little ground for the shareholders to challenge this. There are also other differences such as in the appointment of directors to the board where in the US, the existing board exercises control over nominations while the UK, the shareholders are able to nominate directors.

To avoid this principal-agent problem, complete contracts are used to specify actions managers must take in each future contingency and the distribution of profits in each contingency (Goergen, 2012). However, the complete contract clause is not always enforceable as the future cannot always be accurately predicted. In addition, there is the issue of information asymmetry where the agents (due to their expertise) have access to more information than the principal and are thus able to use this to pursue their own agenda. The implication of agency theory on corporate governance is on the effect of this principal-agent problem on decision making, which can either advance or bring the company into disarray. Shareholders want the opportunity to make meaningful contributions to key decisions whilst being able to monitor the activities of the board while the board want to get on with their job without feeling like their every step is being monitored. This problem forms one of the primary issues addressed by corporate governance theories and standards.

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[8] Bonding costs are incurred by the agent in their attempt to signal to the principal that their interest will be acted upon (Goergen, 2012).
[9] Residual loss are incurred by the principal where the agent pursues decisions that does not maximise the value of the firm (Goergen, 2012).

4.2.2 Stakeholder theory

Nordberg (2011, p.25), states *"stakeholder theory suggests a different notion to the purpose of the board and the company, according to which shareholders' interests are rather less prominent"*. This is a different school of thought to how companies should be run and is mostly prominent in Japan although gaining increasing support in other regions. The stakeholder theories infer that the boards are not only accountable to the shareholders but also to all stakeholder groups. This means that when making decisions, the board must carefully consider the interest of all stakeholder groups and make the best decision that is in the interest of all groups or one that does cause the least damage to any particular group. This theory made popular by Freeman (1984) argues that stakeholders such as employees, customers, creditors, suppliers, amongst others, can shape the direction of the company. This is the weak view of stakeholders (Nordberg, 2011). The strong view is that stakeholders do have 'intrinsic value' and does have the right to be heard (Nordberg, 2011). Whether each stakeholder group directly contribute to the profitability of the company or not, the mere fact that they are important for the company to continue as a going concern means that their approval should be sought on actions that affect the company. An example of this can be seen with the digital notetaking app company named 'Evernote' who in November 2016 introduced a revised privacy policy that suggested that some of its employees will be able to read personal notes of users in order to improve their service. This decision caused an uproar amongst users many of whom threatened to leave the app and sign up with a rival. Evernote quickly reverse this decision and sent an apology email to customers. This shows that despite board and shareholders' approval of such decision, failure to consider the interest of the customers (a key stakeholder) can have an adverse impact on the company.

CSR has its roots in stakeholder theory. Since CSR is about the efforts of businesses in addressing economic, social, and environmental issues that affect them, the success of this is on how the company can manage the various interest. Given that the society effectively grants the company the license to operate, the company has a duty to ensure that it's activities are not just for furthering the interest of the shareholders, but for meeting the interest of all other stakeholders.

4.2.3 Stewardship theory

Stewardship theory assumes that most people seek to do a good job (Nordberg, 2011). It is a school of thought that varies considerably from both agency theory and stakeholder theory. Given agency theories stance that it is always likely that the board and the shareholders will

experience conflict of interest, stewardship theory assumes that people choose to work at a firm because they want to do well and thus care about the company doing well likewise. This concept of stewardship can be seen in action in Germany where employees are entitled by law to have half the seats on the supervisory board of major companies (Nordberg, 2011). Essentially, the interest of the agent and the principal are aligned without the need for excessive control and monitoring. In addition, achievement of goals amongst those involved in the governance of the organisation is more important than the interest of the agent (Van Slyke, 2007). The challenges associated with this theory are in the area of choices to be made by the stewards. Some choices can be relatively straightforward while others can be complex, and thus requiring parameters by which the stewards can operate. Also, situations can arise that presents conflicts of interests between the company's philosophy/value and those of the stewards. Such situation ultimately results in and agency problem (Davis, Schoorman & Donaldson*,* 1997). Despite this, stewardship theory has its usefulness in not-for-profit enterprises such as charities where the ultimate purpose is not to maximise the wealth of the shareholders but to positively impact the society through their work. In this situation, the board often comprises of individuals who are in those positions because of their commitment to the work being done by the charity. Board members cannot receive payment for their services and therefore self-serving purposes is almost absent (Nordberg, 2011). Nordberg (2011) also argued that organisations such as charities is an example of where corporate governance can be examined from a stewardship viewpoint.

4.2.4 Resource dependency theory

The resource dependency theory focuses on the role of the board in helping the company secure access to the resource necessary for better performance (Nordberg, 2011). This is based on the resource-based view theory of the firm developed by Wernerfelt (1984) which advocates for firms to pull together their key resources to drive competitive advantage. This resource can be physical or non-physical strength of the firm and includes resources such as proprietary technology, brand name, technical expertise, awarded contracts, and so on. With the appropriate governance structure, managers can unlock those resources so that they are able to work at the maximum level of efficiency. Wenerfelt (1984) shed light on how a focus on resources, and not just products can elevate a firm. Although this theory gained prominence several years after the original publication, it has only become an integral part of strategic thinking in recent years. One of the arguments is that Board of Directors are in effect a resource that is able to unlock several paths for the firm. Pfeffer and Salancik (2003, p.383) states that

the *"provision of resources"* is a second important function of the board, after *'monitoring'*. Such, the board must be able to identify resources that can be useful to the business and bring those resources into the firm. This way, directors can create value for the firm. Pfeffer and Salancik (1978) provided ways by which directors can do this providing the following:

i. Advice and counsel
ii. Legitimacy
iii. Communication channels for the firm with external parties
iv. Preferential access to commitments from elements outside the firm

Given the two functions of the board in this respect, the monitoring function can be seen as belonging to the agency theory while the resources function can be seen as belonging to the resource dependency theory. These two functions can become a source of conflict within businesses (Nordberg, 2011). This is because individuals may very well associate firmly with their background (area of expertise) and thereby make decisions or gives advices that fits with their background. For example, a banker sitting on the board of another company may feel more inclined to support board's decision to raise new debt to finance a new investment rather than urge caution (Nordberg, 2011).

4.3 Corporate governance regulations

The four theories evaluated in section 3.12 above forms the basis of corporate governance theories and standards such as the OECD principles of corporate governance, UK Corporate Governance Code, and the US Sarbanes-Oxley Act.

The evolution of corporate governance standards and regulations (codes) has led to the development of characteristics which are now expected from boards of companies for the implementation of a strong corporate governance. The UK has taken the lead on corporate governance reforms. Many of the guidance coming out of the UK has been adopted across several regions and countries although some differences remain. Nevertheless, an increasing level of convergence is emerging.

The UK operates a 'comply or explain' approach to corporate governance which has been adopted in countries such as Switzerland and Bangladesh. This self-regulation approach is based on the principle that companies can work within the spirit of the codes without being made to do so. It also recognises that there may be situations where a company may be unable

to comply with certain aspects of the code due to the nature of the business, and such company can use the medium to explain the reasons for non-compliance. In the US however, corporate governance approaches are based on prescriptive laws that companies are mandated to abide by or face penalties. Goergen (2012) suggests that the US approach *"fits more with what one would expect from a civil law country than a common law country"*.

The OECD principles bridges this gap by providing a set of minimum expectations for companies to follow, taking into account, the differences between the nations within the OECD region (G20 nations). Given that governance is about setting direction for these three relationships, the OECD principles lay out the expectations from the board of companies on governance matters. The six broad-level principles, based on the 2015 version of the OECD Principles of Corporate Governance are detailed below verbatim:

i. *Ensuring the basis for an effective corporate governance framework*. The corporate governance framework should promote transparent and fair markets, and the efficient allocation of resources. It should be consistent with the rule of law and support effective supervision and enforcement.
ii. *The rights and equitable treatment of shareholders and key ownership functions*. The corporate governance framework should protect and facilitate the exercise of shareholders' rights and ensure the equitable treatment of all shareholders, including minority and foreign shareholders. All shareholders should have the opportunity to obtain effective redress for violation of their rights.
iii. *Institutional investors, stock markets, and other intermediaries*. The corporate governance framework should provide sound incentives throughout the investment chain and provide for stock markets to function in a way that contributes to good corporate governance.
iv. *The role of stakeholders in corporate governance*. The corporate governance framework should recognise the rights of stakeholders established by law or through mutual agreements and encourage active co-operation between corporations and stakeholders in creating wealth, jobs, and the sustainability of financially sound enterprises.
v. *Disclosure and transparency*. The corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including the financial situation, performance, ownership, and governance of the company.

vi. *The responsibilities of the board*. The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and the shareholders.

The principles above are supplemented with detailed guideline and recommendations for businesses. Some of these recommendations include guidance on board characteristics which are later discussed in this chapter. The fourth and fifth principles are explicitly relevant to this thesis in that they address the role of stakeholders as well as the issue of disclosure and transparency. The fourth principle requires businesses to recognise the rights of stakeholders and encourage co-operation. The fifth principle addresses the issue of disclosure and transparency, urging businesses to ensure timely and accurate disclosure on all material matters. This implementation of this fifth principle is of concern in developing economies such as Nigeria where disclosure has not always been forthcoming as identified in earlier sections of this thesis (see *Section 3.6*).

4.3.1 Board characteristics

Edwards, Halligan, Harrigan and Nicoll (2012, p42) argued that the 2000s period saw the rise of corporate governance and the need to *"provide more prescriptive processes for board and corporate decision-making, thus providing checks upon the discretionary power of the board."* This is the period where a number of countries introduce various codes via legislation, with the board of directors having the responsibility to ensure their enforcement. This board of directors have an even more important role to play in developing economies such as Nigeria where the legislative framework is not as strong as those in the developed economies. Edwards, Halligan, Harrigan and Nicoll (2012, p45) defined the Boards of directors as being *"responsible for the governance of their companies. The shareholders' role in governance is to appoint the directors and the auditors and to satisfy themselves that an appropriate governance structure is in place."* They also emphasised that the board of directors have a specific responsibility for the financial aspects of corporate governance particularly around financial policy development and implementation, controls, and processes that ensures that the shareholders are receiving timely and accurate reports.

The US Sarbanes-Oxley act emphasised the importance of outside directors (non-executive) on the board in monitoring management. This thinking is also emphasised in the U.K. Combined Code. The Cadbury Committee's Code of Best Practice (widely known as the Cadbury report) which formed the foundation of what is now known as the UK Corporate

Governance Code recommended that the roles of Chairman and CEO are separated to ensure board independence (Goergen, 2012). This recommendation has been widely adopted in the U.K. with over 90% of FTSE 100 firms complying with this recommendation (Tribbett, 2012). The US has been slower to adopt this due to historic conditions, but recent data suggests more and more companies are now separating the roles with 44% of S&P 500 companies and 62% of NASDAQ companies having separate roles in 2011 (Tribett, 2012).

The code also recommended the presence of non-executive directors with sufficient calibre and independence on the board. Research by Xie, Davidson and DaDalt (2003, p.314) found that *"earnings management is less likely to occur or occurs less often in companies whose boards include both more independent outside directors and directors with corporate experience"*. Fernandez-Gago, Cabeza-Garcia and Nieto (2016), in their analysis of a sample of Spanish firms listed on IBEX 35 covering the period of 2005 to 2010 found that *"board independence affects the adoption of social activities and having resources available in the firm will expand this relation"* (Fernandez-Gago, Cabeza-Garcia & Nieto, 2016, p.99)

In addition, it is recommended that the number of meetings held by the board be disclosed in its annual report (UK Corporate Governance Code, 2016). This is due to the expectations that the board meets regularly in order to discharge its duties. Number of board meetings as a form of monitoring has its limitations in that attendance at meetings may not capture the degree of involvement from each attendee (Azim, 2012). Another provision is for the presence of a nominations committee which should oversee the process for board appointments. The size of the board is likely to be influenced by firm size as larger companies are more likely to have a larger board representation. Some researchers have shown that larger boards are more likely to deliver greater firm value than their smaller counterparts (Coles, Daniel & Naveen, 2008; Guest, 2008). An ideal board size could range from 6 to 15 based on the work of Brown and Caylor (2006) which found that board size within this range delivers a higher Return on Equity (ROE) and Net Profit Margin (NPM) than boards with smaller sizes. However, other work researchers found a negative relationship between board size and performance, especially those pertaining to the UK (Lasfer, 2004; Guest, 2008). Similar evidences from the US suggests that the relationship between board size and performance is negative (Hermalin & Weisbach, 2001) although there are notable exceptions to this with some research finding a positive relationship between size and performance (Pearce & Zahra, 1992; Dalton, Daily, Johnson & Ellstrand, 1999; Adams & Mehran, 2012).

The presence of an audit committee is another recommendation and with this, it is expected that the committee consist of at least two independent non-executive directors in the case of smaller companies, and at least three in the case of larger ones. A remuneration committee should be present to promote the long-term success of the company by judging where to position the company's pay system relative to other companies.

Gender diversity of the board is another matter that has garnered prominence in recent years. Research have shown that there is a significant under representation of women on boards (Kramer, Konrad, Erkut & Hooper, 2006; Joecks, Pull & Vetter, 2013). A report by Bertrand and Hallock (2001) showed that only 2.5% of top management jobs in listed US firms were occupied by females. A similar figure of 3% was reported in the U.K. for female executives (Kulich, Trojanowski, Ryan, Alexander Haslam & Renneboog, 2011). To address this, several companies have taken the lead on reforming board representation by promoting positive discrimination within the board. In 2003, Norway imposed a minimum of 40% female representation on the board of directors for state-owned enterprises (SOEs) (Goergen, 2012). Spain also passed similar laws in 2015. Critiques have argued that such laws are too ambitious and may end up hurting companies. Empirical evidence on the impact of higher female representation on firm performance have also been inconclusive with some finding a positive relationship between gender diversity and performance while others found a negative relationship. Finally, some research have examined the role of multiple directorial positions and the existence of managerial ownership on board activities.

Although some research has found that board characteristics in itself does not necessarily predict firm performance (Cheung, Connelly, Jiang & Limpaphayom, 2011), the association between board characteristics and CSR including via their interaction and their association with firm performance have not been established.

Cheung et al. (2011, p167) argued that board responsibilities are important to corporate governance and that the *"framework should ensure the strategic guidance of the company, the effective monitoring management by the board, and the board's accountability to the company and the shareholders."* Previous research by Ferris et al. (2003), Fich and Shivdasani (2005), and Vafees (1999) had also found that Board activities such as meeting frequency and attendance, can positively impact firm performance. Fama (1980) also emphasised the role of independent directors (outside directors) in ensuring the viability of the board and reducing the potential conflict of interested between the top management and shareholders.

4.4 Effectiveness of corporate governance regulations and implications for internal mechanisms in Nigeria

The development of corporate governance code in Nigeria has its traces to both the UK corporate governance code and the US Sarbanes-Oxley act. It followed a series of corporate failings in Nigeria which then required the Nigerian Securities Exchange Commission to instil some confidence back into the country. One of these corporate failings is that of Cadbury Nigeria – a confectionary manufacturing company. The issue came into light when Cadbury Schweppes (UK) which owned 46% shares in Cadbury Nigeria sought to increase its share in the company to 50% in order to effectively gain control. Cadbury UK then asked auditors to perform due diligence on Cadbury Nigeria and it was during this process that it became apparent that Cadbury Nigeria had been overstating its accounts. By October 2006, the board of directors of Cadbury Nigeria informed its shareholders and regulatory authorities of irregularities in its accounts which relate to overstatement of accounts spanning several years and accounting for between N31 billion and N51 billion (Abdullahi, Enyinna & Ahunanya, 2010). This then led the Council of the Nigerian Stock Exchange to bar both the Managing Director and Finance Director of Cadbury Nigeria from running any publicly quoted company for life.

Another example is that of Oceanic Bank whose CEO, Cecilia Ibru, was charged with crimes relating to money laundering. She was sentenced to six months' imprisonment on each charge following a plea bargain. The case also showed that she had forfeited 199 assets with combined valuation in excess of N199bn (Adewale, 2013). As discussed in Chapter two of this thesis, corruption in business is a major issue in Nigeria and it is vital to have a strong corporate governance mechanism within the country. Thus, a number of codes have been introduced to govern corporate practices in Nigeria.

The first code by Nigerian Securities Exchange Commission – "Code of Corporate Governance for Public Companies" was established in 2003 as a voluntary code that governs all listed companies on the Nigerian Stock Exchange (NSE). The code addressed the role of the board and management, as well as shareholder rights and the audit committee (Adewale, 2013). This code was later revised in 2011.

Following this, another key Nigerian institution, the Central Bank issued a mandatory Code of Corporate Governance for banks in 2006. The focus of this code was to ensure that the ultimate accountability of banks affairs rest with the CEO. The code also addresses matters relating to

board composition, non-executive directors, risk management, and the role of the internal auditor (Adewale, 2013). Other codes include the SEC code for Shareholders, which is a voluntary code established in 2007; the PENCOM code (Code of Corporate Governance for Licensed Pension Operators) which was established as mandatory in 2008 to govern licensed operators; and the NAICOM Code which was established in 2009 as mandatory to governs Insurance companies. Many of these codes were developed to assist the relevant sector or group in engaging with best practice corporate governance code relevant to them, as well as being a way to addressing shortcomings of companies to satisfy their shareholders (Osemeke & Adegbite, 2016).

Similar to recommendations in the U.K. Corporate Governance Code, the Nigerian codes separates the roles of Chairman and CEO although it does not clarify the activities that may affect the independence of non-executive directors (Adewale, 2013). For example, the Sarbanes-Oxley act prohibits firms from extending credit to any director (Adewale, 2013).

With these multiple codes of corporate governance comes challenges for organisations. This is due to conflicts that exists within the codes thus creating interpretation challenges for businesses. Osemeke and Adegbite (2016; p.17) found conflicts on recommendations on *"board size, directors' independence, CEO duality, board membership and audit committees"*. A notable example is on the recommendation of board independence where the SEC, PENCOM, and NAICOM codes recommended the presence of at least one independent director whereas the CBN code recommended a minimum of two (Osemeke & Adegbite, 2016). In addition to this, the CBN code found that multiple concurrent directorships lead to conflict of interests and could interfere with the director's ability to discharge his/her responsibilities, whereas the SEC code places no limit on the number of boards that directors can serve on (Osemeke & Adegbite, 2016). The works of Osemeke and Adegbite (2016) and Adewale (2013) proposes a mandatory code of corporate governance for Nigeria, to advance the enforcement mechanisms of the code. One reason for this could be because the Nigerian society is not based on the common law for which the principles-based "comply or explain" approach of the UK was built on. It may very well be more appropriate to follow the US rules-based system which is more prescriptive and required compliance from firms.

4.5 Empirical findings on the impact of corporate governance mechanisms and board characteristics on firm performance

The relationship between the quality of corporate governance and firm performance has been considered in previous studies especially on advanced economies. Some of these studies are highlighted in this section. The selection process for the ones highlighted below are based on a combination of the closeness of the study area with the aims of this study (board characteristics, CSR, and CFP), as well as their level of impact, as measured by their citation counts. To illustrate, the average impact (Google Scholar citation count) from the series of literature shortlisted under the search term of "Corporate Governance and Corporate Financial Performance" is 635. Full details is presented in *Chapter 5 Section 5.6.1*.

Florackis (2006) analysed how internal governance mechanisms affect firm performance in the UK. The work which sampled 962 non-financial UK listed firms between 1999 and 2003, found that board size, presence of non-executive directors, and managerial ownership significantly affect firm performance. Specifically, the higher the number of non-executive directors, the stronger the performance (executive ownership and non-executive directors were also found to be complementary control mechanisms). Also, executive ownership and corporate performance were found to be non-linearly related. Another key finding of the research was that two additional governance mechanisms namely debt maturity and managerial compensations are significant predictors of firm performance.

Nuryanah and Islam (2011) examined corporate governance and performance within the emerging market of Indonesia between 2002 and 2004 and found board independence to be the main attribute of board governance that increased firm performance as measured by Tobin Q. This finding is consistent with that of Mura (2007) who found a positive relationship between independent non-executive directors and performance of UK companies as measured by ROA and ROE (1999 to 2001). A contradictory finding was that of Weir (1997) who had few years earlier carried out a similar analysis and found a negative relationship. In addition, Nuryanah and Islam (2011) found that the presence of audit committee is not an important factor in Indonesia as the results showed that the companies without the presence of audit committee had higher performance than those that comply with the JSX corporate governance practice in having one. Board size, audit committee, and managerial ownership were insignificant, signifying that internal corporate governance practices which applied to developed/advanced economies did not apply to Indonesia. In the case of Nigeria, the work of Kajola (2008) which

examined a sample of 20 listed firms between 2000 and 2006 concluded that board size of a 'sizeable' limit has a positive effect on Return on Equity (ROE) but the relationship between both board composition and audit committee on firm performance were found to be insignificant (performance was measured by ROE and Profit Margin). CEO status (duality) was found to positively associated with better performance and consistent with the works of Yermack (1996), Brown, Robinson and Caylor (2004), and Bokpin, Kyereboah-Coleman and Aboagye (2006).

Ibrahim and Samad (2011) examined how corporate governance mechanisms affects performance between family and non-family owners of public-listed firms in Malaysia. Their work covered the years 1999 to 2005 and found that three board characteristics – board size, independent director, and CEO/Chairman duality affects firm performance irrespective of the ownership structure (family and non-family). Smaller boards were found to be a good and superior corporate governance mechanism for firm performance. CEO/Chairman duality was found to be generally insignificant and consistent with the previous work of Haniffa and Hudaib (2006) although firm value becomes weaker for family ownership where there is a presence of duality whereas the profitability is higher for firms with non-family ownership and presence of duality. For independent directors, their representation in family-owned firms does not improve performance while it does for non-family owned firms. Firm performance was measured using Tobin's Q Ratio, Return on Asset (ROA), and Return on Equity (ROE).

Grove, Patelli, Victoravich and Xu (2011) examined the corporate governance and firm performance of 236 US Banks and found CEO/Chairman duality to be negatively associated with financial performance. Their research also found a *'concave'* relationship between financial performance and both board size and directors age. These findings are contrary to the recommendations by various governance regulatory bodies which suggests that both CEO and Chairman roles should be filled by different individuals. In their research, firm value is measure using Tobin Q ratio.

Several other research have begun to examine the demographic diversity of board of directors and its implications for firm performance. Erhardt, Werbel & Shrader (2003) examined the data for women and minorities on the board of 127 largest US firms between 1993 and 1998 and found that board diversity is positively associated with better financial performance (ROA and ROI). Carter, Simkins & Simpson (2003) in their analysis of Fortune 1000 firms also found a positive relationship between the increased fraction of women and minorities on board and

firm value, after controlling for firm size, industry, as well as other corporate governance measures. Several other researchers that examines board gender diversity in the US found positive correlation with performance (Carter *et al*., 2003; Agrawal & Knoeber, 2001; Adams & Ferreira, 2009). In the work of Adams and Ferreira (2009), a positive relationship was found between board gender diversity and both ROE and ROA in an analysis of S&P 500 companies. Agrawal and Knoeber (2001) also found positive impact on ROE and ROA, while research by Desvaux, Devillard-Hoellinger & Baumgarten (2007) in a McKinsey & Co. report, as well as Catalyst (2007) have supported this assertion. Moreover, it is important to note that the debate or dialogue around gender diversity has little value if good governance fails to translate into improved performance (Brown, Brown & Anastasopoulos, 2002). However, not all findings have been positive. Rose (2007) found no relationship between board gender diversity and performance as measured by Tobin Q in analysis of listed Danish companies between 1998 and 2001.

There are some key wider findings between corporate governance mechanisms and performance:

- Cheung *et al.* (2010) found that corporate governance has a high significance in explaining both future stock performance and risk amongst firms in Hong Kong between 2002 and 2005. Their research was based on scoring companies' compliance with corporate governance based on OECD's Principles of Corporate Governance. Companies with strong corporate governance had higher stock returns and lower unsystematic risk while the result was the opposite for companies with weak/bad corporate governance.
- An earlier research by Klapper and Love (2004) which examined 14 merging markets found that better corporate governance is highly correlated with high operating performance and market value. They also found that firm-level corporate governance matters more in economies with weak legal environments.
- Malhotra, Poteau and Fritz (2013) examined thirty companies on the Dow Jones industrial average between 2005 and 2008 to determine how corporate governance impacts Return on Investment (ROI), Return on Equity (ROE), and Return on Asset (ROA). Their research found that on average, companies' corporate governance scores have an insignificant impact on firm performance or produced lower returns. The only

exception is the audit committee which was found to be positively associated with superior firm performance.

4.6 Interaction between CSR and governance

Recent movement has seen a significant shift towards discussions around corporate governance, CSR, and firm performance, with a recognition that there are many interconnections between corporate governance and CSR. Given the vast research done within these areas albeit independently and particularly within advanced economies, a new focus is now on how these three concepts intersect (see *Figure 4.1* below):

Figure 4.1. The intersection of CG, CSR, and CFP

(Author's original work)

As depicted in *Figure 4.1* above, there are seven distinct subject areas, six of which have been the focus of many previous research. In the case of CSR, the work of Carroll (1991) is a significant breakthrough in terms of concepts and/or theories. CSR or Corporate Responsibility as it is often known, advocates for companies to be responsible in line with societal expectations from both social and environmental perspectives. For CG, many of the historical governance failings among corporations such as Enron, Worldcom, and Lehman Brothers have led to the development of many robust guidelines and standards of CG which have been adopted around the world. Also, various principles have introduced us to ways of measuring firm performance either by stock or by accounting measures. Such measures now include ROS, ROA, ROE, ROI, Tobin Q, NPM, amongst others. Moving on from this, research have examined the link between CG quality and CSR practices, although this is an area that is still relatively under-researched (Claessens & Yurtoglu, 2013). The general view today is that good

corporate governance is often a foundation for a 'responsible' business. The assertion is that companies that have a sound and effective corporate governance structure are better positioned to pursue and implement a CSR agenda. This is because a structured corporate governance system such as the board structure is designed to manage the interest of managers and stakeholders, ensuring that conflicts are reduced and that an atmosphere for good business relationships are developed. Moreover, the link between CG and CFP has been investigated with various revealing outcomes especially around board characteristics that makes up for what is considered as 'good governance'. As discussed in earlier sections, it is becoming clearer that CFP may be linked with CG mechanisms such as board characteristics/structure, although this research will further test this as it applies to Nigeria. In addition, investigations around how CSR impacts firm performance have shown varying outcomes especially for CSR indicators that focused on internal stakeholders versus those that focused on social issue participation. The centre point which is the focus on this work remains under-researched and underdeveloped to date. The reality, albeit theoretical at this stage is that companies' pursuit of CSR related activities is heavily influenced by the existing governance structure and systems within the company. Given this assertion, why should we then begin to examine the link between CSR and CFP whilst at the same time ignoring the moderating effect of board characteristics? This has been a key limitation of many research that have examined the impact of CSR on CFP, and one that this thesis seeks to rectify. To support this assertion, the work of Ntim and Soobaroyen (2013) showed why and how better governed corporations are more likely to pursue a more socially responsible practice, as well as provide evidence of why and how CG might strengthen the link between CFP and CSR. When examining CG's relationship with the extent of CSR practices, Ntim and Soobaroyen (2013) considered board characteristics such as independent directors, board size, and board diversity (gender and ethnicity). In fact, the work of Ntim and Soobaroyen (2013) found that the combination of CG and CSR has a stronger positive effect of CFP, than the effect of CSR on CFP alone, in their analysis of large listed South African companies between 2002 and 2009. On the contrary to this is the work of Arora and Dharwadkar (2011) which found that CG reduces both positive and negative CSR, in their analysis of 518 firms from both S&P 500 and KLD Domini 400 Universe between 2001 and 2005. Thus, a new thinking is in the combined effect of CG and CSR practices on CFP i.e. the effect of ESG practices on firm performance. More specifically, we can begin to test if CG is indeed an antecedent to an effective CSR practice that can positively impact CFP.

The interaction between CG and CSR is partly due to the rise of ESG term as a new 'buzzword' in the corporate responsibility and sustainability space. Whilst important and relevant, ESG does ignore the economic dimension of sustainability, but this has not been the focus of this research. Moreover, as pointed out earlier in the review of the work by Asif *et al*. (2013), the successful implementation of a CSR system also relies on a fully integrated management system within the company. An alternative way of looking at this intersection point is depicted below:

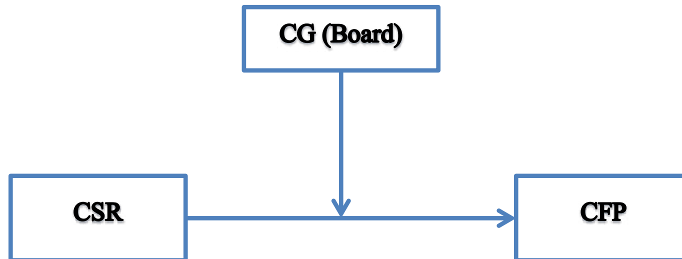

Figure 4.2. The moderating effect of CG (Board) on the relationship between CSR and CF

(Author's original work)

The relationship depicted in *Figure 4.2* above are fully tested in *Chapter 6* of this thesis.

4.7 Most recent findings on CG, CSR, and links with CFP

Yusoff, Mohamad and Darus (2013) investigated the influence of CSR disclosure structure on CFP. Their study employed a methodology which analysed contents of CSR reports in Malaysia for disclosure depth, breadth and concentration. These were then regressed against the 30 leading companies listed on Bursa Malaysia, with data obtained for 2009 and 2010. Their model was based on a one-year lapse between the dependent and the independent variables with the intention of examining the effect of CSR disclosure in 2009 on performance in 2010. In their model, Yusoff, Mohamad and Darus (2013) controlled for one firm specific characteristics i.e. firm size, while the dependent variable, firm performance, was measured through the addition of the three accounting-based measures i.e. RoA, RoE and RoS. The main claim is that the high performing companies are those with an increased breadth of CSR disclosure and are at the same time able to provide a concentrated disclosure structure to stakeholder groups. It should be noted that there are no attempts to control for financial leverage in the study of Yusoff, Mohamad and Darus (2013) and this is not consistent with the study by

Margolis and Walsh (2001) which found that industry effects, firm size and risk are the three most popular control variables used by many studies that attempts to investigate the links between social issues and firm performance.

Wang, Dou and Jia (2016) in their meta-analytic review of CSR-CFP links, based on 42 previous studies, concluded that CSR enhances CFP. Their study also found that subsequent financial performance is positively associated with prior CSR, which is in alignment with the stakeholder theory. Finally, their study found that a prior high financial performance has no significance for firms' subsequent social issue participation.

Shaukat, Qiu and Trojanowski (2016) investigated the links between corporate board attributes, CSR strategy, and environmental and social performance. Their study is based on a comprehensive dataset of *Asset4* (for ESG data) and *Datastream* (for financial data) universe of UK listed companies from 2002 to 2010, with a structural equation modelling. Board attributes were measured using factors such as board's independence, gender diversity, board duality, and financial expertise on audit committee. CSR Strategy was measured using *Asset4's* strategy score which measures a firm's commitment and effectiveness in creating a top-level strategic vision for CSR. Both environmental and social scores were also based *Asset4's* scores. A number of firm-level controls were introduced to account for organisational slack, profitability, block shareholding, and firm size (logarithm of net sales). Their study found that large firms are best able to allocate and sustain resource commitments for CSR. The findings also showed that a greater board orientation is associated with a more proactive CSR strategy which in turn leads to higher environmental and social performance although their results also showed that CSR as a strategy may not be viable for all firms.

Lau, Lu and Liang (2016) examined the effects of corporate governance mechanisms on CSR performance in China. In doing this, they examined the role of various governance mechanisms such as outside directors, experiences of directors of a firm in foreign countries, ratio of foreign directors in the board, percentage of state ownership, percentage of ownership concentration, ratio of foreign national members in the top management team of a firm, education and working experiences of top management team members in foreign countries. Data from listed Chinese firms in 2010 were used with CSR performance based on Rankings CSR Ratings (this is an independent firm that rates Chinese firms' CSR engagement). For board composition and top management team characteristics, data was collected from the publicly available database named *WIND* which provides accounting and governance data on Chinese companies. The

final sample was based on 417 firms and their model controlled for firm size (logarithm of number of employees), past performance (logarithm of net profit), board size, ratio of women on board, and industry group dummy variable (manufacturing and non-manufacturing). and the results of their study found that board members with foreign experiences is positively associated with CSR activities whereas factors relating to board composition were found to be insignificant for CSR activities. They also found that state ownership is positively associated with CSR performance. The composition of the top management team was found to be insignificant for CSR performance.

Rodriguez-Fernandez (2016) examined the role of good governance in the links between CSR and CFP. The study which is based on firms listed on the Madrid Stock Exchange in 2009 found positive association in both directions between CSR and CFP. Their methodology was based on a final sample of 121 companies. CFP is measured by two accounting-based measures of Return on Assets (ROA) and Return on Equity (ROE), and a market-based measure of Tobin Q ratio. Social variables (the independent variables) were measure using GRI, DJSI, COMPL_RECOM, and GC's scores, while firm size (logarithm of asset) was the chosen control variable.

Similar to this thesis, Kabir and Thai (2017) examined the role of corporate governance as a moderator in the relationship between CSR and CFP. Their methodology is based on a robust regression analysis using ordinary least squares as well as fixed-effects and two-stage least squares model, which examined a sample of listed Vietnamese firms. CFP was measured using accounting-based measures of Return on Equity (ROE), Return on Sales (ROS) and Return on Assets (ROA), and market-based measure of Tobin Q ratio. Firm-level control variables introduced to their model are firm size, financial leverage, industry type, and firm age. Firm data were collected from ORBIS (a database of companies globally), focusing on the period of 2008 to 2013 with a final sample of 524 firms, representing 1,960 firm-year observations. Using a robust regression analysis (also used in this research), the work of Kabir and Thai (2017) found that CSR is positively associated with CFP and more importantly, they found that CG features such as foreign ownership, board size and board independence, when used as a moderator increase the magnitude of the positive relationship between CSR and CFP. The study of Kabir and Thai (2017) found no significant effect of state ownership in the relationship.

Chen, Hung and Wang (2017) in their study of Chinese firms examined the effect of mandatory CSR disclosure on firm profitability and social externalities. Their methodology was based on a final sample of 6,952 firm years between 2006 and 2011. Their work found that the mandatory requirement had indeed changed the behaviour of firms. Firms subjected to this requirement saw a subsequent decrease in their profitability despite the mandate not requiring firms to actually spend on CSR. The increase is spending was found to be driven by social and political pressures rather than economic considerations for those firms. These findings raise questions relating to agency theory due to the externality effects on decisions regarding CSR expenditures.

For the most recent study on Nigeria, Oyewumi, Ogunmeru and Oboh (2018) used panel data analysis of Nigerian banks to examine the effect of CSR investment and disclosure on CFP. Their sample consisted of 21 money deposit banks in Nigeria with data from 2010 to 2014. Their final dataset was reduced to 12 banks with 60 observations (note that that rationale is consistent with the methodology of this thesis which argued that little benefit was to be gained from data prior to 2012 due to many missing data). Content analyses was employed to scrutinise the annual reports of selected companies. Firm performance, the dependent variable, was measured using an accounting-based measure Return on Asset (ROA). For CSR disclosure, Oyewumi, Ogunmeru and Oboh (2018) test whether a firm has dedicated a section in its prior year's annual report to CSR activities, represented through a dummy variable. CSR investment was measured based on the amount spent in the firm's prior year's report on CSR activities. Two control variables used were firm size (logarithm of total assets) and a second being the proportion of on-current assets to total assets. The results of their study found that investments in CSR activities is negatively associated with firm performance. This findings of Oyewumi, Ogunmeru and Oboh (2018) essentially contradicts the work of contradicts that of Uadiale and Fagbemi (2012) which reported a positive association between CSR and CFP, based on selected listed Nigerian firms.

4.8 Gap in literature and hypotheses to be tested

Based on the extensive review of literature carried out, it is apparent that many of the previous research have focused on examining CSR and CG in isolation whereas the relationship between these two-subject matters have evolved and are now so intertwined and enshrined in firms' as a key ingredient for success. As pointed out in *Chapter 1* of this thesis, the combined impact on these two-subject matters on key organisational metrics such as performance is still

relatively under-researched. Also, recognising that corporate governance is broad with multiple dimensions, there are very few research (especially one that focus on the Nigerian context) which have attempted to quantitatively examine the interaction of corporate board characteristics and CSR disclosure, and their associated impact on firm performance. In fact, there is little research out there that have extensively examined the interaction between the two areas and their associated impact on performance, i.e. does CG quality as measured by board characteristics influence the strength (if any) of the relationship between CSR disclosure and firm performance? One research that attempted to determine this as detailed in *Chapter 3* was by Waddock and Graves (1997), which found good management to be a strong rationale for positive effect of higher levels of CSR on firm performance. This research was based primarily on US companies. For sub-Saharan African countries especially Nigeria, very few research has attempted to quantify the links between CSR and firm performance. Many have instead focused on a philosophical argument for CSR i.e. explicitly normative and ethics oriented. As discussed earlier in this Chapter, Uadiale and Fagbemi (2012) is an exception in that they attempted to quantify this specific relationship based on a sample of 40 listed Nigerian firms in 2007. They found that CSR positively affects firm performance. However, their methodology focused on tracing sentences relating to CSR which is not necessarily a proof of any real engagement with CSR. Also, the focus of their analysis was cross-sectional i.e. in 2007 and may have missed any medium to longer term trend. One research that did examine the role of corporate governance as a mediator in the CSR-CFP relationship is the work of Ntim and Soobaroyen (2013) which found that better governed companies are more likely to pursue socially responsible practices, and that a combination of CG and CSR practices positively affect CFP. However, their methodology focused on establishing CSR scores based on the word count of broad areas of CSR based on the South African King II Code of Governance Principles.

A recent work by Kabir and Thai (2017) focused exclusively on the role of CG as a moderator between CSR and CFP. This is another evidence of the importance of this research and the growing need for clarity on the role of CG in this situation. Using a sample of Vietnamese firms and robust regression analysis (also used in this research), the work of Kabir and Thai (2017) found that CSR affects CFP and more importantly, they found that CG features such as foreign ownership, board size and board independence, when used as a moderator increase the magnitude of the positive relationship between CSR and CFP.

In addition, there is a need for clarity on which specific issues of CSR or CG can be costly to firms thus resulting in net cost (an economic disadvantage). The gap in such studies have been

highlighted by the likes of Devinney (2009), Ntim and Soobaroyen (2013), Haniffa and Cooke (2005), Michelon and Parbonetti (2012), Arora and Dharwadkar (2011), and Ntim, Opong, and Danbolt (2012). Essentially, a key gap in literature is the under-reported impact of the moderating effect of corporate governance, specifically board characteristics on the relationship between CSR disclosure and firm performance. Also, as pointed out earlier that there is still not a clear evidence that participation in social issues translates to good firm performance, there is a need to examine sub-issues of CSR (i.e. social issues, and environmental issues) in order to determine if they translate into good performance. This should help provide a better context for explaining the nature of the relationship between CSR and firm performance.

Furthermore and as previously argued in the earlier parts of this thesis, although some research found that board characteristics in itself does not necessarily predict firm performance (Cheung, Connelly, Jiang and Limpaphayom, 2011), the association between board characteristics and CSR including via their interaction and their association with firm performance have not been established. Multiple authors have made strong argument for the importance of the board in ensuring good governance and reducing agency conflicts including how they could affect firm performance (Cheung *et al.*, 2011; Fama, 1980; Ferris *et al.*, 2003; Fich & Shivdasani, 2005; and Vafees, 1999). Said, Zainuddin and Haron (2009) argued that the board of directors is an importan elements of control mechanisms in how the firm is managed by the agents. Furthermore, Kiliç, M., Kuzey, C., & Uyar, A. (2015) emphasised the importance of board structure on CSR and argued that matters such as board size, ownership structure, board composition, board diversity (better female representation).

Based on the extensive review of literature carried out, the following hypothesis are to be tested in order to establish the links between board characteristics as an important mechanism of corporate governance, CSR, and firm performance. It is also necessary to establish if the interaction of specific board characteristic with CSR or aspects of CSR (Environmental and Social) has an impact on firm performance.

> H1: H_0: In a controlled environment, CSR disclosure score and individual CG Board related variables do <u>not</u> affect CFP. H_a: In a controlled environment, CSR disclosure score and individual CG Board related variables affects CFP.

> H2: H_0: In a controlled environment, the interaction effect between CSR disclosure score and individual CG Board related variables does <u>not</u> affect CFP. H_a: In a controlled

environment, the interaction effect between CSR disclosure score and individual CG Board related variables affects CFP.

H3: H_0: In a controlled environment, Social disclosure score and individual CG Board related variables do not affect CFP. H_a: In a controlled environment, Social disclosure score and individual CG Board related variables affects CFP.

H4: H_0: In a controlled environment, the interaction effect between Social disclosure score and individual CG Board related variables does not affect CFP. H_a: In a controlled environment, the interaction effect between Social disclosure score and individual CG Board related variables affects CFP.

H5: H_0: In a controlled environment, Environment disclosure score and individual CG Board related variables do not affect CFP. H_a: In a controlled environment, Environment disclosure score and individual CG Board related variables affects CFP.

H6: H_0: In a controlled environment, the interaction effect between Environment disclosure score and individual CG Board related variables does not affect CFP. H_a: In a controlled environment, the interaction effect between Environment disclosure score and individual CG Board related variables affects CFP.

H7: H_0: In a controlled environment, Local Issues disclosure score and individual CG Board related variables do not affect CFP. H_a: In a controlled environment, Local Issues disclosure score and individual CG Board related variables affects CFP.

H8: H_0: In a controlled environment, the interaction effect between Local Issues disclosure score and individual CG Board related variables does not affect CFP. H_a: In a controlled environment, the interaction effect between Local Issues disclosure score and individual CG Board related variables affects CFP.

4.9 Chapter summary

The concept of corporate governance was examined within this chapter, focusing on the lessons learned from corporate failings. The main theories evaluated were agency, stakeholder, stewardship, and resource dependency theories. In addition, the principles of corporate governance and key regulatory acts (such as US Sarbanes-Oxley Act and the UK Code of Corporate Governance) were evaluated along with behavioural traits and recommendations for

specific governance items. For the Nigerian context, this chapter evaluates the regulatory landscape including the advancements made over the years along with existing challenges in converging various recommendations from SEC code, PENCOM code, and NAICOM code, relating to board characteristics is of particular concern.

Furthermore, this chapter reviews empirical findings on the links between CG mechanisms such as board characteristics and firm performance. The results are largely reported for advanced economies but not so much for developing and emerging economies. Most CG studies have focused on board characteristics and their effect on firm performance. Performance is largely measured by Return on Asset and Return on Equity.

Finally, the new dimension in this research is on the convergence of the three broad areas identified and evaluated which is now widely known as Environmental, Social, and Governance (ESG) and the need for a new wave of research to focus on the combined effect of these two business topics on firm performance. Thus, this research thesis, through the methodology detailed in *Chapter 5* seek to first revisit the state of CSR disclosure in Nigeria, followed by a comprehensive analysis of the moderating effect of corporate board characteristics on the association between CSR disclosure and firm performance in Nigeria. The results of these analyses should facilitate the creation of key proxies for corporate governance and social responsibility practices aimed at governance and social improvements.

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Chapter 5: Research methods and methodology

5.1 Context

This chapter details the methodology and methods employed in conducting this research, which should enable the replication of this study by others. These methods are carefully designed in order to fulfil the overall aims and the objectives of this research. To reiterate, the aim of this research is to critically evaluate the moderating effect of corporate board characteristics on the relationship between CSR disclosure and firm performance. The objectives of this research, with which its research methods have been designed are:

i. *To empirically and critically evaluate the link between CSR practices and disclosure, corporate board characteristics, and firm performance,*
ii. *To review and evaluate the mechanisms and regulatory framework for corporate governance, particularly on board-related matters, and attitudes toward corporate social responsibility disclosure in Nigeria,*
iii. *To statistically analyse the moderating effect of corporate board characteristics on the relationship between CSR disclosure and firm performance, and*
iv. *To recommend key guidelines for 'good' corporate governance specific to the internal mechanism of the board, and CSR practices aimed at governance, social and environmental improvements, including the likely implications for firm performance.*

5.2 Philosophical assumptions

Research philosophy is the assumptions made when conducting a research study. Such assumptions can be ontology or epistemology. Ontology is focused on the nature of reality while epistemology is focused on what is acceptable in a field of study, particularly in terms of collection and analysis of facts through data (Saunders, Lewis & Thornhill, 2015). A third assumption known as axiology focuses on the role of values within the research being conducted, combining both objective and subjective stances and placing greater level of emphasis on world's views. For this research, epistemology is found to be appropriate due to its emphasis on measurement as a way of understanding a phenomenon. Given the aim and objectives of this study, which specifically intend to measure the link between CSR disclosure, Board characteristics and firm performance, epistemology would appear to be the most appropriate way (assumption) of approaching this study as it is important to know what actually

exist and to what extent from the viewpoints of the four research objectives. With this in mind, the philosophy employed can take the form of positivism, realism, or interpretivism.

5.2.1 Research philosophies and justification for choice

The three main philosophies associated with epistemology are positivism, realism, and interpretivism. Positivism is concerned with developing hypotheses and testing these. Thus, this means that *"only observable phenomena can provide credible data, facts"*, with a focus on *"causality and law-lie generalisations"* which can help in reaching a simple conclusion about the phenomena being studied (Saunders *et al.,* 2012, p.140). Also, Remenyi and Williams (1998, p.32) argue that a positivist researcher would prefer *"working with an observable social reality and that the end product of such research can be law-like generalisations similar to those produced by the physical and natural scientists"*. Essentially, it is important in a positivist philosophy to devise generalisations that is based on credible facts which has been derived through a thorough an objective analysis. In the case of realism philosophy of an epistemological assumption, the researcher also focuses on credible data and facts although may sensationalise aspects of the work, especially where there is insufficient data, although ensuring that the context(s) for such sensation(s) is made clear to the readers. Unlike a positivist approach, the researcher in a realism philosophy is in effect filling any gaps in knowledge based on what is considered acceptable, albeit influenced by the researcher's views. An interpretivism philosophical stance relies on *"subjective meanings and social phenomena"* (Saunders *et al.,* 2012, p.140). These subjective meanings are influenced by a deep understanding of the situation at hand, and how the researcher views the reality behind such situations. This often leads to enriched interpretations although one that is influenced by the researcher's subjectivism. Unlike positivist and realist philosophies that employ a degree of data, interpretivist researchers will often seek deeper meanings through methods such as small but high-quality qualitative interviews. However, this approach can lead to the researcher becoming too involved in the study, thus influencing subsequent generalisations. Finally, a pragmatism philosophy within epistemology assumptions can take either objective (i.e. observable) or subjective form, essentially integrating any of the other philosophical stances into the research depending on the aspect of the work being examined, hence the term 'pragmatism'.

With the four dimensions of research philosophies discussed above, this particular study identifies deeply with the positivism philosophical stance. The nature of this study relies on a

great deal of measurements: measurement of CSR disclosure score by companies (thus requiring an objective way of determining this without significant biases), measurement of Board characteristics (again based on a set of rules and accurate measurement of data against such rules), and finally based on calculated firm performance data (derived from a comprehensive accounting data and subsequent financial calculations). The area being researched is massively under-reported on, evidenced by the review of literature carried out. Also, as the focus of this study is on making generalisations that are based on credible data and facts (transparency in disclosure being at the forefront of this work), it is therefore important that no aspect of this study is sensationalised (realism), and that reliance is not placed on the opinion of others through means of methods such as interviews (interpretivism). Using positivism philosophy as the basis for this research ensures that there is a structured approach to data collection and analysis process especially as this work involves the collection of existing theory to develop a series of hypotheses which are then quantitatively tested.

5.3 Research approach and justification for choice

The three main research approaches are deduction, induction, and abduction. Deduction or the deductive approach is used to test a theory and aligns with a positivist philosophy. It usually involves the collection of data in order to test hypotheses, hence this approach is quantitatively driven. In a deductive approach, laws provide the basis for explanation once sufficient data has been collected and rigorously tested (Collis & Hussey, 2003). By remaining objective and independent of the research being conducted, the researcher is able to deduce a hypothesis or a series of hypotheses. Here, the researcher is independent of the research so as to be able to deduce a clear hypothesis. Robson (2002) identified the sequential stages of a deductive approach as: deducing a hypothesis, expressing the hypothesis in operational terms, testing the operational hypothesis, examining the specific outcome of the enquiry, and modifying the theory in light of the findings. The main issue with the deductive approach is that is can be time consuming.

On the other hand, there is inductive approach which aligns with an interpretivist philosophy and is more appropriate for building theory as opposed to testing theory. Specifically, Collis and Hussey (2013, p.7) argue that inductive theory is *"developed from the observation of empirical reality; thus the general inferences are induced from particular instances, which is the reverse of the deductive method"*. Some of the benefits of the inductive approach is that is

allows for alternative explanations of what is going on whereas the deductive approach relies on information derived from facts. The inductive approach relies on a small sample which can then be evaluated in depth (Saunders *et al.,* 2015). Furthermore, the researcher is essentially part of the research process in an inductive approach e.g. being the interviewer in an interview process, and is less concerned with the need to generalise, and rather seeks to focus on a small and well-informed qualitative data.

A hybrid of these two approaches is known as the abduction approach. This allows for flexibility in that the researcher is able to switch between both deduction and induction approach. This will depend on the nature of the theory involved, thus allowing the researcher to make observations where appropriate either through theory as a starting point, or through data as a starting point.

For this study, given the epistemology assumptions earlier explained, it is important that the study moves from theory to data i.e. deduction. By doing this, a number of theories are established (stated in the form of hypotheses statements). Data is then collected in relation to the hypothesis statements in a structured and hierarchical manner. These hypotheses are then tested quantitatively through appropriate analytical tool in order to deduce trends and information that is based solely on these data and can lead to appropriate generalisations about those hypotheses. One of the premises of this research is to measure the extent of CSR disclosure by Nigerian companies as well as the Board characteristics of each of these companies. This also involve observing the role of Board characteristics as a moderator in the relationship between CSR disclosure and CFP. Hence, a series of theories through hypothesis statements are to be quantitatively tested. This require creating a scoring process in order to build a disclosure hierarchy (score) for each of the companies examined. Also, to truly establish the facts in relation to the impact of CSR on CFP and the role of CG, it is important to assess a sample that is large enough for generalisations to be made. This is especially important as this is an under-researched area as pointed out in the earlier chapters. The ideal approach is to examine what is happening at a broad level, using credible data before dwelling into qualitative insights, something that will be much more appropriate for further studies. Ultimately, the premise of this research requires falsification or verification of the theories being examined (i.e. decisions on whether to reject or fail to reject the null hypothesis).

5.4 Methodological choice in research design

The two fundamental choices in a research design are quantitative and qualitative methods. When examined much further, these two choices can be broken-down into sub-categories namely mono-method quantitative/qualitative, multi-method quantitative/qualitative, and mixed-method simple/complex. Quantitative research design is based on specific measurements while qualitative research is based on understanding the underlying motives of behaviours (Kothari, 2004). Quantitative methods lend itself, although not exclusively, to a positivist philosophy and a deductive approach with reliance on structured data that has been collected based on a reasonably large sample. Through quantitative method, data is collected in order to test a theory and subsequently analysed through appropriate statistical analysis tool. Quantitative method also allows for independence of research. As a result of this, quantitative research is associated with strategy of experiment and survey (Saunders *et al.,* 2015). Qualitative research design on the other hand is ideal for determining the underlying motives behind a particular phenomenon. This is usually achieved through an in-depth interview with a small set of samples. Qualitative research has its advantages in studies where data may not enough insight into a phenomenon, or where it is important to understand the feelings or opinions of individuals through an interview process.

For this study, the design of the research is based on an analysis of quantitative data which has be carefully constructed. According to Thomas (2003, p.6) a quantitative research methodology is often *"supported by a positivist or scientific paradigm"*. The focus on transparency in disclosure means that it is important not to allow individual opinions that may be derived from interviews or other means to influence the conclusions of this research. Rather, the focus is on gathering data which then forms the basis of a statistical analysis, thus ensuring that conclusions drawn are based on credible facts and information that can be easily identified by others and is not subjected to differences in opinions. Also, qualitative design is not appropriate for this particular study as any attempt at this will rely heavily upon access to senior officials at the largest companies in Nigeria – this will prove difficult and may result in a much longer timeframe for completion of this study, potentially rendering the conclusions obsolete. By using quantitative research design for this research, we are able to employ the use of inferential and experimental approaches to research. Inferential approach allows us to infer relationships of a population (descriptive and time-series regression) while experimental approach allows us to manipulate certain variables in order to observe their effects on other variables (Saunders *et al.,* 2015). A combination of inferential and experimental approach is thus appropriate for this

study. A simulation approach to quantitative research design is judged to not be appropriate for this research as the time being observed is 4 years (2012 to 2015) whereas a simulation approach may rely on a dataset from a much longer timeframe.

5.5 Research strategy, time horizon, and justification for choice

Research strategies are the plans involved in meeting the research objectives. The choice of strategy is important in that it acts as the bridge between the research philosophy and the techniques (methods) involved in the data collection and analysis process. As the type of research being conducted can be exploratory, explanatory, or descriptive in nature while the time frame can also be cross-sectional or longitudinal, it is therefore necessary to use a method/strategy that provides full alignment and in turn allows for the objectives to be met.

Exploratory studies provide a great deal of flexibility and are ideal for open questions which can then lead to other areas, explanatory studies focus on establishing relationships between variables, if any exists, while descriptive studies seek to present an accurate depiction of events (Robson, 2002). For this research, a combination of descriptive and explanatory studies is ideal as they first enable us to accurately identify the state of affairs in Nigeria (i.e. state of CSR disclosure and facts about Board characteristics and CFP), while also allowing for an explanation of the relationships between the three themes of CSR, CG and CFP. Also, to gain a deeper level of insights, a multi-year timeframe approach is taken (longitudinal) thus ensuring that the medium-term effect of these variables on CFP is established.

The strategies available include experiment, grounded theory, case study, survey, ethnography, action research, narrative enquiry, and archival research (Saunders *et al.,* 2012). Each of them is important and useful when completing a study although the choice is dependent upon the research question. A summary of the purpose of each strategy is highlighted below:

- ***Experiment strategy*** requires theoretical hypothesis which can then be subsequently tested, usually through the use of an appropriate sample size. Such testing will then enable us to find answers to the research question through the rejection or failure to reject the null hypothesis. Specifically, experiments allow us to find out if changes in

the independent[10] variable can cause changes in the dependent[11] variable. Experiment is ideal with a positivist philosophy and a deductive approach.

- ***Grounded theory*** involves starting a study that does not have an initial theory. In this type of study, the researcher over time develops the theory based on the various forms of data that has been gathered. The challenge with this is that there may be greater room for subjectivity and the nature of the investigation may change or evolve over time.
- ***Survey*** method involves collecting data samples, usually through questionnaires, and then analysing those data. This is ideal for either an exploratory research with open ended questions or a descriptive study with closed ended questions or specific observations.
- ***Case study*** method delves into a specific (usually single) line of study in order to obtain deep knowledge and understanding of why things are the way they are, instead of just focusing on what and how. A case study usually takes the form of a qualitative analysis and is more suited to an inductive approach and interpretivist philosophy.
- ***Ethnography*** is the earliest form of qualitative study and it is used primarily for studying groups (Saunders *et al.,* 2015). However, the process can be time consuming due to the flexibility required in order to respond to changes that may occur during the research process.
- ***Action research*** is a method in which the researcher is part of the research processes. Many organisational studies often take this form as the researcher is often a worker within the organisation, thus potentially acting as an agent for change. Marsick and Watkins (1997) argue that action research is associated with promoting change within the organisation.
- ***Narrative enquiry*** is a research that is informed by a personal account of events with the researcher essentially telling a story. This involve qualitative information that is obtained through means such as interviews. The key with narrative enquiry is being able to obtain full stories from research participants rather than just snippets of information.

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[10] An independent variable is the variable that is being changed in order to determine its impact on the dependent variable. Independent variables are also known as explanatory variables.

[11] A dependent variable is the variable that we are trying to explain. We do this by changing values within the independent variable in order to measure the effect on the dependent variable.

- ***Archival research*** relies on archived information (usually administrative documents that were gathered within an organisation for specific purposes) as the basis for analysis in order to answer research questions.

With the above description of the various strategies available, experiment strategy is the dominant strategy for this study. However, it should be noted that experiment in this sense is not used to infer that the author has control over the sample since the data collected are publicly available. Instead, experiment in this study means that some independent variables are in fact controlled during the robust regression analysis. By using the experiment strategy, we are able to ensure that the research process is valid and credible by aligning the philosophy with the approach and strategies. An experiment strategy is usually associated with a longitudinal study rather than cross-sectional study which is more appropriate for a survey strategy (Saunders *et al.,* 2012). Also, the use of experiment strategy is suitable for a descriptive and explanatory study that this study is conducting. The descriptive study focuses on establishing the state of CSR disclosure in Nigeria, based on all listed companies on the Nigerian Stock Exchange, in the period of 2010 to 2015. The explanatory study focuses on analysing the moderating effect of corporate governance on the relationship between CSR disclosure and firm performance based on a panel data analysis of a sample of 49 companies in the period of 2012 to 2015. With this, an experiment strategy allows for a hypothesised relationship to be tested by scientific methods (Kothari, 2004).

Archival research is also a fit with this study based on the types of data collected during the study. Archival research is a study that is based on the examination of archived administrative data. While this can be in the form of archived documents such as court proceedings, census data and court proceedings, they can also be organisational archives such as corporate annual reports, personnel files and historic survey responses (Das, Jain & Mishra, 2018). For this study, corporate annual reports and CSR reports are the sources of data used in carrying out this study. Although these are public documents, they align with what is considered organisational archives. The main advantage of archival data is their *"ease of availability and low cost"* (Das, Jain & Mishra, 2018, p.139). However, it should be noted that the process of obtaining corporate annual reports and CSR reports on Nigerian companies is highly laborious owning to the fact that there is no central repository for these documents so accessing these data involve visiting the corporate websites of the companies concerned to locate and download these reports.

Only a few of the other strategies would have been suitable in this case especially given that this study is one of the early attempts to quantify the nature of the relationship between the three themes in Nigeria (CSR, CG and CFP), particularly with CG as the moderator. To illustrate, aspects of this study did take the form of a case study strategy, but this was mainly in order to provide a context to corporate governance failings during the literature review. Hence, the use of case study is limited to content found in *Appendix F*. for the rest of this research, case study strategy has not been employed as it is often qualitative in nature and based on an inductive approach whereas this study attempts to use credible quantitative data based on large samples to provide causalities and/or law-like generalisation, through a deductive approach.

A grounded theory strategy is not appropriate as such study does not involve an initial theory and is often based on qualitative data whereas this study involves hypothesised theories that requires testing. Survey method is not appropriate as this is mainly aimed at exploratory studies often requiring the creation of a survey whereas this study argues for transparency in disclosure through financial and associated reports (secondary data) as the basis of analysis. Additionally, while survey method can be used for theory testing, this would have been problematic for this study as the likelihood of getting adequate survey responses in Nigeria will be minimal.

Ethnography is not appropriate for this study as it focuses on studying groups whereas this study focuses on analysing relationships between variables over time. Action research is also not appropriate for this research as this type of study assumes that the researcher is a participant who is likely acting as an agent of change; on the other hand, this study is based on analysis empirical data while remaining objective, focusing mainly on the results. Finally, Narrative enquiry which is based on story telling is qualitative in nature and not appropriate for this type of research as it would prove difficult in quantifying the effects of CSR disclosure and Board characteristics on measures of firm performance.

From the above sections, there is clarity in the nature of the study being conducted while the rationale behind and links between the philosophical stance, the research approach and strategies, time horizon and type of data being collected. This relationship in depicted in *Figure 5.1* below.

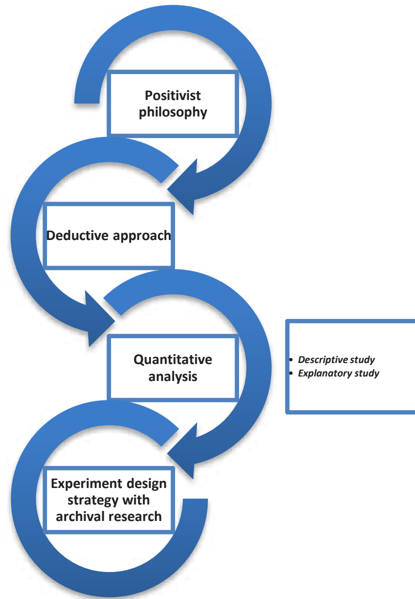

Figure 5.1. Research design process
(Author's original work)

5.6 Techniques and procedure

This section details the techniques and procedures used in conducting this research; these are:

- Systematic literature review process
- Analysis of the state of CSR disclosure in Nigeria
- Variables used in panel data analysis
- Data collection for CSR disclosure metrics
- Data collection for Board characteristics
- Data collection and calculation for CFP

5.6.1 Systematic literature review process

A systematic literature review process was used in conducting this research, based on Webster and Watson (2002) concept-centric approach to literature review. In reviewing previous literature, higher order concepts were identified to form the basis of database searches. Google Scholar was used as a primary source of literature search. The benefits of this is that Google Scholar is the most robust search engine system available evidenced by their market dominance

of 73% worldwide in 2016 (Halavais, 2017). Also, Google Scholar acts as an inclusive and universal gateway to other academic databases thus justifying its use as a starting point.

To further support the use of Google Scholar, Martın-Martın, Orduna-Malea and Lopez-Cozar (2018, p.2184) concluded that *"inclusive databases like Google Scholar do indeed have a better coverage of highly-cited documents in some areas of research than Web of Science (Humanities, Literature & Arts, Social Sciences, Engineering & Computer Science, and Economics & Management) and Scopus (Humanities, Literature & Arts, and Social Sciences)."* The findings of Martın-Martın, Orduna-Malea and Lopez-Cozar (2018), which is based on a study of 2,515 highly-cited documents published in 2006, justifies the use of Google Scholar as the dominant gateway for the systematic literature search in this study as using selective databases may produce biases and thereby exclude key literature necessary for this study.

The tables below provide an analysis of the steps taken in establishing a thorough literature search process. The beginning 210 literature formed the basis of knowledge that informed the development of this study. Subsequent to a review of these 210 literatures, further readings were made in order to ensure thoroughness in the literature being reviewed. Particular attention was paid to articles that specifically reviewed past literature on a particular concept.

Table 5.1. Literature review concept matrix

Concept	Count of literature
Corporate Governance "AND" Corporate Financial Performance	41
Corporate Governance "AND" Corporate Social Responsibility	68
Corporate Governance "AND" Corporate Social Responsibility "AND" Corporate Financial Performance	32
Corporate governance "AND" corporate social responsibility "AND" firm performance "AND" Nigeria	19
Corporate Social Responsibility "AND" Corporate Financial Performance	30
Disclosure "AND" Corporate Governance "AND" Corporate Social Responsibility	5
Nigeria "AND" corruption "AND" economic development	15
Grand Total	***210***

Table 5.2. Average impact of selected literature

Concept	Average Impact (Google citation count)
Corporate Governance "AND" Corporate Financial Performance	635
Corporate Governance "AND" Corporate Social Responsibility	380
Corporate Governance "AND" Corporate Social Responsibility "AND" Corporate Financial Performance	43
Corporate governance "AND" corporate social responsibility "AND" firm performance "AND" Nigeria	48
Corporate Social Responsibility "AND" Corporate Financial Performance	1083
Disclosure "AND" Corporate Governance "AND" Corporate Social Responsibility	23
Nigeria "AND" corruption "AND" economic development	230
Grand Total	***442***

Table 5.3. Database resource analysis

Type of resource	Count of literature	Average Impact (Google citation count)
Ebscohost	39	171
Wiley Online Library	36	207
Elsevier	30	482
Springer	24	221
Academy of Management Review	12	1186
JSTOR	9	2300
Sage Journals	7	1483
Emerald Insights	6	29
Zetoc Electronic Table of Contents	6	27
ArticleFirst (OCLC)	4	38
Emerald Insight	4	240
Oxford Journals	3	22
Online	3	0
Sage Publications	3	27
Taylor & Francis	2	20
Hein Online	2	760
Business Source Complete	2	8
United Nations	1	30
Academic Journals	1	14
Reseach Gate	1	90
Krcak	1	0
Board Options	1	1306
Book	1	0
Pubsonline	1	9
Efnorthamerica	1	3749
Saga	1	47
EmeraldInsights	1	87

IBFR	1	0
Cambridge University Press	1	19
Ideas	1	82
Palgrave Journals	1	66
Academia	1	2
Project Muse	1	0
Nasimtarazpars	1	60
New York Times Magazine	1	0
Grand Total	***210***	***442***

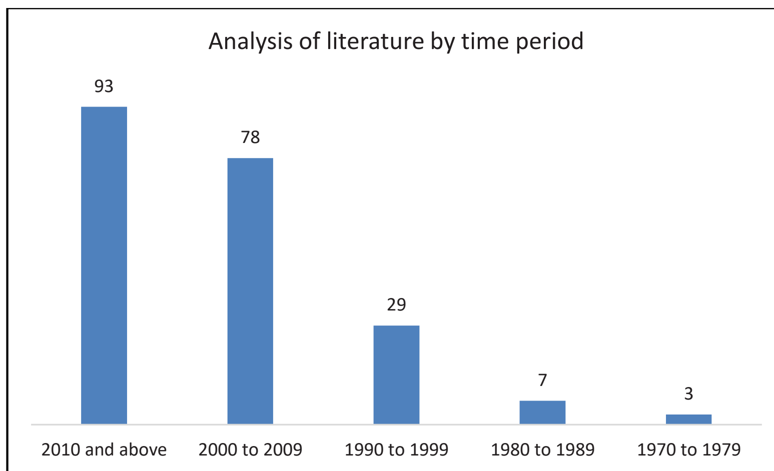

Figure 5.2. Analysis of literature by time period

From the above tables and figure, it is shown that a wide range of resource were used in reviewing literature on CSR and CG, with emphasis on disclosure. Also, the average citation count of the shows the impact of these literature in shaping the academic and practitioner world's views on these concepts. 35 unique databases were used in accessing these literatures thus demonstrating the breadth and credibility of the study conducted. Finally, careful attention was paid to the time-period with higher weightings provided for more recent periods. 44% of the literature came from the 2010s-period, 37% came from the 2000s-period, 14% came from the 1990s-period, 3% came from the 1980s-period, while 1% came from the 1970s-period. The concept-centric approach to the review of literature is useful as the concepts help to determine the organising framework of a review (Webster & Watson, 2002). The literature review subsequently conducted, based on the techniques and procedures discussed above are presented in *Chapters 2, 3 and 4* of this thesis.

In March and May 2019, an additional literature search was carried out using a combination of Google Scholar, Web of Science, and Athens database in order to recent work between the periods of 2016 to 2019 on the keyword search of *"Corporate Governance AND Corporate Social Responsibility AND Firm Performance"* and *"Board AND Corporate Social Responsibility AND Firm Performance"* along with multiple variations of this search term. The relevant literature found were subsequently reviewed and incorporated into this thesis as appropriate. This also led to the inclusion of a new *Section 4.7* (more recent findings on CG, CSR, and links with CFP) located in *Chapter 4* of this thesis.

5.6.2 Analysis of the state of CSR disclosure in Nigeria

5.6.2.1 Data collection of the state of CSR disclosure in Nigeria

A descriptive analysis of all 175 listed firms on the Nigerian Stock Exchange between 2010 and 2015 was carried out to determine firms' reporting behaviour toward CSR, focusing on websites content and the creation of a separate CSR/Sustainability report. The chosen methodology seeks to provide explanations that then leads to generalisations on the state of CSR and sustainability reporting in Nigeria. The method is objective as the websites and data examined are based on publicly available records, and care is taken to ensure that conclusions drawn are not influenced by personal opinions (Glesne & Peshkin, 1992). This should enable other researchers to easily replicate this research and find similar results (King, Keohane, & Verba, 1994). Given that one of main objectives of this research is to establish how far publicly listed firms in Nigeria have gone in engaging with separate reporting of CSR and sustainability matters, no surveys and interviews were conducted as these could introduce elements of bias. Rather, emphasis is placed on transparency in disclosure i.e. what is publicly available. In terms of sampling, a descriptive analysis of 175 listed firms (entire population) on the Nigerian Stock Exchange (NSE) was conducted. The analysis focused on establishing the following:

1. Sector representation of the Nigerian Stock Exchange (NSE) in 2016
2. Presence of a live website for each listed firm
3. Presence of a dedicated CSR/Sustainability web page for each listed firm
4. Yearly disclosure through a comprehensive CSR/Sustainability reporting from 2010 to 2015
5. Identification of firms responsible for all CSR/Sustainability reports produced between 2010 and 2015

Details of the 175 firms examined were found within the All Shares Index listing of the Nigerian Stock Exchange's website. Visits to each of these websites were carried out in

December 2016 although 30 of the 175 firms did not have a functioning or accessible website. Other attempts were made during the month of December 2016 to verify that these websites were not just temporarily down. A final attempt was made on 31st December 2016 to access these 30 websites and this once again proved unsuccessful. Thus, the focus of the analysis was on 145 firms whose websites were accessible.

A great deal of care is taken not to identify any individual firms within this research in order to ensure that there are no ethical issues that may arise in the future. Nevertheless, the premise of this research is transparency in disclosure and all content examined is publicly available and accessible on firms' websites. The outcome of this review is presented as a set of descriptive statistical summaries in the tables below. The statistical summaries produced proved useful in identifying group trends within the main question areas set out in the research investigation.

5.6.2.2 Descriptive results of the state of CSR disclosure in Nigeria

Table 5.4. Websites not accessible by sector

Sector	Count of company
AGRICULTURE	1
CONGLOMERATES	1
CONSTRUCTION/REAL ESTATE	2
CONSUMER GOODS	5
FINANCIAL SERVICES	8
HEALTHCARE	3
INDUSTRIAL GOODS	3
OIL AND GAS	2
SERVICES	5
Grand Total	***30***

Table 5.5. Sector representation of firms

Sector	Count of population	% population	Count of sample	% sample
AGRICULTURE	3	2%	2	1%
CONGLOMERATES	6	3%	5	3%
CONSTRUCTION/REAL ESTATE	7	4%	5	3%
CONSUMER GOODS	25	14%	20	14%
FINANCIAL SERVICES	57	33%	49	34%
HEALTHCARE	11	6%	8	6%
ICT	9	5%	9	6%
INDUSTRIAL GOODS	18	10%	15	10%
NATURAL RESOURCES	3	2%	3	2%
OIL AND GAS	13	7%	11	8%
SERVICES	23	13%	18	12%
Grand Total	***175***	***100%***	***145***	***100%***

Table 5.6. Presence of a live website by sector

Sector	No	% No	Yes	% Yes	Sector Yes %
AGRICULTURE	1	1%	2	1%	67%
CONGLOMERATES	1	1%	5	3%	87%
CONSTRUCTION/REAL ESTATE	2	1%	5	3%	71%
CONSUMER GOODS	5	3%	20	11%	80%
FINANCIAL SERVICES	8	5%	49	28%	86%
HEALTHCARE	3	2%	8	5%	73%
ICT	0	0%	9	5%	100%
INDUSTRIAL GOODS	3	2%	15	9%	83%
NATURAL RESOURCES	0	0%	3	2%	100%
OIL AND GAS	2	1%	11	6%	85%
SERVICES	5	3%	18	10%	78%
Grand Total	***30***	***17%***	***145***	***83%***	**Avg = 82%**

Table 5.7. Presence of a dedicated CSR/Sustainability web page by sector

Sector	No	% No	Yes	% Yes
AGRICULTURE	1	1%	1	1%
CONGLOMERATES	3	2%	2	1%
CONSTRUCTION/REAL ESTATE	5	3%	0	0%
CONSUMER GOODS	7	5%	13	9%
FINANCIAL SERVICES	27	19%	22	15%
HEALTHCARE	6	4%	2	1%
ICT	7	5%	2	1%
INDUSTRIAL GOODS	7	5%	8	6%
NATURAL RESOURCES	1	1%	2	1%
OIL AND GAS	3	2%	8	6%
SERVICES	12	8%	6	4%
Grand Total	*79*	*54%*	*66*	*46%*

Table 5.8. Yearly disclosure through a comprehensive CSR/Sustainability reporting

	2010	2011	2012	2013	2014	2015
No. of CSR/Sustainability Reports	2	3	5	8	9	3
As a % of listed firms	1%	2%	3%	6%	6%	2%

Table 5.9. Companies responsible for all CSR/Sustainability reports produced

Type of Company	2010 CSR Report	2011 CSR Report	2012 CSR Report	2013 CSR Report	2014 CSR Report	2015 CSR Report
Financial Services 1	Yes	Yes	Yes	Yes	Yes	No
Financial Services 2	No	No	No	Yes	Yes	Yes
Financial Services 3	No	No	No	Yes	Yes	No
Financial Services 4	No	No	No	No	Yes	Yes
Financial Services 5	No	Yes	Yes	Yes	Yes	No
Financial Services 6	No	No	No	No	Yes	No
Oil and Gas 1	No	No	Yes	Yes	No	No
Oil and Gas 2	No	No	No	Yes	Yes	Yes
Consumer Goods 1	Yes	Yes	Yes	Yes	Yes	No
Consumer Goods 2	No	No	Yes	Yes	Yes	No

These results support the notion that Nigeria has a history of a laissez-faire approach to social and environmental responsibilities and reporting, particularly in ensuring that the societies in which firms operate are not left with depleted resources and that priority social issues affecting the country in the areas of poverty reduction, health, skills development and education, youth

development, and socioeconomic development, are integrally engaged with through CSR/Sustainability related programmes. Thus, producing separate CSR/Sustainability reports can provide a way for the society to scrutinise more closely, firms approaches toward governance and CSR issues. Evidence from Nigeria shows that there is a long way to go to engage firms with such reporting. The analysis of listed firms in Nigeria found that as high as 62% of firms either do not have a functioning website or do not have a dedicated page on their website for CSR/Sustainability related information. The attitude toward separate reporting of CSR/Sustainability is lax, although there is a sign of steady progress in this respect. In 2010, only two firms (1% of sampled companies) were found to have produced a separate CSR/Sustainability report and made this publicly available, whereas by 2014, this has increased to nine firms, thus representing an increase of 6% of sampled companies. However, the data from 2015 show a decline in the number of reports being produced in this regard although reasons for this could be related to delay in the completion of such reports given their voluntary nature. Amongst the 145 firms examined within this study, only 10 were found to be responsible for all disclosure of CSR/Sustainability matters through separate reporting. This represent approximately 7% of listed firms in Nigeria and suggests that there is a need for stronger engagement from firms. Having said this, there are five other firms who produces comprehensive reports of their CSR/Sustainability impact through the *'one-report'* format. With the inclusion of these firms, there is still, on average, less than 10% engagement in the comprehensive reporting of CSR/Sustainability impacts either through separate reporting or through the *'one-report'* format. Furthermore, there is evidence of greater level of engagement with CSR/Sustainability reporting from firms within financial services industry, mainly banks, when compared with other industries. On the contrary, Construction / Real Estate industry was found to have the lowest level of engagement with CSR/Sustainability reporting either through an annual reporting process or through a dedicated area on their website for their impacts.

5.6.3 Variables used in panel data analysis

A number of variables were utilised in conducting the panel data analysis. Details of these are discussed below

- ***Dependent variables***: The dependent variables used are the three measures of CFP namely Return on Sales (RoS), Return on Equity (RoE), and Return on Asset (RoA).
- ***Independent variables***: The main Independent variable used is CSR disclosure score. In addition, individual Board characteristics were used as independent variables. The

choice of independent variable(s) used was dependent on the actual hypothesis being tested.

- ***Control variables***: The use of control variable is important in this research as it helps to consider omitted elements that may very well affect firm performance. Kothari (2004, p.34) assert that the control variables in experimental design strategy is used to *"refer to restrain experimental conditions"*. As pointed out in *Section 3.5.3* of this thesis, industry effects, company size and risk are the most popular control variables when examining the relationship between social and financial performance (Boulouta, 2013). This is reinforced through research by Gaur and Guota (2011) and Ramaswamy (2001) both of which argued the importance of controlling for firm age and size as appropriate. For example, Fama and French (1995) found that there can be differences in performance as measured by RoE for firms of different sizes while Brigham and Ehrhardt (2011) argue showed that stability of large firms allows for the forecasting of future performance. Therefore, this thesis made provision for a number of control variables, namely, firm age, firm size, firm risk, and a time variant to control for the year effect in panel data. Firm age was accounted for through two variables of actual age and age squared. The age calculated based on the year of incorporation of the firm in question. Firm size was accounted for using the proxy variable Logarithm of Return on Assets. Firm risk was accounted for using a calculation of Debt-to-Equity (D/E) Ratio which is a measure of a company's financial leverage. A control variable for Sector[12] was initially included but panel data models on *Stata* automatically controls for sectoral differences. The rationale for the use of the statistical software *Stata* is provided in Section 5.9 of this chapter.
- ***Use of natural logarithm***: It is common practice in performance-oriented research to use the logarithm of variables that shows sign of skewness. Due to the variations in the RoA of companies being used (mainly due to industry differences) and because ROA in itself is one of the measures of CFP, the logarithm of Total Asset was used as a proxy for firm size. This ensures a form of normalisation of firm sizes and more importantly, ensured that effects of nonlinear relationship that could exist between the control

[12] Effect of the inclusion of sector was checked to ensure that there the model remains valid. This is because the sector information remains constant for each company over the 4-year period. Sector variable can be left in a random effect model but not necessarily in the case of fixed effect. Where Sector variable has been used, the financial sector has been used as the reference sector due to its stability in Nigeria and in line with many studies. The sector coefficient therefore looks at sector performance (RoS, RoE, and RoA) relative to the reference sector i.e. financial services.

variable and the dependent variable are removed. Effectively, this decision ensures that the linear model approach was preserved.

A summary description of variable used are depicted in the table below:

Table 5.10. Variables used in panel data analysis

Variable	Measurement
Dependent variables:	
ROA	Return on Assets: Net Income (NI) / Total Assets
ROE	Return on Equity: Net Income (NI) / Shareholders Equity
ROS	Return on Sales: Earnings Before Interest and Tax (EBIT) / Revenue
Independent variables:	
CSRDS	CSR disclosure score (based on the GRI G4 indicators)
SocialDS	Social disclosure score (based on the GRI G4 indicators)
EnvDS	Environment disclosure score (based on the GRI G4 indicators)
LIDS	Local Issues disclosure score based on an analysis of priority issues for Nigeria
BMembers	No. of Board Members or Board Size
BMeetings	No. of Board Meetings held in a year
BWomen	Percentage of Women on the Board
NonExec	Percentage of Non-Executive Directors on the Board
IndDir	Percentage of Independent Directors on the Board
Chairman/CEO Duality[13]	Separate holders of the CEO and Chairman roles
MgrOwn	Dummy variable of 1s and 0s for evidence of a board member with more than 5%[14] share ownership (usually a CEO or Chairman)
AuditCmt	Dummy variable of 1s and 0s for evidence of presence of an audit committee
RemCmt	Dummy variable of 1s and 0s for evidence of presence of a remuneration committee
MultiDirPos	Dummy variable of 1s and 0s for evidence of presence of multiple directorial positions
Controls:	
Age	Age of firm based on date of incorporation
AgeSquared	Squared value from the age of firm
LgTAsset	Logarithm of Total Asset (proxy for firm size)
DERatio	The ratio of debt to equity (proxy for financial leverage)

5.6.4 Data collection for CSR disclosure score

The data collection process for CSR disclosure score is a major highlight of this study and demonstrates an original contribution to methodology. A comprehensive data collection

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[13] Chairman/CEO Duality was omitted from the analysis due to all of the firms (except 1 firm) meeting the split requirements of the Nigerian SEC (thus its inclusion will lead to autocorrelation)

[14] Companies are required to disclose details of shareholders who held more than 5% of the issued share capital, including the percentage of their shareholding.

structure was created in order to collect data on the top companies listed on the Nigerian Stock Exchange (NSE). Initially, the plan was to focus on the 32 largest listed companies, within the NSE30[15] Index. However, it soon became apparent that the focus on this analysis can only be for 4 calendar years (2012, 2013, 2014, and 2015) as there was a clear absence of data for the preceding years particularly on CSR related reporting and even the most basic financial statements for many of these companies. Thus, focusing on 32 companies will produce a maximum of 128 observations (data years). Searches carried out showed that many of listed companies only produced a financial report and did not provide sections relating to corporate governance (e.g. board composition, meetings, committees, etc.). Hence, to carry out a rigorous and complete analysis, the time period of 2012 to 2015 was found to be the most ideal. Following this, the focus was on 49 of the largest listed companies. The two tables below show how this figure was arrived at as well as the sector distribution of firms in each year.

Table 5.11. Arriving at the chosen firms

No. of firms listed on the Nigerian Stock Exchange	175
No. of firms with relevant financial accounts and CSR or integrated reports	53
No. of firms used in the time series model after full data cleansing	49

Table 5.12. Sector distribution of chosen firms

Sector	**Years**				**Grand Total**
	2012	**2013**	**2014**	**2015**	
Financial Services	15	16	18	17	66
Industrial Goods	5	5	5	5	20
Consumer Goods	10	12	11	11	44
Oil and Gas	3	4	5	5	17
Healthcare	1	1	1	1	4
Construction/Real Estate	1	1	1	1	4
Conglomerates	2	2	2	2	8
Agriculture	2	1	2	2	7
Services			1	1	2
ICT		1	1	1	3
Grand Total	**39**	**43**	**47**	**46**	**175**

[15] Although known as the NSE30 Index, there are actually 32 companies represented.

The process for establishing the 49 companies that were the subject of this analysis are below:

- A list of all listed companies was obtained from the Nigerian Stock Exchange website
- The ranking of the companies is based on their market capitalisation as provided by the Cashcraft Asset Management Limited Portal[16], which is publicly available, in December 2016. This allowed for the ranking of companies by market capitalisation.
- 53 companies were found to have relevant financial accounts and CSR or integrated reports which could be scrutinised fort the purposes of the time-series analysis.
- The final number of companies was reduced from 53 to 49 mainly due to insufficient data for some years. These 49 companies accounted for 175 observation years, thus providing an average of 3.6 years of per company.
- A checklist was created to verify the existence of an annual report, being the minimum required in order for any analysis to be carried out. These reports were subsequently downloaded[17] from either websites of each company or relevant repositories.
- These 49 companies were then scrutinised for their CSR disclosure, Board characteristics, and firm performance.
- For CSR disclosure, a content analysis of the integrated annual reports and separate CSR reports (where available) was carried out. In the absence of a separate CSR report, the content of the integrated annual report was scrutinised.
- This scrutiny process checked for compliance with CSR disclosure, based on the GRI G4 framework. As previously reported in *Section 3.7.1.1* GRI framework is found to be the most popular voluntary reporting guideline and therefore is the ideal framework for assessing CSR disclosure.
- In order to do this, the scrutiny focused on the two main pillars of CSR disclosure: Environment and Social (full details of each indicator theme are disclosure requirements are detailed in *Appendix G* of this thesis).
- For each pillar, compliance with each theme is assessed with a scoring method of 1s and 0s for disclosure and non-disclosure respectively.

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[16] Cashcraft is a leading asset management firm in Nigeria and is relied upon for market data, even those not available on the Nigerian Stock Exchange (NSE) website. Cashcraft is a dealing member of NSE and is registered with the Nigerian Security and Exchange Commissions as a broker, dealers, issuing house and fund managers.
[17] Note that there is no central repository for annual reports in Nigeria.

- There were 40 CSR disclosure themes assessed in total; 10 of these relate to environment disclosure; while 30 relate to social disclosure. These scores are then added up to determine the overall disclosure score of each theme, and each pillar. Hence the maximum CSR disclosure score possible for a company in a reporting year is 40; the maximum for environmental disclosure is 10; and the maximum for social disclosure is 30.
- Based on the above process, each annual report and CSR report where available was checked, thus leading to a CSR disclosure score – the main independent variable used in the time-series (panel data) analysis.
- From the total of 175 observations (data years), the average CSR disclosure score is 3.40, with the highest score being 40 and the lowest being 0.
- From the total of 175 observations (data years), the average Environment disclosure score is 0.78, with the highest score being 10 and the lowest being 0.
- From the total of 175 observations (data years), the average Social disclosure score is 2.62, with the highest score being 30 and the lowest being 0.

Furthermore, based on a priority issues for Nigeria identified through the literature review process (see *Section 3.7.3*), a separate disclosure score was kept for Local Issues. This disclosure checks for activities relating to each of the following local issues in Nigeria:

- Poverty reduction
- Health
- Education and skills
- Youth empowerment, and
- Socio-economic development.

To determine this, the integrated annual report and CSR reports of companies was scanned for programmes that specifically addresses each of these five local issues. For each local issue, a scoring method of 1s and 0s is used, with the maximum score being 5 for a company who runs programmes that specifically addresses all five local issues. From the total of 175 observations (data years), the average Local Issue score is 2.79, with the highest score being 5 and the lowest being 0.

5.6.5 Data collection for Board characteristics

In addition to the CSR disclosure score methodology described above, data was collected on Board characteristics. The variables considered centres around board characteristics as informed by previous CG research and detailed in *Section 4.3.1*. Board characteristics are assessed based on the information provided on the companies integrated annual reports. This enables the examination of the combined effect of CSR disclosure and Board characteristics on firm performance. Also, collection of this data allowed for the assessment of the moderating effect of specific CG characteristic on the relationship between CSR disclosure and CFP – this is assessed through variable interactions. The table below provides a summary of each Board characteristic and how they were measured process utilised for determining board characteristics.

Following the collection of individual CG (Board) variable, an attempt was made to create a new set of variables that produces a board quality score but this was subsequently dropped due to issues around the credibility/validity of this.

This is essentially an enhanced check-and-sum approach, used by Bebchuk, Cohen and Ferrell. (2009) and Brown and Caylor (2006). Both research summed up measures of corporate governance. It is difficult to create an order of weighting for each governance variable as researchers have differed in opinions on how this should be approached:

- Bebchuk *et al.* (2009) considers voting rights to be the most important corporate governance mechanism due to the fact that they consider its conceptualisation as the most fundamental shareholder rights. Information regarding voting rights has not been collected due to absence of data. Also, review of literature does not suggest the need for this as part of the analysis of this particular research.

- Bhagat, Bolton and Romano. (2008, p.1833) considers board of directors to be the most important corporate governance mechanism as they effectively make all important firm decisions.

- Brown and Caylor (2006) considers board of directors and compensation provisions to be the most important corporate governance mechanism as they see both as important internal mechanisms.

- A number of providers have introduced expert judgements in their quantitative algorithms to determine the appropriate weighting of CG. Schnyder (2012) observes

lack of correlation with performance in their analysis thus suggesting that this method is not the most efficient.

- Schnyder (2012) notes that corporate governance measures remain an *'important unsolved issue'*.

5.6.6 Measures of firm performance and choice for analysis

There are many notable measures of firm performance which have been identified throughout this thesis. Firm performance are ways of understanding how well or badly a business is doing in fulfilling its responsibilities to its stakeholders. Such stakeholders could be the shareholders, creditors, regulators, and so on. Firm performance measures also enable businesses to assess where they are relative to their sector or the wider business sphere. Such measures of performance can be divided into two distinct the types namely: accounting-based measures and market-based measures.

Accounting-based measures of firm performance are very useful at understanding past performances of businesses. This is because the performance derived are based on audited financial accounts which have been prepared in line with the appropriate regulatory requirement such as the International Financial Reporting Standard (IFRS). Examples of such measures include: Return on Assets (ROA), Return on Equity (ROE), Return on Sales (ROS), Profit Margin (PM) and Net Profit Margin (NPM), and Return on Investment (ROI).

Other measures of accounting-based performance include Operating Cash Flow (OCF), Earnings Per Share (EPS), Operating Profit (OP), Growth in Sales (GRO), Return on Capital Employed (ROCE), Expense to Assets (ETA), Cash to Assets (CTA), Sales to Assets (STA), Expense to Sales (ETS), Labour Productivity (LP), Cost of Capital (CoC), Net Operating Loss, Return on Revenue (ROR), and Profit (Al-Matari, Al-Swidi & Fadzil, 2014).

According to Al-Matari *et al.,* (2014) in a review of all corporate governance related papers between 2000 and 2012, the most important account accounting-based measure of firm performance has been ROA (accounting for 46%) and ROE (accounting for 27%). ROA examines both the operating and financial performance of the company (Klapper & Love, 2002). It is a function of both the net income and the total assets generated by the company within a specified year. A higher ROA relative to industry peers suggests that the company is doing a better job at advancing shareholders' interests (Haniffa & Hudaib, 2006; Ibrahim &

Samad, 2011). Thus, a higher ROA is an indication that the 'agent' is working to serve the interest of the 'principal'.

ROE which is the second most popular accounting-based measure of performance checks the amount of money generated by the company for every amount of shareholders' equity. In order words, a rising ROE indicates an efficient use of shareholders' money. Any assessment of this should be done relative to industry peer although a ROE of less than 10% is generally seen as a sign of poor performance.

Accounting-based measures are particularly useful in corporate governance and CSR research because they are looking back at companies' actions which have been decided based on existing structures and systems within the company and the associated impact of those actions on the performance of the company. We can therefore judge whether those structures and systems have translated into a good or bad firm performance.

Market-based measures of firm performance do the exact opposite of accounting-based measures in that they are forward-looking as they combine current company indicators with shareholders' expectations of the company's direction of travel (Shan & McIver, 2011; and Al-Matari *et al.,* 2014). Hence, whereas an accounting performance measure asks how the company has been doing (looking backward), a market-based measure of performance asks how the company is likely to be doing (going forward). Examples of market-based measures include Tobin's Q Ratio, Market Value Added (MVA), and Market-to-Book Value (MTBV).

Other market-based measures include Abnormal returns (stock) (RET), Dividend Yield (DY), Price-to-Earnings Ratio (PE Ratio), Logarithm of Market Capitalisation (LnCap), Stock repurchases, and Superior to Cumulative Abnormal Returns (CARs) (Al-Matari *et al.,* 2014).

Out of all the market-based measures Al-Matari *et al.* (2014) found that Tobin's Q is the most popular measure amongst governance researchers with 78% of surveyed papers between 2000 and 2012 utilising this measure. The second most used measure is MTBV which accounted for 7%.

Tobin's Q attempts to measure the expected long-run performance of a company by examining the current market value of the firm (outstanding stock and debt) and then weighing this value against the replacement cost of the company's assets (book value). The difficulty with this measure is that it is only as accurate as the current market value (market capitalisation) which is not always accurate. In addition, book value measures are subject to accounting

manipulation. A Tobin's Q Ratio above 1 indicates that the company's value is more than the cost of its assets (i.e. undervalued and thus attractive). A Tobin's Q Ratio between 0 and 1 indicates that the company is overvalued as its value is less that the cost of its assets. MTBV compares a company's market value to its book value. Similarly, to Tobin's Q Ratio, it is a function of market value of equity and book value of equity.

For this thesis, an appropriate measure of firm performance is an accounting-based measure. This is because this research essentially focuses on a review of past board structures, CSR disclosure and firm performance, within specified periods. Thus, by using an accounting-based measure, a clear conclusion can be drawn on the relationship between the concepts and their variables. Furthermore, market-based measures in Nigeria are generally volatile due to factors such as high inflation and recent oil price downturn.

Firm performance data were derived through calculations. These calculations were based on data extracted from the financial reports of companies. These data were available and accessed via the FT.com Equity Index. For verification purposes, the data were cross-checked against those in the annual reports. Where access to actual annual report of companies were missing, the data from FT filled this gap thus ensuring that all required data were obtained. Accounting based measures were used to calculate CFP[18]. The following formula were used to calculate firm performance:

- Return on Sales (ROS) = Earnings Before Interest and Tax (EBIT) / Revenue
- Return on Equity (ROE) = Net Income (NI) / Shareholders Equity
- Return on Assets (ROA) = Net Income (NI) / Total Assets

It proved challenging to calculate firm performance based on market-based measures such as Tobin Q ratio due to the absence of reliable data on Market Value of Asset (MVA) at the end of each company's financial year. All attempts to obtain these data proved difficult. The Nigerian Stock Exchange (NSE) repository also did not have this data while many financial databases such as Bloomberg and FT Equity Index did not have the data. The only valuation of Assets available, which is Book Value of Assets has already been used in calculating Return on Assets. This valuation is more appropriate in this case. In addition to this, the volatility of the Nigerian equity market in recent years means that MVA data is likely to be undervalued or

[18] Justification for the use of accounting-based measures can be found in *Section 4.7*

overvalued, hence Book Value of Assets is a more appropriate measure of asset valuation in this case. Also, Hoskisson, Johnson and Moesel (1994) argue that accounting-based measures were best suited for studies which examine past performances. The table below shows the average of performance by sector.

Table 5.14. Averages of performance by sector

Sector	Average of Total Asset (NGN Mn)	Average of D/E Ratio	Average of RoS	Average of RoE	Average of RoA
Financial Services	1,294,330.62	9.02	19.67%	7.65%	2.36%
Industrial Goods	258,525.20	0.75	27.51%	38.28%	17.88%
Consumer Goods	90,617.09	1.02	8.75%	32.78%	8.05%
Oil and Gas	201,352.94	7.20	1.86%	-9.72%	5.57%
Healthcare	26,832.50	1.18	11.81%	17.93%	8.45%
Construction / Real Estate	226,856.75	9.79	6.32%	34.07%	3.09%
Conglomerates	141,208.50	1.97	20.65%	7.00%	2.41%
Agriculture	35,327.14	0.54	41.26%	13.97%	9.09%
Services	80,482.50	0.55	34.27%	12.93%	8.46%
ICT	4,696.67	0.55	8.67%	13.81%	8.74%
Average	**576,849.97**	**4.81**	**16.58%**	**17.16%**	**6.49%**

The three accounting-based measures of CFP calculated were subsequently used as the main dependent variables in the models constructed.

5.7 Data validation, cleansing and testing

Once all data has been collected for CFP, CSR Disclosure, Local Issues, and Board characteristics, a number of reviews took place in order to ensure the validity and integrity of the dataset. This process is highlighted below:

- For financial information, a combination of annual report checks and FT.com Equity Index checks were carried out to ensure that data recorded is accurate. After the initial recording of the financial information on a spreadsheet, a web script was written to download the financial data for the 49 companies onto multiple Excel documents. A verification process then took place to ensure that the financial data recorded matches those downloaded from FT.com. Wherever a discrepancy occurs (for example due to currency differentials) this was thoroughly reviewed.
- Where there is missing data, that observation is excluded. This is the reason why the number of companies sampled was further reduced from 53 to a final number of 49.

Also, there were further missing data in the observations of the final 49 companies. These were subsequently removed hence the final observation number of 175, instead of 196.

- For Board characteristics, CSR and local issue disclosure data, the annual reports, and CSR reports where appropriate, were scanned and re-scanned in a two-stage process. The approach taken is relatively conservative in that the absence of information regarding a specific disclosure item is automatically classified as non-disclosure and awarded a score of 0.
- The regression analysis that follow was initially tested with a sample of 7 companies. Doing this showed some shortcomings in the way the some of the data was originally collected. This provided an opportunity to revisit some of the criteria and make appropriate adjustment. For example, through this process, it became apparent that it is easier for companies to be represented by numbers instead of a name or code.

5.8 Data analysis process for panel data analysis

A number of statistical analysis tools were considered for the experimentation process. These included *Gretl*, *SPSS*, and *Stata*. Gretl was not selected as the researcher has not previously used this software along with Gretl sharing many similarities with Stata, another widely used software for panel data analysis. SPSS was not chosen due to the complexities involved in running panel data and interaction effects (difference-in-difference models) which is critical to this study. Stata was selected mainly due to the simplicity of its interface in running panel data, its use of command lines, as and the ease of creating new variables from existing ones in order to assess the interaction effect. Also, Stata allows for rigorous testing of heteroscedasticity and comprehensive documentation. This choice is supported by Ward (2013) who argue that Stata is able to perform more advanced statistical analysis than packages such as SPSS, SAS and R.

5.8.1 Interaction effects with CG board characteristics as a moderator

A number of hypotheses tested examined the role of specific Board characteristics as a moderator for the relationship between CSR disclosure and CFP. This is known as the interaction effect of variable. The interaction effects help in assessing the role of key Board characteristics as a moderator. Baron and Kenny (1986, p.1174) described moderator variables as a *"qualitative (e.g., sex, race, class) or quantitative (e.g., level of reward) variable that affects the direction and/or strength of the relation between an independent or predictor variable and a dependent or criterion variable."*

5.8.2 Model specification

This study used panel data (also known as longitudinal time-series) analysis in determining the impact of CSR disclosure score and Board characteristics on firm performance. The use of panel data helped in observing behaviours over time whilst controlling for the year effects. In addition, panel data allows for control variables to be introduced within a model thus accounting for individual heterogeneity. For example, there are may be variables that change over time but not across entities while there may also be variables that is difficult to measure across different types of companies and thus require controlling for. In the case of this research, it is important to be able to control for firm specific characteristics. This include factors such as firm age, firm size, and financial leverage. This is in line with other research on this subject matter where these controls have been introduced. The table below provide a summary of what each symbol represents in the equation line. This is followed by the model specification for the first estimate (a sample of the coding within Stata for the panel data modelling can be found in *Appendix H*).

The test process and equation lines for the hypotheses tested are below:

Estimates 1 to 3: The effect of CSR disclosure score and corporate governance board variables on firm performance, with additional controls

- H1: H_0: In a controlled environment, CSR disclosure score and individual CG Board related variables do not affect CFP. H_a: In a controlled environment, CSR disclosure score and individual CG Board related variables affects CFP.
- *Equation line for fixed effect model:*
  - $Y_{it} = \alpha_i + \beta_1 X_{it} + U_{it}$
- *Equation line for random effect model:*
  - Y= β0 + β1*[Time] + β2*[Intervention] + β3*[Time*Intervention] + β4*[Covariates]+ε
- An Hausman test was then conducted to determine whether fixed effect or random effect model is appropriate. The result of the Hausman test served as a guide for which type of regression to run. Hausman test was used to determine if the unique errors are correlated with the regressors. Fixed effect model allows for individuality of firms so that each firm has its own intercept. Robust standard errors (i.e. 'vce robust' within *Stata*), which correct standard errors for model misspecification were used to account

for autocorrelation between pre/post in the same individual, thereby effectively controlling for any presence of heteroscedasticity.

The approach depicted above was used for 4 of the 8 hypotheses being examined. The groupings of the estimates test the hypotheses follows a sequence which is highlighted below:

- CSR disclosure score, CG board variables, and performance (Estimates 1 to 3)
- Social disclosure score, CG board variables, and performance (Estimates 31 to 33)
- Environment disclosure score, CG board variables, and performance (Estimates 61 to 63)
- Local issues disclosure score, CG board variables, and performance (Estimates 91 to 93)

For the models that examined the effect of interaction between variables, the equation line for the model is depicted below:

- $Y_{it} = \beta_1 X_1 + \beta_2 X_{it} + \beta_3 X_1 X_2 + \alpha_i + U_{it}$

The approach depicted above was used for 4 of the 8 hypotheses being examined. The groupings of the estimates test the hypotheses follows a sequence which is highlighted below:

- Interaction effects of CSR disclosure, board related variables, and firm performance (Estimates 4 to 30)
- Interaction effects of Social disclosure, board related variables, and firm performance (Estimates 34 to 60)
- Interaction effects of Environment disclosure score, CG board variables, and performance (Estimates 64 to 90)
- Interaction effects of Local issues disclosure score, CG board variables, and performance (Estimates 94 to 120)

Table 5.15. Interpretation of equation lines

Symbol	Expression
Y_{it}	Dependent variable (ROS or ROE or ROA); *i = entity; t = time*
α_i	Unknown intercept for each entity (*i* = 1…n)
β	Coefficient for the corresponding independent variable i.e. CSR disclosure Score, individual Board variables, and control variables
X_{it}	One independent or control variable (CSRDS; SocialDS, EnvDS, LIDS, BMembers, BMeetings, BWomen, NonExec, IndDir, MgrOwn, AuditCmt,RemCmt, MultiDirPos, Age; Age Squared; DERatio; LgTAssets; *i = entity; t = time*
U_{it}	Error term

5.8.3 Tests for collinearity, multicollinearity, heteroscedasticity, and other biases

Tests were carried out for multicollinearity, collinearity, heteroscedasticity, and other biases in order to ensure the validity of the results. Below is a summary of these checks:

- The Hausman model was used to determine what type of time-series model should run, i.e. random effect vs fixed effect.
  - Null: Random effects model appropriate
  - Alternative Fixed effects model appropriate
- The Hausman model helps ensures that biases relating to perfect collinearity is omitted from the model. The general rule is that a Hausman test with p-value < 0.05 signifies that a fixed effect model is more appropriate. If *p-value* > 0.05 then a random effect model is more appropriate. Fixed effect (or LSDV) model allows for individuality of firms i.e. each Firm having its own intercept. In a random effect model the companies have a common mean value for the intercept.
- Robust standard errors (i.e. 'vce robust' within *Stata*), which correct standard errors for model misspecification were used to account for autocorrelation between pre/post in the same individual, thereby effectively controlling for any presence of heteroscedasticity. Each model presented in the *Chapter 7* went through this process.
- Also, where appropriate e.g. in Random effect models, the Breush and Pagan Lagrangian multiplier test of independence confirmed the appropriateness of the random effect model while the Wooldridge test for autocorrelation in panel data confirmed the absence of serial correlation in the model.
- Serial correlation issues apply to long time series analysis (usually of over 20 years) and not for short time series such as 4 years which is the subject of this analysis. Nevertheless, where appropriate, a Lagrange-Multiplier test was conducted to test for serial correlation.
- Finally, the year effect was accounted for using the "xi" function in Stata in order to control time differences and/or account for the variability across time. Through this, Year effect dummy for 2012 is excluded.
- Sector is omitted from the models because of collinearity.

5.8.4 Reporting of findings

All 120 estimates models are presented to show the full breadth of the findings. The presentation of results has been carefully produced to mirror the expectations of academic

journals. The presentation also allows for the impact of the independent variables to be easily compared with the three measures of firm performance. The following key data are presented with each estimates table

- Coefficient of each variable in each model
- *t statistic* of each variable in each model
- No. of observations (this was constant at 175)
- Prob > chi2 (for random effect models) or Prob > F (for fixed effect models)
- Adjusted R-squared (for fixed effect models) or the within R-squared (for random effect models)

5.9 Ethical and practical considerations

Ethical and practical considerations were made throughout this research in order to ensure the credibility of this study and the integrity of academic standards.

5.9.1 Ethical considerations

Ethical considerations were made in the development and completion of this study. Given that this study is wholly based on secondary data, there was no need to seek permissions from gatekeepers in order to complete this research. In addition, particular attention was paid to confidentiality, ensuring that no individual company was named in the analysis in order to ensure that companies are not being commended or shamed through this research.

5.9.2 Credibility of research findings

This study can be considered credible based on the thoroughness of the literature review process, the robustness of the methods and methodology, and the rigorousness of the data analysis process. As a result of this, another research under the similar conditions and dataset should yield a similar result and reach similar conclusions. Also, the fact that a sample of 145 of the population size of 175 (representing 82.86% of the population) were the subject of the descriptive analysis which revisited the state of CSR disclosure in Nigeria means that the findings can be expected to yield the same results on other occasions and if examined by a different researcher. Also, reliability is about consistency over time (Joppe, 2000), and the panel data analysis which is based on the top 49 largest listed companies in Nigeria and a massive 175 observations (representing 25.71% of the population) suggests a robust sample size that can accurately represent the total population especially since the findings are based on a comprehensive analysis. In terms of validity, the discussions and conclusions to this study

shows that the analysis process was specifically designed to address the objectives set out in first chapter of this thesis.

Lastly on the issue of triangulation, the discussions and conclusions show that many of the finds of this research is credible in that there are aspects of this study where previous research that looked into it has reached a similar conclusion, even though the research is based on data in other countries. For studies relating to Nigeria, this study has not deviated from previous studies in what is known, rather it has gone further by providing insights into aspects not yet known.

5.9.3 Research limitations

The main restriction within this research is the lack of access to larger samples beyond the 175 observations used in the regression analysis (49 companies over a 4-year period). Due to weaknesses in the regulatory process in Nigeria, gaining access to annual reports was quite complicated in that many companies simply do not have a repository for these that is publicly available. However, the researcher was able to overcome this by scanning all relevant web pages (both manually and through a web script) for any document that may be available, even if the document had been wrongly named.

The main limitations of this research were in the limited access to comprehensive CSR reports, or sufficient information within annual reports on CSR related matters. This meant that companies that fail to disclose this simply scored zero for the specific item. There is always a possibility that this is just a case of companies failing to report their efforts, but such assertions cannot be factored into this study in the absence of concrete evidence.

5.10 Chapter summary

The table below provides a short summary of the methods and methodology of this study.

Table 5.16. Summary of methodological choices

Methodology	Choice	Justification
Assumption	Epistemology	Researcher is independent of research
Philosophy	Positivist	Generalisations are based on credible facts and objective analysis
Approach	Deductive	Testing of hypothesis utilised followed by observations of variables
Data type	Quantitative	Allows for large samples required to make generalisations
Strategy	Experiment, based on organisational archive	Testing of hypothesis rather than answering an overriding research question
Time horizon	Longitudinal	Biggest sample with stronger basis for generalisation
Data collection	Secondary data	Integrated annual reports, CSR reports, financial information
Nature of analysis	Descriptive analysis; inferential analysis; time-series regression	In line with the philosophy, approach and strategy
Causation	Direct-causation effect; interaction effects focusing on the role of Board characteristics as a moderator	Directly address the objectives of this study

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Chapter 6: Research findings and discussions on the moderating effect of Board characteristics on the relationship between CSR disclosure and CFP

6.1 Context

This chapter presents and discusses the results of a series of time series (also known as panel data) regression models conducted on the 49 companies listed on the Nigerian Stock Exchange as detailed within the methodology chapter of this thesis. The regression models focus on companies' disclosure between 2012 and 2015 (4 years). In each estimates table presented, three accounting-based measures of firm performance (CFP) were used i.e. Return on Sales (ROS), Return on Equity (ROE), and Return on Asset (ROA). The appropriateness of each of these measures were supported by the literature review process and detailed in the methodology chapter. A number of hypotheses were tested in order to quantitatively determine the significance, if any, of the relationship between Corporate Social Responsibility (CSR), Corporate Governance (CG), and Corporate Firm Performance (CFP). In addition, a number of the models also examined the moderating effect (i.e. interaction models) of specific Board characteristic on the relationship between CSR and the three measures of CFP.

6.2 Correlation matrix and descriptive statistics of variables

Table 6.1. Correlation matrix of variables

	ROS	ROE	ROA	CSRDS	EnvDS	SocialDS	LIDS	BMembers	BMeetings	BWomen	NonExec	IndDir	MgrOwn	AuditCmt	RemCmt	MultiDirPos	Age	LogTAsset	DERatio
ROS	1																		
ROE	0.3424*	1																	
ROA	0.5273*	0.2724*	1																
CSRDS	-0.11	-0.0976	0.102	1															
EnvDS	-0.11	-0.0711	0.0828	0.9027*	1														
SocialDS	-0.11	-0.103	0.1042	0.9850*	0.8149*	1													
LIDS	0.08	-0.0106	0.0447	0.3398*	0.3112*	0.3330*	1												
BMembers	-0.04	-0.1729*	-0.2997*	0.0974	0.1303	0.0789	0.4244*	1											
BMeetings	0.00	-0.0944	-0.0447	0.0337	0.0107	0.0411	0.1363	0.2914*	1										
BWomen	0.04	0.075	0.1107	0.2451*	0.2189*	0.2423*	0.2231*	0.1556*	0.1831*	1									
NonExec	0.2553*	-0.0415	0.1862*	-0.1600*	-0.1998*	-0.1354	-0.1325	-0.1696*	0.1356	-0.2840*	1								
IndDir	-0.02	-0.0893	-0.0049	0.068	0.1291	0.0398	0.069	0.0557	-0.079	0.1136	-0.0472	1							
MgrOwn	-0.04	-0.0304	-0.0289	-0.1123	-0.1208	-0.1029	-0.2628*	-0.1647*	0.0023	-0.1589*	-0.0038	-0.0132	1						
AuditCmt	0.04	0.0124	0.0322	0.0331	0.0162	0.0381	0.02	-0.1025	0.1278	-0.0122	-0.0214	-0.034	-0.0597	1					
RemCmt	-0.1543*	0.0159	-0.0702	0.2417*	0.2757*	0.2150*	0.2770*	0.042	0.0049	0.017	0.0674	0.1554*	-0.1014	0.1365	1				
MultiDirPos	0.02	-0.0699	-0.128	0.1573*	0.1925*	0.1347	0.2287*	0.2513*	0.2539*	-0.0368	0.1127	0.1575*	0.1289	0.0937	0.2344*	1			
Age	-0.2160*	-0.0469	0.1411	0.1409	0.2065*	0.107	0.1072	0.0443	-0.0716	0.1911*	-0.1985*	0.0673	-0.3660*	0.0084	0.1866*	0.0073	1		
LgTAsset	0.03	-0.1722*	-0.4071*	0.1194	0.0848	0.1268	0.3719*	0.4846*	0.2362*	0.1624*	-0.1455	-0.0294	-0.0809	0.0972	0.0243	0.2620*	-0.0973	1	
DERatio	-0.1958*	-0.6186*	-0.1427	0.0084	-0.0212	0.0198	0.0476	0.1425	0.0221	-0.0013	-0.015	-0.0309	-0.0471	-0.0022	-0.1264	0.0443	0.1068	0.1682*	1

The correlation matric above shows the pairwise correlation of variables used in conducting this analysis along with their statistical significance at the 5% level. This is part of exploratory data analysis necessary to understand the behaviour of the variables. CEO duality and was dropped due to point-biserial correlation coefficient i.e. mostly consistent recording at each data point. Also, categorical variables are omitted as correlation between unranked categorical variables difficult to interpret.

Table 6.2. Descriptive statistics of variables

Variable	Obs	Mean	Std.Dev.	Min	Max
Firm performance variables					
ROS	175	0.16	0.19	-0.95	0.86
ROE	175	0.17	0.66	-4.57	5.14
ROA	175	0.06	0.10	-0.25	0.54
CSR disclosure variables					
CSRDS	175	3.40	6.19	0	40
EnvDS	175	0.78	1.84	0	10
SocialDS	175	2.62	4.59	0	30
LIDS	175	2.79	1.58	0	5
Corporate Governance Board Variables					
BMembers	175	11.05	3.11	6	18
BMeetings	175	5.33	1.96	0	13
BWomen	175	0.15	0.11	0	0.43
NonExec	175	0.65	0.18	0	0.92
IndDir	175	0.13	0.19	0	0.89
MgrOwn	175	0.26	0.44	0	1
AuditCmt	175	0.99	0.11	0	1
RemCmt	175	0.62	0.49	0	1
MultiDirPos	175	0.83	0.38	0	1
Control variables					
Age	175	37.63	21.01	0	92
LgTAsset	175	5.14	0.81	3.12	6.64
DERatio	175	4.80	14.87	-21.26	191.26

6.3 Results and discussions of panel data analysis

6.3.1 CSR disclosure, CG board related variables, and firm performance

The table below addresses Hypotheses 1 (H1) which examines the relationship between CSR disclosure, Board characteristics, and firm performance. The hypothesis being tested by each estimate are:

- H1: H_0: In a controlled environment, CSR disclosure score and individual CG Board related variables do not affect CFP. H_a: In a controlled environment, CSR disclosure score and individual CG Board related variables affects CFP.

Table 6.3. ESTIMATES OF THE EFFECT OF CSR DISCLOSURE SCORE AND CG BOARD VARIABLES ON FIRM PERFORMANCE, WITH ADDITIONAL CONTROLS

Variables	(1) ROS	(2) ROE	(3) ROA
Intercept	0.784 (1.34)	3.098 (1.35)	0.255 (1.91)
CSRDS	-0.005 (-1.44)	-0.020 (-1.63)	-0.001 (-0.46)
BMembers	-0.012 (-1.86)	-0.0315* (-2.12)	-0.004 (-1.62)
BMeetings	-0.013 (-1.47)	-0.0566* (-2.25)	-0.004 (-0.83)
BWomen	0.702** (2.72)	1.168 (1.63)	0.165 (1.7)
NonExec	-0.258* (-2.25)	-1.730** (-2.85)	0.009 (0.22)
IndDir	-0.310* (-2.05)	-0.64 (-1.45)	-0.018 (-0.75)
MgrOwn	0.117** (3.17)	-0.0101 (-0.11)	0.021 (1.37)
AuditCmt	0.222* (2.39)	0.215 (1.46)	0.037 (1.62)
RemCmt	-0.126 (-1.63)	0.151 (1.21)	-0.018 (-1.29)
MultiDirPos	0.081 (1.93)	0.259* (2.09)	0.016 (0.76)
Age	-0.015 (-0.76)	0.257 (1.59)	0.001 (0.84)
AgeSquared	-0.001 (-0.39)	-0.003 (-1.90)	-0.000 (-0.58)
LgTAsset	0.035 (0.26)	-1.287 (-1.38)	-0.043* (-2.00)
DERatio	-0.002*** (-4.49)	-0.027*** (-5.12)	-0.000 (-1.27)
Year controls	Yes	Yes	Yes
No of Observations	175	175	175
Adj R-sq	0.308	0.526	
R-sq (within)	0.371	0.57	0.211
F statistics (fixed)	11.14	4.228	
chi2 (random)			58.47
vce type	Robust	Robust	Robust

This table shows the results of the panel data regression of the three accounting measures of firm performance (ROS, ROE and ROA), on the main independent variable of CSR Disclosure Score (CSRDS) and a number of Board related variables (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). The model also includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

In each of the three models (Estimates 1, 2 and 3) in *Table 6.3* above, CSR Disclosure Score, the main independent variable does not explain changes in Return on Sales (ROS), Return on Equity (ROE), and Return on Assets (ROA). For both ROS and ROE models, Debt-to-Equity Ratio (DERatio) is a significant predictor of performance and the impact of this control variable is negative as evident in the coefficient of the DERatio regressor, which indicates that a 1 unit increase in DERatio will result in a of -0.002 decrease in ROS and -0.027 in ROS respectively, with both being significant at the 99% confidence level. DERatio does not appear to have an impact on ROA in this model.

A number of Board related variables were significant. Of these, those with positive impact on ROS are: Pct. of Women on the Board (BWomen), Presence of Managerial Ownership (MgrOWn), and Presence of Audit Committee (AudCmt). Pct. of Women on the Board was particularly significant at the 99% confidence level, indicating that a one unit increase in the Pct. of Women on the Board will increase ROS by 0.702. Presence of Multiple Directorial Positions (MultiDirPos) is the only independent variable with a significant positive impact on ROE, while no Board related variables had a significant impact on ROA.

For negative associations, both Pct. of Non-Exec Directors (NonExec) and Pct. of Independent Directors (IndDir) are negatively associated with ROS. Those with negative impact on ROE are: No. of Board Members (BMembers), No. of Board Meetings (BMeetings), Pct. of Non-Exec Directors (NonExec).

None of the Board related variables had an impact (positive/negative) on ROA, although the control variable for firm size (Log. Of Total Assets), had a negative impact on ROA.

Overall, the results from *Table 6.3* indicate CSR Disclosure Score does not affect firm performance but a number of individual Board related variables affect firm performance as measured by ROS and ROE, but not ROA. These Board related variables either enhances or reduces CFP (ROS and ROE) as explained above. We therefore reject the Null in the case of ROS and ROE (marginal given that CSR Disclosure Score itself is not significant in both models) but fail to reject the Null in the case of the ROA model.

6.3.2 Interaction effects of CSR disclosure, board related variables, and firm performance

The tables below address Hypotheses 2 (H2) which examines the interaction effects between CSD disclosure score, specific board related characteristic, and their effect of firm performance. The hypothesis being tested by each estimate are:

- H2: H_0: In a controlled environment, the interaction effect between CSR disclosure score and individual CG Board related variables does not affect CFP. H_a: In a controlled environment, the interaction effect between CSR disclosure score and individual CG Board related variables affects CFP.

Table 6.4. ESTIMATES OF THE INTERACTION EFFECTS OF CSR DISCLOSURE SCORE AND CG BOARD VARIABLES ON ROS, WITH ADDITIONAL CONTROLS

	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)
	ROS	ROS	ROS	ROS	ROS	ROS	ROS	ROS	ROS
Intercept	0.235 (1.27)	0.19 (1.09)	0.301 (1.57)	1.171* (2.17)	0.254 (1.33)	0.218 (1.12)	0.203 (1.11)	0.272 (1.43)	0.228 (1.17)
CSRDS	0.003 (0.28)	0.019 (1.23)	-0.0134 (-0.90)	0.009 (0.69)	0.002 (0.69)	0.000 (0.38)	-0.002 (-0.22)	-0.019 (-0.93)	0.016 (0.65)
BMembers	-0.002 (-0.33)								
CSRDS_Members	-0.001 (-0.59)								
BMeetings		0.003 (0.29)							
CSRDS_Meetings		-0.005 (-1.32)							
BWomen			0.226 (1.10)						
CSRDS_Women			0.0391 (0.81)						
NonExec				-0.191* (-2.66)					
CSRDS_NonExec				-0.0231 (-0.85)					
IndDir					0.042 (0.31)				
CSRDS_IndDir					-0.0445 (-1.58)				
MgrOwn						0.043 (1.23)			
CSRDS_MgrOwn						-0.019*** (-16.38)			
AuditCmt							0.051* (2.57)		
CSRDS_Audit							-0.003 (-0.28)		
RemCmt								-0.093 (-1.35)	
CSRDS_Rem								0.015(0.71)	
MultiDirPos									0.037 (0.56)
CSRDS_MultDirPos									-0.02 (-0.82)
Age	-0.002 (-0.69)	-0.002 (-0.67)	-0.004 (-0.96)	-0.024 (-1.46)	-0.003 (-0.73)	-0.003 (-0.69)	-0.003 (-0.70)	-0.002 (-0.71)	-0.002 (-0.71)
AgeSquared	0.000 (0.17)	0.000 (0.08)	0.000 (0.50)	0.000 (0.92)	0.000 (0.29)	0.000 (0.19)	0.000 (0.19)	0.000 (0.30)	0.000 (0.18)
LgTAsset	0.015 (0.46)	0.017 (0.56)	0.000 (0.01)	-0.043 (-0.33)	0.006 (0.19)	0.011 (0.35)	0.008 (0.26)	0.014 (0.40)	0.006 (0.23)
DERatio	-0.002** (-3.16)	-0.002*** (-3.51)	-0.002*** (-3.49)	-0.002*** (-4.99)	-0.002*** (-3.68)	-0.002** (-3.19)	-0.002** (-3.05)	-0.002** (-2.99)	-0.002** (-3.06)
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No of Observations	175	175	175	175	175	175	175	175	175
Adj R-sq				0.175					
R-sq (within)	0.134	0.182	0.191	0.217	0.202	0.203	0.129	0.15	0.129
F statistics (fixed)				7.182					
chi2 (random)	57.65	57.1	57.7		58.12	2400.5	.	70.11	64.74
vce type	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust

The tables above shows the results of 9 panel data regression of ROS, on the independent variable of CSR Disclosure Score (CSRDS), a specific Board related variable, and the interaction effect between CSRDS and the specific Board variable (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). Each model includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

Table 6.5. ESTIMATES OF THE INTERACTION EFFECTS OF CSR DISCLOSURE SCORE AND CG BOARD VARIABLES ON ROE, WITH ADDITIONAL CONTROLS

	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
	ROE	ROE	ROE	ROE	ROE	ROE	ROE	ROE	ROE
Intercept	0.509 (1.72)	0.33 (1.11)	0.769* (2.06)	3.975 (1.52)	0.611 (1.94)	4.255 (1.25)	0.582 (1.75)	0.648* (2.03)	0.509 (1.81)
CSRDS	0.029 (0.86)	0.088 (1.68)	-0.036 (-0.67)	0.029 (0.59)	0.016* (2.37)	-0.002 (-1.00)	-0.019 (-0.45)	0.064 (1.62)	0.125 (1.3)
BMembers	-0.001 (-0.07)								
CSRDS_Members	-0.004 (-0.95)								
BMeetings		0.030 (0.95)							
CSRDS_Meetings		-0.019 (-1.59)							
BWomen			0.560 (1.21)						
CSRDS_Women			0.109 (0.66)						
NonExec				-1.254* (-2.29)					
CSRDS_NonExec				-0.086 (-0.80)					
IndDir					0.397 (1.17)				
CSRDS_IndDir					-0.214* (-2.18)				
MgrOwn						0.086 (1.26)			
CSRDS_MgrOwn						-0.065*** (-20.45)			
AuditCmt							0.057 (0.73)		
CSRDS_Audit							0.009 (0.21)		
RemCmt								0.055 (0.72)	
CSRDS_Rem								-0.074 (-1.67)	
MultiDirPos									0.119 (1.09)
CSRDS_MultDirPos									-0.135 (-1.39)
Age	-0.001 (-0.25)	-0.000 (-0.08)	-0.006 (-1.19)	0.229 -1.48	-0.002 (-0.41)	0.224 -1.37	-0.002 (-0.42)	-0.003 (-0.73)	-0.003 (-0.76)
AgeSquared	0.000 (0.42)	0.000 (0.18)	0.000 (1.29)	-0.002 (-1.61)	0.000 (0.77)	-0.002 (-1.54)	0.000 ()0.64	0.000 (0.92)	0.000 (1.00)
LgTAsset	-0.020 (-0.39)	-0.021 (-0.33)	-0.067 (-1.12)	-1.511 (-1.45)	-0.055 (-0.99)	-1.707 (-1.37)	-0.048 (-0.79)	-0.059 (-1.02)	-0.044 (-0.93)
DERatio	-0.027*** (-4.50)	-0.027*** (-4.89)	-0.027*** (-4.55)	-0.028*** (-5.10)	-0.027*** (-5.20)	-0.029*** (-4.39)	-0.027*** (-4.45)	-0.028*** (-4.45)	-0.027*** (-4.44)
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No of Observations	175	175	175	175	175	175	175	175	175
Adj R-sq				0.527		0.487			
R-sq (within)	0.429	0.457	0.44	0.551	0.459	0.514	0.421	0.416	0.418
F statistics (fixed)				7.043		656.9			
chi2 (random)	34.27	78.48	28.62		75.6		.	35.92	30.25
vce type	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust

The tables above shows the results of 9 panel data regression of ROE, on the independent variable of CSR Disclosure Score (CSRDS), a specific Board related variable, and the interaction effect between CSRDS and the specific Board variable (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). Each model includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

Table 6.6. ESTIMATES OF THE INTERACTION EFFECTS OF CSR DISCLOSURE SCORE AND CG BOARD VARIABLES ON ROA, WITH ADDITIONAL CONTROLS

	(22)	(23)	(24)	(25)	(26)	(27)	(28)	(29)	(30)
	ROA	ROA	ROA	ROA	ROA	ROA	ROA	ROA	ROA
Intercept	0.300* (2.48)	0.287* (2.38)	0.315** (2.61)	0.288* (2.1)	0.302* (2.56)	0.288* (2.34)	0.285* (2.45)	0.307** (2.58)	0.282** (2.6)
CSRDS	0.001 (0.56)	0.006* (2.41)	-0.002 (-0.65)	0.003 (1.77)	0.001 (1.94)	0.001*** (3.39)	0.001** (2.71)	0.000 (0.01)	0.021 (1.93)
BMembers	-0.002 (-1.01)								
CSRDS_Members	-0.000 (0.63)								
BMeetings		-0.001 (-0.20)							
CSRDS_Meetings		-0.001* (-2.30)							
BWomen			0.089 (0.91)						
CSRDS_Women			0.008 (0.69)						
NonExec				0.021 (0.49)					
CSRDS_NonExec				-0.006 (-1.50)					
IndDir					0.035 (1.08)				
CSRDS_IndDir					-0.012* (-2.16)				
MgrOwn						0.019 (1.58)			
CSRDS_MgrOwn						-0.005*** (-3.32)			
AuditCmt							0.019** (3.11)		
CSRDS_Audit							-0.008** (-2.58)		
RemCmt								-0.013 (-0.85)	
CSRDS_Rem								-0.000 (-0.08)	
MultiDirPos									0.026 (1.94)
CSRDS_MultDirPos									-0.021 (-1.95)
Age	0.001 (0.66)	0.001 (0.73)	0.001 (0.38)	0.001 (0.64)	0.001 (0.6)	0.001 (0.69)	0.001 (0.64)	0.001 (0.64)	0.001 (0.68)
AgeSquared	-0.000 (-0.41)	-0.000 (-0.53)	-0.000 (-0.19)	-0.000 (-0.41)	-0.000 (-0.33)	-0.000 (-0.41)	-0.000 (-0.39)	-0.000 (-0.35)	-0.000 (-0.40)
LgTAsset	-0.044 (-1.96)	-0.046* (-2.12)	-0.052* (-2.30)	-0.049* (-2.19)	-0.050* (-2.26)	-0.049* (-2.13)	-0.050* (-2.22)	-0.049* (-2.14)	-0.050* (-2.48)
DERatio	-0.000 (-1.77)	-0.000 (-1.60)	-0.000 (-1.40)	-0.000* (-2.03)	-0.000 (-1.61)	-0.000 (-1.73)	-0.000 (-1.79)	-0.000 (-1.82)	-0.000 (-1.82)
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No of Observations	175	175	175	175	175	175	175	175	175
Adj R-sq									
R-sq (within)	0.144	0.174	0.169	0.151	0.164	0.175	0.143	0.144	0.138
F statistics (fixed)									
chi2 (random)	38.03	39.8	28.65	38.95	36.2	81.18	.	38.48	36.23
vce type	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust

The tables above shows the results of 9 panel data regression of ROA, on the independent variable of CSR Disclosure Score (CSRDS), a specific Board related variable, and the interaction effect between CSRDS and the specific Board variable (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). Each model includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

Each of *Tables 6.4, 6.5* and *6.6* depicts the interaction effects.

Table 6.4 shows the interactions and their effect on Return on Sales (Estimates 4 to 12). Out of the 9 interactions tested between CSR Disclosure Score (CSRDS) and a specific CG Board related variable, a form of significance or another is evident in 3 estimates while there was no significance found in 6 estimates. Also, consistent with results in *Section 6.3.1*, D/E Ratio, a control variable, is a significant predictor of ROS, and the impact of this control variable is negative as evident in the coefficient of the DERatio regressor in each of the 9 estimates.

In the interaction between CSR Disclosure Score (CSRDS) and Pct. of Non-Executive Directors (NonExec), there is evidence that the Pct. of Non-Executive Directors (NonExec) is negatively associated with ROS at the 90% confidence level; however, neither CSR Disclosure Score (CSRDS) nor the interaction effect between CSRDS and NonExec show any form of significance.

In the interaction between CSR Disclosure Score (CSRDS) and Presence of Managerial Ownership (MgrOwn), neither CSRDS nor MgrOwn had a significant association with ROS on their own. However, the interaction effect between both variables i.e. CSRDS_MgrOwn showed a highly significant association with ROS at the 99% confidence level. This association is negative, meaning that the relationship between the Presence of Managerial Ownership (MgrOwn) and CSR Disclosure Score (CSRDS) has a reducing effect on ROS. In other words, a one unit increase in this interaction relationship will reduce ROS by 0.019.

In the interaction between CSR Disclosure Score (CSRDS) and Presence of Audit Committee (AuditCmt), CSRDS itself is not significant, and neither is the interaction between CSRDS and AuditCmt. However, Presence of Audit Committee (AuditCmt) has a positive association with ROS, with significance at the 90% confidence level.

Table 6.5 shows the interactions and their effect on ROE (Estimates 13 to 21). Out of the 9 interactions tested between CSR Disclosure Score and a specific CG Board related variable, a form of significance or another is evident in 3 estimates while there was no significance found in 6 estimates. Also, consistent with results in *Section 6.3.1*, D/E Ratio, a control variable, is a highly significant predictor of ROE (similarly to ROS) and the impact of this control variable is negative as evident in the coefficient of the D/E Ratio regressor in each of the 9 estimates, at the 99% confidence level.

In the interaction between CSR Disclosure Score (CSRDS) and Pct. of Non-Executive Directors (NonExec), there is evidence that the Pct. of Non-Executive Directors (NonExec) is negatively associated with ROE at the 90% confidence level; however, neither CSR Disclosure Score (CSRDS) nor the interaction effect between CSRDS and NonExec show any form of significance. This is similar to the pattern reported in Estimates (7) under *Table 6.4*.

In the interaction between CSR Disclosure Score (CSRDS) and Pct. of Independent Directors (IndDir), CSRDS is significant with a positive impact on ROE (at the 90% confidence level) with a coefficient of 0.016. IndDir in itself had no significant association with ROE. However, the interaction effect between both variables i.e. CSRDS_IndDir showed a significant association with ROE at the 90% confidence level. This association is negative meaning that the relationship between the Pct. of Independent Directors (IndDir) and CSR Disclosure Score (CSRDS) has a reducing effect on ROE, demonstrating that that there are differences in groups of firms' behaviours (i.e. those with a higher percentage of independent directors compared with those with less), in terms of the level of the relationship between CSRDS and ROE. In this particular case, higher Pct. of Independent Directors reduces the magnitude of the benefit associated with the positive relationship between CSRDS on ROE. In other words, a one unit increase in this interaction relationship will reduce the magnitude of the benefit associated with the positive relationship between CSRDS on ROE by 0.214.

In the interaction between CSR Disclosure Score (CSRDS) and Presence of Managerial Ownership (MgrOwn), neither CSRDS nor MgrOwn had a significant association with ROE on their own. However, the interaction effect between both variables i.e. CSRDS_MgrOwn showed a high significant association with ROE at the 99% confidence level. This is an example of a crossover interaction where there is no overall effect of the main variables on ROE, but the effect of MgrOwn on ROE is opposite, depending on the value of CSRDS. This association is negative meaning that the relationship between the Presence of Managerial Ownership (MgrOwn) and CSR Disclosure Score (CSRDS) has a reducing effect on ROE i.e. it is either net cost to the firm or it reduces the magnitude of any benefit to be realised. In other words, a one unit increase in this interaction relationship will reduce ROE by 0.065. The assertion here is that there are differences in groups of firms' behaviours (i.e. those with a presence of managerial ownership when compared with those without) in terms of the level of the relationship between CSRDS and ROE. In this particular case, Presence of Managerial Ownership (MgrOwn), reduces the magnitude of any association between CSRDS and ROE.

Table 6.6 shows the interactions and their effect on Return on Assets (Estimates 22 to 30). Out of the 9 interactions tested between CSR Disclosure Score and a specific CG Board related variable, a form of significance or another is evident in 4 estimates while there was no significance found in 5 estimates. Unlike the results from the ROS and ROE estimates, Log of Total Assets, a control variable, is a significant predictor of ROA and the impact of this control variable is negative as evident in the coefficient of the DERatio regressor in each of the 8 of the 9 estimates, at the 90% confidence level.

In the interaction between CSR Disclosure Score (CSRDS) and No. of Board Meetings (BMeetings), CSRDS is significant with a positive impact on ROA (at the 90% confidence level) with a coefficient of 0.006 meaning that a unit increase in CSRDS will increase ROA by 0.006. BMeetings in itself had no significant association with ROA. However, the interaction effect between both variables i.e. CSRDS_BMeetings showed a significant association with ROA at the 90% confidence level. This association is negative meaning that the relationship between the No. of Board Meetings (BMeetings) and CSR Disclosure Score (CSRDS) has a reducing effect on ROA, demonstrating that that there are differences in groups of firms' behaviours (i.e. those with more board meetings compared with those with less), in terms of the level of the relationship between CSRDS and ROA. In this particular case, more meetings reduce the magnitude of the benefit associated with the positive relationship between CSRDS on ROA. In other words, a one unit increase in this interaction relationship will reduce the magnitude of the benefit associated with the positive relationship between CSRDS on ROA by 0.001.

In the interaction between CSR Disclosure Score (CSRDS) and Pct. of Independent Directors (IndDir), neither CSRDS nor IndDir had a significant association with ROA on their own. However, the interaction effect between both variables i.e. CSRDS_IndDir showed a significant negative association with ROA at the 90% confidence level demonstrating that there are differences in groups of firms' behaviours (i.e. those with a higher Pct. of Independent Directors compared with those with lower), in terms of the level of the relationship between CSRDS and ROA. This negative association mean that the interaction between the Pct. of Independent Directors and CSR Disclosure Score (CSRDS) has a reducing effect on ROA.

In the interaction between CSR Disclosure Score (CSRDS) and Presence of Managerial Ownership (MgrOwn), CSRDS is highly significant with a positive impact on ROA (at the 99% confidence level) and a coefficient of 0.001 meaning that a unit increase in CSRDS will

increase ROA by 0.001. Presence of Managerial Ownership (MgrOwn)in itself had no significant association with ROA. However, the interaction effect between both variables i.e. CSRDS_MgrOwn showed a high significant association with ROA at the 99% confidence level. This association is negative meaning that the relationship between the Presence of Managerial Ownership (MgrOwn) and CSR Disclosure Score (CSRDS) has a reducing effect on ROA, demonstrating that that there are differences in groups of firms' behaviours (i.e. those with Presence of Managerial Ownership compared with those without), in terms of the level of the relationship between CSRDS and ROA. In this particular case, Presence of Managerial Ownership reduce the magnitude of the benefit associated with the positive association between CSRDS on ROA. In other words, a one unit increase in this interaction relationship will reduce the magnitude of the benefit associated with the positive relationship between CSRDS on ROA by 0.005.

The interaction between CSR Disclosure Score (CSRDS) and Presence of Audit Committee (AuditCmt) is very significant for ROA. CSRDS is significant with a positive impact on ROA (at the 95% confidence level) and a coefficient of 0.001, while AuditCmt is also significant (at the 95% confidence level) with a coefficient of 0.005. In addition, the interaction effect between CSRDS and AuditCmt shows significance at the 95% level although this interaction has a negative association with ROA indicating that there are differences in groups of firms' behaviours (i.e. those with Presence of Audit Committee compared with those without), in terms of the level of the relationship between CSRDS and ROA. In this particular case, Presence of Audit Committee reduce the magnitude of the benefit associated with the positive association between CSRDS on ROA. In other words, a one unit increase in this interaction relationship will reduce the magnitude of the benefit associated with the positive relationship between CSRDS on ROA by 0.008.

Overall, the results from *Table 6.4, 6.5 and 6.6* indicate that the interaction effect between CSR disclosure score and individual CG Board related variables does affects CFP in some cases, while in other cases, there is no evidence of this.:

- For the ROS model, the clearest estimate is that of CSR disclosure score (CSRDS) and presence of managerial ownership which shows a significance for the interaction and a reducing effect on the association between CSRDS and ROS.
- For the ROE model, the interaction between CSR disclosure score (CSRDS) and Pct. of Independent Directors, as well as the interaction with Presence of

Managerial Ownership were significant. Both of these interactions show a reducing effect on the association between CSRDS and ROE.

- For the ROA model, For the ROE model, the interactions between CSR Disclosure Score (CSRDS) and Board Meetings, Pct. of Independent Directors, Presence of Managerial Ownership, and Presence of Audit Committee all show significance. In all 4 estimates, the interactions show a reducing effect on the association between CSRDS and ROA.

In each of the three tables and 27 estimates, there are no significance found in interactions for No. of Board Members (BMembers), Pct. of Women on Board (BWomen), Presence of Remuneration Committee (RemCmt), and Evidence of board members with Multiple Directorial Positions (MultiDirPos).

Where specific interaction between CSRDS and a board related characteristic has been found to be significant, the interaction shows a reducing effect on the association between CSRDS and CFP. (7 cases – CSRDS_MgrOwn on ROS; CSRDS_IndDir and CSRDS_MgrOwn on ROE; and CSRDS_Meetings, CSRDS_IndDir, CSRDS_MgrOwn and CSRDS_MgrOwn on ROA). We therefore reject the Null in Hypothesis 2 and conclude that the interaction effect between CSR disclosure score and individual CG Board related variables affects CFP. This is because there is enough evidence in 7 estimates from *Tables 6.4, 6.5 and 6.6.*

6.3.3 Social disclosure, CG board related variables, and firm performance

The table below addresses Hypotheses 3 (H3) which examines the relationship between Social disclosure, Board characteristics, and firm performance. The hypothesis being tested by each estimate are:

- H3: H_0: In a controlled environment, Social disclosure score and individual CG Board related variables do not affect CFP. H_a: In a controlled environment, Social disclosure score and individual CG Board related variables affects CFP.

Table 6.7. ESTIMATES OF THE EFFECT OF SOCIAL DISCLOSURE SCORE AND CG BOARD VARIABLES ON FIRM PERFORMANCE, WITH ADDITIONAL CONTROLS

	(31) ROS	(32) ROE	(33) ROA
Intercept	0.792 (1.36)	3.12 (1.35)	0.257 (1.91)
SocialDS	-0.007 (-1.32)	-0.027 (-1.49)	-0.000 (-0.30)
BMembers	-0.012 (-1.87)	-0.032* (-2.13)	-0.004 (-1.65)
BMeetings	-0.013 (-1.49)	-0.058* (-2.29)	-0.004 (-0.82)
BWomen	0.707** (2.72)	1.192 (1.64)	0.164 (1.69)
NonExec	-0.259* (-2.24)	-1.731** (-2.86)	0.009 (0.21)
IndDir	-0.312* (-2.06)	-0.653 (-1.47)	-0.018 (-0.74)
MgrOwn	0.117** (3.21)	-0.010 (-0.11)	0.021 (1.37)
AuditCmt	0.219* (2.37)	0.206 (1.39)	0.037 (1.62)
RemCmt	-0.125 (-1.63)	0.153 (1.23)	-0.018 (-1.31)
MultiDirPos	0.080 (1.91)	0.257* (2.11)	0.016 (0.75)
Age	-0.015 (-0.74)	0.259 (1.59)	0.001 (0.82)
AgeSquared	-0.000 (-0.44)	-0.003 (-1.92)	-0.000 (-0.57)
LgTAsset	0.036 (0.28)	-1.281 (-1.37)	-0.043* (-2.00)
DERatio	-0.002*** (-4.54)	-0.027*** (-5.13)	-0.000 (-1.27)
Year controls	Yes	Yes	Yes
No of Observations	175	175	175
Adj R-sq	0.307	0.527	
R-sq (within)	0.371	0.57	0.208
F statistics (fixed)	10.79	4.233	
chi2 (random)	59.34		
vce type	Robust	Robust	Robust

This table shows the results of the panel data regression of the three accounting measures of firm performance (ROS, ROE and ROA), on the main independent variable of Social Disclosure Score (SocialDS) and a number of Board related characteristics (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). The model also includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

In each of the three models (estimates 31, 22 and 33) in *Table 6.7* above, Social Disclosure Score (which is a subset score of CSR Disclosure Score, focusing on social issues), the main independent variable does not explain changes in ROS, ROE and ROA. For both ROS and ROE models, Debt-to-Equity Ratio (DERatio) is a significant predictor of performance and the impact of this control variable is negative as evident in the coefficient of the DERatio regressor, which indicates that a 1 unit increase in DERatio will result in a of -0.002 decrease in ROS and -0.027 in ROE respectively, with both being significant at the 99% confidence level. DERatio does not appear to have an impact on ROA in this model, whereas Log of Total Assets (the proxy for firm size) does. This behaviour of the D/E Ratio is consistent with what was reported in *Table 6.1*.

A number of Board related variables were significant. Of these, those with positive impact on ROS are: Pct. of Women on the Board (BWomen) and Presence of Managerial Ownership (MgrOWn) with both being significant at the 95% confidence level. In the ROE model, Evidence of Director with Multiple Directorial Positions (MultiDirPos) has a significant positive impact on performance at the 90% confidence level. There were no Board related variables with a positive significant impact on ROA.

For negative associations, both Pct. of Non-Exec Directors (NonExec) and Pct. of Independent Directors (IndDir) are negatively associated with ROS. Those with negative impact on ROE are: No. of Board Members (BMembers), No. of Board Meetings (BMeetings), Pct. of Non-Exec Directors (NonExec). None of the Board related variables had an impact (positive/negative) on ROA, although the control variable for firm size (Log. Of Total Assets), had a negative impact on ROA. These are consistent with the findings under CSRDS.

Overall, the results from *Table 6.7* indicate Social Disclosure Score does not affect firm performance but a number of individual Board related variables affect firm performance as measured by ROS and ROE, but not ROA. These Board related variables either enhances or reduces CFP (ROS and ROE) as explained above. We therefore reject the Null in the case of ROS and ROE (marginal given that Social Disclosure Score itself is not significant in both models) but fail to reject the Null in the case of the ROA model.

6.3.4 Interaction effects of Social disclosure, board related variables, and firm performance

The tables below address Hypotheses 4 (H4) which examines the interaction effects between Social disclosure score, specific board related characteristic, and their effect of firm performance. The hypothesis being tested by each estimate are:

- H4: H_0: In a controlled environment, the interaction effect between Social disclosure score and individual CG Board related variables does not affect CFP. H_a: In a controlled environment, the interaction effect between Social disclosure score and individual CG Board related variables affects CFP.

Table 6.8. ESTIMATES OF THE INTERACTION EFFECTS OF SOCIAL DISCLOSURE SCORE AND CG BOARD VARIABLES ON ROS, WITH ADDITIONAL CONTROLS

	(34)	(35)	(36)	(37)	(38)	(39)	(40)	(41)	(42)
	ROS	ROS	ROS	ROS	ROS	ROS	ROS	ROS	ROS
Intercept	0.233 (1.26)	0.178 (1.03)	0.300 (1.58)	1.186* (2.17)	0.251 (1.32)	0.203 (1.05)	0.210 (1.14)	0.271 (1.40)	0.229 (1.18)
SocialDS	0.004 (0.32)	0.025 (1.25)	-0.017 (-0.83)	0.013 (0.73)	0.004 (0.79)	0.000 (0.25)	-0.004 (-0.34)	-0.027 (-0.86)	0.015 (0.62)
BMembers	-0.002 (-0.32)								
Soc_Members	-0.001 (-0.62)								
BMeetings		0.004 (0.37)							
Soc_Meetings		-0.006 (-1.31)							
BWomen			0.224 (1.04)						
Soc_Women			0.051 (0.75)						
NonExec				-0.186* (-2.48)					
Soc_NonExec				-0.032 (-0.85)					
IndDir					0.043 (0.33)				
Soc_IndDir					-0.068 (-1.74)				
MgrOwn						0.051 (1.46)			
Soc_MgrOwn						-0.027*** (-14.92)			
AuditCmt							0.046* (2.39)		
Soc_Audit							-0.001 (-0.09)		
RemCmt								-0.101 (-1.28)	
Soc_Rem								0.022 (0.68)	
MultiDirPos									0.036 (0.54)
Soc_MultiDir									-0.021 (-0.83)
Age	-0.002 (-0.67)	-0.002 (-0.63)	-0.004 (-0.95)	-0.024 (-1.43)	-0.003 (-0.73)	-0.002 (-0.64)	-0.003 (-0.70)	-0.002 (-0.70)	-0.002 (-0.71)
AgeSquared	0.000 (0.13)	0.000 (0.03)	0.000 (0.46)	0.000 (0.86)	0.000 (0.27)	0.000 (0.16)	0.000 (0.17)	0.000 (0.28)	0.000 (0.16)
LgTAsset	0.016 (0.47)	0.018 (0.61)	0.001 (0.03)	-0.045 (-0.34)	0.007 (0.22)	0.013 (0.42)	0.008 (0.26)	0.016 (0.43)	0.007 (0.24)
DERatio	-0.002** (-3.18)	-0.002*** (-3.53)	-0.002*** (-3.53)	-0.002*** (-5.12)	-0.002*** (-3.79)	-0.002** (-3.23)	-0.002** (-3.07)	-0.002** (-2.97)	-0.002** (-3.07)
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No of Observations	175	175	175	175	175	175	175	175	175
Adj R-sq				0.172					
R-sq (within)	0.132	0.181	0.186	0.215	0.214	0.207	0.127	0.151	0.127
F statistics (fixed)				7.233					
chi2 (random)	58.74	58.39	61.03		57.08	923.6	.	70.56	64.97
vce type	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust

The tables above shows the results of 9 panel data regression of ROS, on the independent variable of Social Disclosure Score (SocialDS), a specific Board related variable, and the interaction effect between SocialDS and the specific Board variable (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). Each model includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

Table 6.9. ESTIMATES OF THE INTERACTION EFFECTS OF SOCIAL DISCLOSURE SCORE AND CG BOARD VARIABLES ON ROE, WITH ADDITIONAL CONTROLS

	(43)	(44)	(45)	(46)	(47)	(48)	(49)	(50)	(51)
	ROE	ROE	ROE	ROE	ROE	ROE	ROE	ROE	ROE
Intercept	0.476 (1.64)	0.256 (0.8)	0.771* (2.06)	4.039 (1.52)	0.579 (1.88)	4.279 (1.25)	0.591 (1.75)	0.659* (2.13)	0.511 (1.82)
SocialDS	0.047 (1.01)	0.122 (1.75)	-0.048 (-0.64)	0.042 (0.6)	0.024** (2.60)	-0.003 (-1.00)	-0.031 (-0.47)	0.107 (1.81)	0.125 (1.3)
BMembers	0.001 (0.06)								
Soc_Members	-0.006 (-1.05)								
BMeetings		0.040 (1.11)							
Soc_Meetings		-0.028 (-1.65)							
BWomen			0.530 (1.10)						
Soc_Women			0.149 (0.64)						
NonExec				-1.246* (-2.19)					
Soc_NonExec				-0.114 (-0.78)					
IndDir					0.450 (1.46)				
Soc_IndDir					-0.340** (-2.72)				
MgrOwn						0.120 (1.58)			
Soc_MgrOwn						-0.095*** (-19.78)			
AuditCmt							0.053 (0.68)		
Soc_Audit							0.018 (0.27)		
RemCmt								0.104 (1.18)	
Soc_Rem								-0.120 (-1.84)	
MultiDirPos									0.118 (1.09)
Soc_MultiDir									-0.138 (-1.40)
Age	-0.001 (-0.21)	0.000 (0.04)	-0.006 (-1.20)	0.230 (1.48)	-0.002 (-0.37)	0.224 (1.37)	-0.002 (-0.43)	-0.003 (-0.78)	-0.003 (-0.78)
AgeSquared	0.000 (0.35)	0.000 (0.06)	0.000 (1.3)	-0.002 (-1.64)	0.000 (0.7)	-0.002 (-1.53)	0.000 (0.64)	0.000 (0.94)	0.000 (1.00)
LgTAsset	-0.018 (-0.37)	-0.017 (-0.27)	-0.065 (-1.09)	-1.518 (-1.44)	-0.051 (-0.93)	-1.715 (-1.37)	-0.048 (-0.79)	-0.069 (-1.18)	-0.044 (-0.92)
DERatio	-0.027*** (-4.54)	-0.027*** (-4.92)	-0.027*** (-4.57)	-0.028*** (-5.11)	-0.026*** (-5.44)	-0.029*** (-4.40)	-0.027*** (-4.47)	-0.028*** (-4.49)	-0.027*** (-4.45)
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No of Observations	175	175	175	175	175	175	175	175	175
Adj R-sq				0.526		0.492			
R-sq (within)	0.427	0.454	0.439	0.55	0.466	0.518	0.421	0.415	0.417
F statistics (fixed)				6.566		528.6			
chi2 (random)	34.06	81.74	28.36		91.67		.	35.07	29.99
vce type	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust

The tables above shows the results of 9 panel data regression of ROE, on the independent variable of Social Disclosure Score (SocialDS), a specific Board related variable, and the interaction effect between SocialDS and the specific Board variable (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). Each model includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

Table 6.10. ESTIMATES OF THE INTERACTION EFFECTS OF SOCIAL DISCLOSURE SCORE AND CG BOARD VARIABLES ON ROA, WITH ADDITIONAL CONTROLS

	(52)	(53)	(54)	(55)	(56)	(57)	(58)	(59)	(60)
	ROA	ROA	ROA	ROA	ROA	ROA	ROA	ROA	ROA
Intercept	0.301* (2.48)	0.285* (2.37)	0.316** (2.62)	0.291* (2.10)	0.303* (2.56)	0.287* (2.32)	0.288* (2.45)	0.307** (2.58)	0.284** (2.60)
SocialDS	0.002 (0.74)	0.008* (2.36)	-0.002 (-0.45)	0.004 (1.64)	0.002 (1.91)	0.001** (3.27)	0.010** (2.66)	0.001 (0.15)	0.021 (1.92)
BMembers	-0.002 (-1.07)								
Soc_Members	-0.000 (-0.68)								
BMeetings		-0.001 (-0.16)							
Soc_Meetings		-0.002* (-2.17)							
BWomen			0.099 (0.94)						
Soc_Women			0.007 (0.47)						
NonExec				0.0197 (0.46)					
Soc_NonExec				-0.007 (-1.33)					
IndDir					0.03 (1.08)				
Soc_IndDir					-0.015* (-2.25)				
MgrOwn						0.019 (1.68)			
Soc_MgrOwn						-0.006*** (-6.54)			
AuditCmt							0.017** (3.08)		
Soc_Audit							-0.017** (-2.63)		
RemCmt								-0.012 (-0.70)	
Soc_Rem								-0.001 (-0.16)	
MultiDirPos									0.025 (1.89)
Soc_MultiDir									-0.021 (-1.93)
Age	0.001 (0.65)	0.001 (0.73)	0.001 (0.36)	0.001 (0.61)	0.001 (0.56)	0.001 (0.68)	0.001 (0.61)	0.001 (0.63)	0.001 (0.64)
AgeSquared	-0.000 (-0.41)	-0.000 (-0.53)	-0.000 (-0.18)	-0.000 (-0.38)	-0.000 (-0.30)	-0.000 (-0.38)	-0.000 (-0.37)	-0.000 (-0.34)	-0.000 (-0.38)
LgTAsset	-0.045* (-1.96)	-0.046* (-2.11)	-0.053* (-2.31)	-0.049* (-2.20)	-0.050* (-2.26)	-0.048* (-2.12)	-0.050* (-2.22)	-0.049* (-2.09)	-0.050* (-2.48)
DERatio	-0.000 (-1.78)	-0.000 (-1.59)	-0.000 (-1.39)	-0.000* (-2.05)	-0.000 (-1.67)	-0.000 (-1.74)	-0.000 (-1.79)	-0.000 (-1.83)	-0.000 (-1.82)
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No of Observations	175	175	175	175	175	175	175	175	175
Adj R-sq									
R-sq (within)	0.14	0.173	0.159	0.144	0.157	0.167	0.139	0.14	0.135
F statistics (fixed)									
chi2 (random)	42.5	37.32	30.93	44.91	38.45	163.2	.	40.31	38.13
vce type	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust

The tables above shows the results of 9 panel data regression of ROA, on the independent variable of Social Disclosure Score (SocialDS), a specific Board related variable, and the interaction effect between SocialDS and the specific Board variable (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). Each model includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

Each of *Tables 6.8, 6.9* and *6.10* above depicts the interaction effects.

Table 6.8 shows the interactions and their effect on Return on Sales (Estimates 34 to 42). Out of the 9 interactions tested between Social Disclosure Score (SocialDS) and a specific CG Board related variable, a form of significance or another is evident in 3 estimates while there was no significance found in 6 estimates. Also, consistent with results of interactions under CSRDS (see Tables *6.4, 6.5* and *6.6*), D/E Ratio, a control variable, is a significant predictor of ROS, and the impact of this control variable is negative as evident in the coefficient of the DERatio regressor in each of the 9 estimates.

In the interaction between Social Disclosure Score (SocialDS) and Pct. of Non-Executive Directors (NonExec), there is evidence that the Pct. of Non-Executive Directors (NonExec) is negatively associated with ROS at the 90% confidence level; however, neither Social Disclosure Score (SocialDS) nor the interaction effect between SocialDS and NonExec show any form of significance.

In the interaction between Social Disclosure Score (SocialDS) and Presence of Managerial Ownership (MgrOwn), neither SocialDS nor MgrOwn had a significant association with ROS on their own. However, the interaction effect between both variables i.e. Social_MgrOwn showed a highly significant association with ROS at the 99% confidence level. This association is negative, meaning that the relationship between the Presence of Managerial Ownership (MgrOwn) and Social Disclosure Score (SocialDS) has a reducing effect on ROS. In other words, a one unit increase in this interaction relationship will reduce ROS by 0.027. This is consistent with the findings relating to the interaction between CSRDS and MgrOwn.

In the interaction between Social Disclosure Score (SocialDS) and Presence of Audit Committee (AuditCmt), SocialDS itself is not significant, and neither is the interaction between SocialDS and AuditCmt. However, Presence of Audit Committee (AuditCmt) has a positive association with ROS, with significance at the 90% confidence level.

Table 6.9 shows the interactions and their effect on Return on Equity (Estimates 43 to 51). Out of the 9 interactions tested between Social Disclosure Score and a specific CG Board related variable, a form of significance or another is evident in 3 estimates while there was no significance found in 6 estimates. Once again here, D/E Ratio, a control variable, is a highly significant predictor of ROE (similarly to ROS) and the impact of this control variable is

negative as evident in the coefficient of the DERatio regressor in each of the 9 estimates, at the 99% confidence level.

In the interaction between Social Disclosure Score (SocialDS) and Pct. of Non-Executive Directors (NonExec), there is evidence that the Pct. of Non-Executive Directors (NonExec) is negatively associated with ROE at the 90% confidence level; however, neither Social Disclosure Score (SocialDS) nor the interaction effect between SocialDS and NonExec show any form of significance. This is similar to the pattern to that reported in the equivalent CSRDS interaction with NonExec.

In the interaction between Social Disclosure Score (SocialDS) and Pct. of Independent Directors (IndDir), SocialDS is significant with a positive impact on ROE (at the 95% confidence level) with a coefficient of 0.024. IndDir in itself had no significant association with ROE. However, the interaction effect between both variables i.e. Social_IndDir showed a significant association with ROE at the 95% confidence level. This association is negative meaning that the relationship between the Pct. of Independent Directors (IndDir) and Social Disclosure Score (SocialDS) has a reducing effect on ROE, demonstrating that that there are differences in groups of firms' behaviours (i.e. those with a higher percentage of independent directors compared with those with less), in terms of the level of the relationship between SocialDS and ROE. In this particular case, higher Pct. of Independent Directors reduces the magnitude of the benefit associated with the positive relationship between SocialDS on ROE. In other words, a one unit increase in this interaction relationship will reduce the magnitude of the benefit associated with the positive relationship between SocialDS on ROE by 0.340.

In the interaction between Social Disclosure Score (SocialDS) and Presence of Managerial Ownership (MgrOwn), neither SocialDS nor MgrOwn had a significant association with ROE on their own. However, the interaction effect between both variables i.e. Social_MgrOwn showed a high significant association with ROE at the 99% confidence level. This association is negative indicating that the relationship between the Presence of Managerial Ownership (MgrOwn) and Social Disclosure Score (SocialDS) has a reducing effect on ROE. In other words, a one unit increase in this interaction relationship will reduce ROE by 0.095. The assertion here is that there are differences in groups of firms' behaviours (i.e. those with a presence of managerial ownership when compared with those without) in terms of the level of the relationship between SocialDS and ROE. In this particular case, Presence of Managerial Ownership (MgrOwn), reduces the magnitude of any association between SocialDS and ROE.

Table 6.10 shows the interactions and their effect on Return on Assets (Estimates 52 to 60). Out of the 9 interactions tested between Social Disclosure Score and a specific CG Board related variable, a form of significance or another is evident in 4 estimates while there was no significance found in 5 estimates. Unlike the results from the ROS and ROE estimates, Log of Total Assets, a control variable, is a significant predictor of ROA and the impact of this control variable is negative as evident in the coefficient of the DERatio regressor in all 9 estimates at the 90% confidence level.

In the interaction between Social Disclosure Score (SocialDS) and No. of Board Meetings (BMeetings), SocialDS is significant with a positive impact on ROA (at the 90% confidence level) with a coefficient of 0.008 meaning that a unit increase in SocialDS will increase ROA by 0.008. BMeetings in itself had no significant association with ROA. However, the interaction effect between both variables i.e. Social_BMeetings showed a significant association with ROA at the 90% confidence level. This association is negative meaning that the relationship between the No. of Board Meetings (BMeetings) and Social Disclosure Score (SocialDS) has a reducing effect on ROA, demonstrating that that there are differences in groups of firms' behaviours (i.e. those with more board meetings compared with those with less), in terms of the level of the relationship between SocialDS and ROA. In this particular case, more meetings reduce the magnitude of the benefit associated with the positive relationship between SocialDS on ROA. In other words, a one unit increase in this interaction relationship will reduce the magnitude of the benefit associated with the positive relationship between SocialDS on ROA by 0.002. This is similar to the pattern to that reported in the equivalent CSRDS interaction with BMeetings on ROA.

In the interaction between Social Disclosure Score (SocialDS) and Pct. of Independent Directors (IndDir), neither SocialDS nor IndDir had a significant association with ROA on their own. However, the interaction effect between both variables i.e. Social_IndDir showed a significant negative association with ROA at the 90% confidence level demonstrating that there are differences in groups of firms' behaviours (i.e. those with a higher Pct. of Independent Directors compared with those with lower), in terms of the level of the relationship between SocialDS and ROA. This negative association mean that the interaction between the Pct. of Independent Directors and Social Disclosure Score (SocialDS) has a reducing effect on ROA.

In the interaction between Social Disclosure Score (SocialDS) and Presence of Managerial Ownership (MgrOwn), SocialDS is highly significant with a positive impact on ROA (at the

99% confidence level) and a coefficient of 0.001 meaning that a unit increase in SocialDS will increase ROA by 0.001. Presence of Managerial Ownership (MgrOwn)in itself had no significant association with ROA. However, the interaction effect between both variables i.e. SocialDS_MgrOwn showed a high significant association with ROA at the 99% confidence level. This association is negative meaning that the relationship between the Presence of Managerial Ownership (MgrOwn) and Social Disclosure Score (SocialDS) has a reducing effect on ROA, demonstrating that that there are differences in groups of firms' behaviours (i.e. those with Presence of Managerial Ownership compared with those without), in terms of the level of the relationship between SocialDS and ROA. In this particular case, Presence of Managerial Ownership reduce the magnitude of the benefit associated with the positive association between SocialDS on ROA. In other words, a one unit increase in this interaction relationship will reduce the magnitude of the benefit associated with the positive relationship between SocialDS on ROA by 0.006.

The interaction between Social Disclosure Score (SocialDS) and Presence of Audit Committee (AuditCmt) is very significant for ROA. SocialDS is significant with a positive impact on ROA (at the 95% confidence level) and a coefficient of 0.001, while AuditCmt is also significant (at the 95% confidence level) with a coefficient of 0.017. In addition, the interaction effect between SocialDS and AuditCmt shows significance at the 95% level although this interaction has a negative association with ROA indicating that there are differences in groups of firms' behaviours (i.e. those with Presence of Audit Committee compared with those without), in terms of the level of the relationship between SocialDS and ROA. In this particular case, Presence of Audit Committee reduce the magnitude of the benefit associated with the positive association between SocialDS on ROA. In other words, a one unit increase in this interaction relationship will reduce the magnitude of the benefit associated with the positive relationship between SocialDS on ROA by 0.017.

Overall, the results from *Tables 6.8, 6.9* and *6.10* indicate that the interaction effect between Social disclosure score and individual CG Board related variables does affects CFP in some cases, while in other cases, there is no evidence of this.:

- For the ROS model, the clearest estimate is that of Social disclosure score (SocialDS) and presence of managerial ownership which shows a significance for the interaction and a reducing effect on the association between SocialDS and ROS.

- For the ROE model, the interaction between Social disclosure score (SocialDS) and Pct. of Independent Directors, as well as the interaction with Presence of Managerial Ownership were significant. Both of these interactions show a reducing effect on the association between SocialDS and ROE.
- For the ROA model, the interactions between Social Disclosure Score (SocialDS) and Board Meetings, Pct. of Independent Directors, Presence of Managerial Ownership, and Presence of Audit Committee all show significance. In all 4 estimates, the interactions show a reducing effect on the association between SocialDS and ROA.

In each of the three tables and 27 estimates i.e. Estimates 34 to 60, there are no significance found in interactions for No. of Board Members (BMembers), Pct. of Women on Board (BWomen), Presence of Remuneration Committee (RemCmt), and Evidence of board members with Multiple Directorial Positions (MultiDirPos).

These summaries are very similar to those recorded for the CSRDS interactions in *Tables 6.4, 6.5 and 6.6.*

Where specific interaction between SocialDS and a board related characteristic has been found to be significant, the interaction shows a reducing effect on the association between SocialDS and CFP. (7 cases – Social_MgrOwn on ROS; Social_IndDir and Social_MgrOwn on ROE; and Social_Meetings, Social_IndDir, Social_MgrOwn and Social_MgrOwn on ROA). We therefore reject the Null in Hypothesis 4 and conclude that the interaction effect between Social disclosure score and individual CG Board related variables affects CFP. This is because there is enough evidence in 7 estimates from *Tables 6.8, 6.9 and 6.10.*

6.3.5 Environmental disclosure, CG board related variables, and firm performance

The table below addresses Hypotheses 5 (H5) which examines the relationship between Environment disclosure, Board characteristics, and firm performance. The hypothesis being tested by each estimate are:

- H5: H_0: In a controlled environment, Environment disclosure score and individual CG Board related variables do not affect CFP. H_a: In a controlled environment, Environment disclosure score and individual CG Board related variables affects CFP.

Table 6.11. ESTIMATES OF THE EFFECT OF ENVIRONMENT DISCLOSURE SCORE AND CG BOARD VARIABLES ON FIRM PERFORMANCE, WITH ADDITIONAL CONTROLS

	(61)	(62)	(63)
	ROS	ROE	ROA
Intercept	0.785 (1.32)	3.131 (1.39)	0.251 (1.90)
EnvDS	-0.018 (-1.86)	-0.063 (-1.93)	-0.004 (-0.89)
BMembers	-0.012 (-1.88)	-0.033* (-2.09)	-0.003 (-1.52)
BMeetings	-0.012 (-1.37)	-0.053* (-2.07)	-0.004 (-0.83)
BWomen	0.678** (2.71)	1.070 (1.58)	0.166 (1.71)
NonExec	-0.260* (-2.18)	-1.740** (-2.81)	0.008 (0.19)
IndDir	-0.297 (-1.97)	-0.591 (-1.37)	-0.018 (-0.74)
MgrOwn	0.117** (3.05)	-0.013 (-0.14)	0.021 (1.38)
AuditCmt	0.225* (2.44)	0.221 (1.52)	0.039 (1.61)
RemCmt	-0.127 (-1.65)	0.146 (1.13)	-0.017 (-1.24)
MultiDirPos	0.082 (1.96)	0.264* (2.02)	0.017 (0.81)
Age	-0.017 (-0.87)	0.250 (1.54)	0.001 (0.84)
AgeSquared	-0.000 (-0.17)	-0.002 (-1.79)	-0.000 (-0.55)
LgTAsset	0.029 (0.22)	-1.307 (-1.41)	-0.044* (-2.00)
DERatio	-0.002*** (-4.40)	-0.027*** (-5.09)	-0.000 (-1.25)
Year controls	Yes	Yes	Yes
No of Observations	175	175	175
Adj R-sq	0.301	0.521	
R-sq (within)	0.365	0.565	0.222
F statistics (fixed effect)	12.76	4.005	
chi2 (random effect)			58.42
vce type	Robust	Robust	Robust

This table shows the results of the panel data regression of the three accounting measures of firm performance (ROS, ROE and ROA), on the main independent variable of Environment Disclosure Score (EnvDS) and a number of Board related characteristics (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). The model also includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

In each of the three models (Estimates 61, 62 and 63) in *Table 6.11* above, Environment Disclosure Score (which is a subset score of CSR Disclosure Score, focusing on environment issues), the main independent variable does not explain changes in ROS, ROE and ROA.

For both ROS and ROE models, Debt-to-Equity Ratio (DERatio) is a significant predictor of performance and the impact of this control variable is negative as evident in the coefficient of the DERatio regressor, which indicates that a 1 unit increase in DERatio will result in a 0.002 decrease in ROS and 0.027 in ROE respectively, with both being significant at the 99% confidence level. DERatio does not appear to have an impact on ROA in this model, whereas Log of Total Assets (the proxy for firm size) does. These behaviour is consistent with in the previous estimates.

A number of Board related variables were significant. Of these, those with positive impact on ROS are: Pct. of Women on the Board (BWomen), Presence of Managerial Ownership (MgrOWn) and Presence of Audit Committee. In the ROE model, Evidence of Director with Multiple Directorial Positions (MultiDirPos) has a significant positive impact on performance at the 90% confidence level. There were no Board related variables with a positive significant impact on ROA.

For negative associations, both Pct. of Non-Exec Directors (NonExec) is negatively associated with ROS. Those with negative impact on ROE are: No. of Board Members (BMembers), No. of Board Meetings (BMeetings) and Pct. of Non-Exec Directors (NonExec). None of the Board related variables had an impact (positive/negative) on ROA.

Overall, the results from *Table 6.11* indicate Environment Disclosure Score does not affect firm performance but a number of individual Board related variables affect firm performance as measured by ROS and ROE, but not ROA. These Board related variables either enhances or reduces CFP (ROS and ROE) as explained above. We therefore reject the Null in the case of ROS and ROE (marginal given that Environment Disclosure Score itself is not significant in both models) but fail to reject the Null in the case of the ROA model.

6.3.6 Interaction effects of Environment disclosure, board related variables, and firm performance

The tables below address Hypotheses 6 (H6) which examines the interaction effects between Environment disclosure score, specific board related characteristic, and their effect of firm performance. The hypothesis being tested by each estimate are:

- H6: H_0: In a controlled environment, the interaction effect between Environment disclosure score and individual CG Board related variables does not affect CFP. H_a: In a controlled environment, the interaction effect between Environment disclosure score and individual CG Board related variables affects CFP.

Table 6.12. ESTIMATES OF THE INTERACTION EFFECTS OF ENVIRONMENT DISCLOSURE SCORE AND CG BOARD VARIABLES ON ROS, WITH ADDITIONAL CONTROLS

	(64)	(65)	(66)	(67)	(68)	(69)	(70)	(71)	(72)
	ROS	ROS	ROS	ROS	ROS	ROS	ROS	ROS	ROS
Intercept	0.253 (1.35)	0.240 (1.32)	0.305 (1.58)	1.179* (2.24)	0.264 (1.36)	0.255 (1.31)	0.197 (1.09)	0.275 (1.47)	0.247 (1.29)
EnvDS	-0.007 (-0.26)	0.059 (1.02)	-0.040 (-1.06)	0.018 (0.49)	0.001 (0.14)	0.002 (0.68)	0.001 (0.02)	-0.017 (-1.01)	-0.015 (-1.29)
BMembers	-0.003 (-0.70)								
Env_Members	-0.001 (-0.21)								
BMeetiings		-0.002 (-0.21)							
Env_Meetings		-0.014 (-1.14)							
BWomen			0.267 (1.49)						
Env_Women			0.113 (0.93)						
NonExec				-0.227** (-2.88)					
Env_NonExec				-0.065 (-0.81)					
IndDirec					-0.001 (-0.01)				
Env_IndDir					-0.093 (-1.19)				
MgrOwn						0.021 (0.60)			
Env_MgrOwn						-0.062*** (-13.44)			
AuditCmt							0.060** (2.87)		
Env_Audit							-0.015 (-0.57)		
RemCmt								-0.069 (-1.51)	
Env_Rem								0.005 (0.20)	
MultiDirPos									0.017 (0.38)
Env_MultiDir									0 (.)
Age	-0.003 (-0.73)	-0.003 (-0.81)	-0.004 (-1.06)	-0.025 (-1.53)	-0.003 (-0.77)	-0.003 (-0.79)	-0.003 (-0.76)	-0.003 (-0.80)	-0.003 (-0.74)
AgeSquared	0.000 (0.26)	0.000 (0.26)	0.000 (0.64)	0.000 (1.13)	0.000 (0.35)	0.000 (0.27)	0.000 (0.29)	0.000 (0.4)	0.000 (0.26)
LgTAsset	0.014 (0.42)	0.013 (0.40)	-0.003 (-0.09)	-0.046 (-0.34)	0.005 (0.16)	0.006 (0.18)	0.007 (0.22)	0.009 (0.31)	0.006 (0.2)
DERatio	-0.002** (-3.07)	-0.002*** (-3.36)	-0.002** (-3.29)	-0.002*** (-4.49)	-0.002*** (-3.39)	-0.002** (-3.11)	-0.002** (-3.01)	-0.002** (-3.06)	-0.002** (-3.03)
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No of Observations	175	175	175	175	175	175	175	175	175
Adj R-sq				0.168					
R-sq (within)	0.128	0.169	0.185	0.211	0.17	0.185	0.128	0.145	0.126
F statistics (fixed)				7.743					
chi2 (random)	58.68	47.54	54.72		58.42	1419.3	.	70.78	51.84
Degrees of freedom	10	10	10	8	10	10	9	10	9
vce type	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust

The tables above shows the results of 9 panel data regression of ROS, on the independent variable of Environment Disclosure Score (EnvDS), a specific Board related variable, and the interaction effect between EnvDS and the specific Board variable (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). Each model includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

Table 6.13. ESTIMATES OF THE INTERACTION EFFECTS OF ENVIRONMENT DISCLOSURE SCORE AND CG BOARD VARIABLES ON ROE, WITH ADDITIONAL CONTROLS

	(73)	(74)	(75)	(76)	(77)	(78)	(79)	(80)	(81)
	ROE	ROE	ROE	ROE	ROE	ROE	ROE	ROE	ROE
Intercept	0.617 -1.87	0.565 (1.93)	0.767* (2.05)	4.012 (1.61)	0.685* (1.98)	4.249 (1.25)	0.586 (1.75)	0.656 (1.88)	0.661 (1.86)
EnvDS	0.026 (0.23)	0.267 (1.42)	-0.085 (-0.75)	0.072 (0.48)	0.023 (0.89)	-0.003 (-0.30)	-0.054 (-0.42)	0.012 (0.34)	-0.030 (-0.70)
BMembers	-0.011 (-0.79)								
Env_Members	-0.005 (-0.52)								
BMeetings		0.001 (0.03)							
Env_Meetings		-0.057 (-1.35)							
BWomen			0.702 (1.6)						
Env_Women			0.228 (0.65)						
NonExec				-1.386** (-2.68)					
Env_NonExec				-0.251 (-0.78)					
IndDir					0.076 (0.31)				
Env_IndDir					-0.373 (-1.30)				
MgrOwn						0.007 (0.13)			
Env_MgrOwn						-0.197*** (-25.06)			
AuditCmt							0.057 (0.70)		
Env_Audit							0.022 (0.17)		
RemCmt								-0.051 (-0.68)	
Env_Rem								-0.042 (-0.72)	
MultiDirPos									-0.045 (-0.43)
Env_MultiDir									0 (.)
Age	-0.002 (-0.28)	-0.002 (-0.48)	-0.007 (-1.18)	0.225 (1.47)	-0.003 (-0.57)	0.223 (1.36)	-0.002 (-0.47)	-0.003 (-0.52)	-0.003 (-0.67)
AgeSquared	0.000 (0.47)	0.000 (0.56)	0.000 (1.26)	-0.002 (-1.51)	0.000 (0.87)	-0.002 (-1.54)	0.000 (0.69)	0.000 (0.79)	0.000 (0.90)
LgTAsset	-0.025 (-0.45)	-0.034 (-0.54)	-0.073 (-1.18)	-1.522 (-1.48)	-0.060 (-1.01)	-1.694 (-1.35)	-0.050 (-0.84)	-0.046 (-0.82)	-0.044 (-0.86)
DERatio	-0.027*** (-4.42)	-0.027*** (-4.78)	-0.027*** (-4.44)	-0.028*** (-5.06)	-0.027*** (-4.65)	-0.029*** (-4.37)	-0.027*** (-4.42)	-0.028*** (-4.39)	-0.027*** (-4.43)
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No of Observations	175	175	175	175	175	175	175	175	175
Adj R-sq				0.522		0.474			
R-sq (within)	0.425	0.45	0.434	0.547	0.437	0.502	0.42	0.417	0.419
F statistics (fixed)				7.524		1624.9			
chi2 (random)	33.58	53.66	29.44		36.89		.	40.21	29.72
vce type	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust

The tables above shows the results of 9 panel data regression of ROE, on the independent variable of Environment Disclosure Score (EnvDS), a specific Board related variable, and the interaction effect between EnvDS and the specific Board variable (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). Each model includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

Table 6.14. ESTIMATES OF THE INTERACTION EFFECTS OF ENVIRONMENT DISCLOSURE SCORE AND CG BOARD VARIABLES ON ROA, WITH ADDITIONAL CONTROLS

	(82)	(83)	(84)	(85)	(86)	(87)	(88)	(89)	(90)
	ROA	ROA	ROA	ROA	ROA	ROA	ROA	ROA	ROA
Intercept	0.301* (2.48)	0.297* (2.47)	0.316* (2.57)	0.289* (2.15)	0.299* (2.54)	0.294* (2.37)	0.276* (2.44)	0.304* (2.56)	0.301* (2.47)
EnvDS	0.000 (0.03)	0.015 (1.32)	-0.014 (-1.12)	0.009 (1.81)	0.002 (0.7)	0.002 (1.12)	0.025** (2.72)	-0.003 (-0.59)	-0.004 (-0.99)
BMembers	-0.002 (-1.08)								
Env_Members	-0.000 (-0.32)								
BMeetings		-0.002 (-0.41)							
Env_Meetings		-0.004 (-1.73)							
BWomen			0.078 (0.95)						
Env_Women			0.047 (1.13)						
NonExec				0.017 (0.42)					
Env_NonExec				-0.024 (-1.80)					
IndDir					0.037 (0.88)				
Env_IndDir					-0.034 (-1.44)				
MgrOwn						0.014 (1.2)			
Env_MgrOwn						-0.019 (-1.75)			
AuditCmt							0.025** (2.81)		
Env_Audit							-0.029* (-2.45)		
RemCmt								-0.013 (-0.97)	
Env_Rem								-0.000 (-0.04)	
MultiDirPos									0.002 (0.15)
Env_MultiDir									0 (.)
Age	0.001 (0.65)	0.001 (0.71)	0.001 (0.35)	0.001 (0.64)	0.001 (0.67)	0.001 (0.70)	0.001 (0.65)	0.001 (0.65)	0.001 (0.7)
AgeSquared	-0.000 (-0.37)	-0.000 (-0.48)	-0.000 (-0.11)	-0.000 (-0.37)	-0.000 (-0.38)	-0.000 (-0.44)	-0.000 (-0.37)	-0.000 (-0.34)	-0.000 (-0.39)
LgTAsset	-0.044 (-1.95)	-0.046* (-2.16)	-0.052* (-2.29)	-0.049* (-2.20)	-0.050* (-2.24)	-0.049* (-2.16)	-0.049* (-2.21)	-0.049* (-2.21)	-0.050* (-2.31)
DERatio	-0.000 (-1.77)	-0.000 (-1.65)	-0.000 (-1.45)	-0.000* (-2.02)	-0.000 (-1.48)	-0.000 (-1.74)	-0.000 (-1.77)	-0.000 (-1.82)	-0.000 (-1.77)
Year controls	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No of Observations	175	175	175	175	175	175	175	175	175
Adj R-sq									
R-sq (within)	0.158	0.178	0.202	0.172	0.18	0.199	0.159	0.158	0.156
F statistics (fixed)									
chi2 (random)	33.79	30.51	27.79	33.18	28.15	47.03	.	30.25	26.24
vce type	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust

The tables above shows the results of 9 panel data regression of ROA, on the independent variable of Environment Disclosure Score (EnvDS), a specific Board related variable, and the interaction effect between EnvDS and the specific Board variable (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). Each model includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

Each of *Tables 6.12, 6.13* and *6.14* above depicts the interaction effects.

Table 6.12 shows the interactions and their effect on Return on Sales (Estimates 64 to 72). Out of the 9 interactions tested between Environment Disclosure Score (EnvDS) and a specific CG Board related variable, a form of significance or another is evident in 3 estimates while there was no significance found in 6 estimates. Also, consistent with results of interactions under CSRDS (see Tables *6.4, 6.5* and *6.6*), D/E Ratio, a control variable, is a significant predictor of ROS, and the impact of this control variable is negative as evident in the coefficient of the DERatio regressor in each of the 9 estimates.

In the interaction between Environment Disclosure Score (EnvDS) and Pct. of Non-Executive Directors (NonExec), there is evidence that the Pct. of Non-Executive Directors (NonExec) is negatively associated with ROS at the 90% confidence level; however, neither Environment Disclosure Score (EnvDS) nor the interaction effect between EnvDS and NonExec show any form of significance.

In the interaction between Environment Disclosure Score (EnvDS) and Presence of Managerial Ownership (MgrOwn), neither EnvDS nor MgrOwn had a significant association with ROS on their own. However, the interaction effect between both variables i.e. Env_MgrOwn showed a highly significant association with ROS at the 99% confidence level. This association is negative, meaning that the relationship between the Presence of Managerial Ownership (MgrOwn) and Environment Disclosure Score (EnvDS) has a reducing effect on ROS. In other words, a one unit increase in this interaction relationship will reduce ROS by 0.062. This is consistent with the findings relating to the interaction between CSRDS and MgrOwn, and SocialDS and MgrOwn.

In the interaction between Environment Disclosure Score (EnvDS) and Presence of Audit Committee (AuditCmt), EnvDS itself is not significant, and neither is the interaction between EnvDS and AuditCmt. However, Presence of Audit Committee (AuditCmt) has a positive association with ROS, with significance at the 90% confidence level. This is consistent with the findings under the interactions between CSRDS and AuditCmt, and SocialDS and AuditCmt.

Table 6.13 shows the interactions and their effect on Return on Equity (Estimates 73 to 81). Out of the 9 interactions tested between Social Disclosure Score and a specific CG Board related variable, a form of significance or another is evident in only 2 estimates while there was

no significance found in 7 estimates. Once again here, D/E Ratio, a control variable, is a highly significant predictor of ROE (similarly to ROS) and the impact of this control variable is negative as evident in the coefficient of the DERatio regressor in each of the 9 estimates, at the 99% confidence level.

In the interaction between Environment Disclosure Score (EnvDS) and Pct. of Non-Executive Directors (NonExec), there is evidence that the Pct. of Non-Executive Directors (NonExec) is negatively associated with ROE at the 90% confidence level; however, neither Environment Disclosure Score (EnvDS) nor the interaction effect between EnvDS and NonExec show any form of significance. This is similar to the pattern to that reported in the equivalent CSRDS interaction with NonExec, as well as the SocialDS interaction with NonExec.

In the interaction between Environment Disclosure Score (EnvDS) and Presence of Managerial Ownership (MgrOwn), neither EnvDS nor MgrOwn had a significant association with ROE on their own. However, the interaction effect between both variables i.e. Env_MgrOwn showed a high significant association with ROE at the 99% confidence level. This association is negative indicating that the relationship between the Presence of Managerial Ownership (MgrOwn) and Environment Disclosure Score (EnvDS) has a reducing effect on ROE. In other words, a one unit increase in this interaction relationship will reduce ROE by 0.197. The assertion here is that there are differences in groups of firms' behaviours (i.e. those with a presence of managerial ownership when compared with those without) in terms of the level of the relationship between EnvDS and ROE. In this particular case, Presence of Managerial Ownership (MgrOwn), reduces the magnitude of any association between EnvDS and ROE.

Table 6.14 shows the interactions and their effect on Return on Assets (Estimates 82 to 90). Out of the 9 interactions tested between Social Disclosure Score and a specific CG Board related variable, there is one key significance in the interaction between Environment Disclosure Score (EnvDS) and Presence of Audit Committee (AuditCmt). EnvDS is significant with a positive impact on ROA (at the 95% confidence level) and a coefficient of 0.025, while AuditCmt is also significant (at the 95% confidence level) with a coefficient of 0.025. In addition, the interaction effect between EnvDS and AuditCmt shows significance at the 90% confidence level although this interaction has a negative association with ROA indicating that there are differences in groups of firms' behaviours (i.e. those with Presence of Audit Committee compared with those without), in terms of the level of the relationship between EnvDS and ROA. In this particular case, Presence of Audit Committee reduce the magnitude

of the benefit associated with the positive association between EnvDS on ROA. In other words, a one unit increase in this interaction relationship will reduce the magnitude of the benefit associated with the positive relationship between EnvDS on ROA by 0.029.

Overall, the results from *Tables 6.12, 6.13* and *6.14* indicate that the interaction effect between Environment disclosure score and individual CG Board related variables does affects CFP in some cases, while in other cases, there is no evidence of this.:

- For the ROS model, the clearest estimate is that of Environment disclosure score (EnvDS) and Presence of Managerial Ownership (MgrOwn) which shows a significance for the interaction and a reducing effect on the association between EnvDS and ROS.
- For the ROE model, the interaction between Environment disclosure score (EnvDS) and Presence of Managerial Ownership (MgrOwn) is also the significant one, with a reducing effect on the association between EnvDS and ROE.
- For the ROA model, the interactions between Environment Disclosure Score (EnvDS) and Presence of Audit Committee (AuditCmt) showed a significance, also with a reducing effect on the association between EnvDS and ROA.

In each of the three tables and 27 estimates i.e. Estimates 64 to 90, there are no significance found in interactions for No. of Board Members (BMembers), Pct. of Women on Board (BWomen), Presence of Remuneration Committee (RemCmt), and Evidence of board members with Multiple Directorial Positions (MultiDirPos). These summary are very similar to those recorded for the CSRDS interactions and Social interactions.

Where specific interaction between EnvDS and a board related characteristic has been found to be significant, the interaction shows a reducing effect on the association between EnvDS and CFP. (3 cases – Env_MgrOwn on ROS; Env_MgrOwn on ROE; and Env_AuditCmt).

We therefore reject the Null in Hypothesis 4 and conclude that the interaction effect between Environment disclosure score and individual CG Board related variables affects CFP.

6.3.7 Local Issues disclosure, CG board related variables, and firm performance

The table below addresses Hypotheses 7 (H7) which examines the relationship between Local Issues disclosure, Board characteristics, and firm performance. The hypothesis being tested by each estimate are:

- H7: H_0: In a controlled environment, Local Issues disclosure score and individual CG Board related variables do <u>not</u> affect CFP. H_a: In a controlled environment, Local Issues disclosure score and individual CG Board related variables affects CFP.

Table 6.15. ESTIMATES OF THE EFFECT OF LOCAL ISSUES DISCLOSURE SCORE AND CG BOARD VARIABLES ON FIRM PERFORMANCE, WITH ADDITIONAL CONTROLS

	(91) ROS	(92) ROE	(93) ROA
Intercept	0.878 (1.47)	3.610 (1.66)	0.260* (2.00)
LIDS	0.000 (0.03)	-0.056 (-1.74)	0.004 (0.85)
BMembers	-0.014* (-2.16)	-0.043* (-2.37)	-0.004 (-1.70)
BMeetings	-0.013 (-1.45)	-0.061* (-2.24)	-0.004 (-0.74)
BWomen	0.655** (2.90)	1.096 (1.75)	0.157 (1.67)
NonExec	-0.27 (-1.89)	-1.812** (-2.72)	0.015 (0.33)
IndDir	-0.288 (-1.94)	-0.604 (-1.49)	-0.014 (-0.54)
MgrOwn	0.114** (3.19)	-0.005 (-0.05)	0.021 (1.33)
AuditCmt	0.207* (2.47)	0.221 (1.51)	0.034 (1.51)
RemCmt	-0.127 (-1.64)	0.158 (1.19)	-0.020 (-1.36)
MultiDirPos	0.081 (1.93)	0.344* (2.25)	0.011 (0.5)
Age	-0.019 (-1.03)	0.236 (1.46)	0.001 (0.76)
AgeSquared	-0.000 (-0.07)	-0.002 (-1.69)	-0.000 (-0.50)
LgTAsset	0.029 (0.23)	-1.309 (-1.43)	-0.045* (-2.16)
DERatio	-0.002*** (-5.13)	-0.027*** (-5.15)	-0.000 (-1.44)
Year controls	Yes	Yes	Yes
No of Observations	175	175	175
Adj R-sq	0.273	0.514	
R-sq (within)	0.34	0.558	0.192
F statistics (fixed)	11.59	4.1	
chi2 (random)			110.5
vce type	Robust	Robust	Robust

This table shows the results of the panel data regression of the three accounting measures of firm performance (ROS, ROE and ROA), on the main independent variable of Local Issues Disclosure Score (LIDS) and a number of Board related characteristics (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). The model also includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

In each of the three models (estimates 91, 92 and 93) in *Table 6.15* above, Local Issues Disclosure Score (which checks for disclosure on activities relating to local issues in Nigeria: poverty reduction, health, education and skills, youth empowerment, and socio-economic development), the main independent variable does not explain changes in ROS, ROE and ROA.

For both ROS and ROE models, Debt-to-Equity Ratio (DERatio) is a significant predictor of performance and the impact of this control variable is negative as evident in the coefficient of the DERatio regressor, which indicates that a 1 unit increase in DERatio will result in a of -0.002 decrease in ROS and -0.027 in ROE respectively, with both being significant at the 99% confidence level. DERatio does not appear to have an impact on ROA in this model, whereas Log of Total Assets (the proxy for firm size) does. These behaviour is consistent with in the previous estimates.

A number of Board related variables were significant. Of these, those with positive impact on ROS are: Pct. of Women on the Board (BWomen), Presence of Managerial Ownership (MgrOWn) and Presence of Audit Committee. In the ROE model, Evidence of Director with Multiple Directorial Positions (MultiDirPos) has a significant positive impact on performance. Evidence of Directors with Multiple Directorial Positions have a positive associate with ROA.

For negative associations, No. of Board Members (BMembers) is negatively associated with ROS. Those with negative association with ROE are: No. of Board Members (BMembers), No. of Board Meetings (BMeetings) and Pct. of Non-Exec Directors (NonExec). None of the Board related variables had an impact (positive/negative) on ROA.

Overall, the results from *Table 6.11* indicate Local Issues Disclosure Score does not affect firm performance but a number of individual Board related variables affect firm performance as measured by ROS and ROE, but not ROA. These Board related variables either enhances or reduces CFP (ROS and ROE) as explained above. We therefore reject the Null in the case of ROS and ROE (marginal given that Local Issues Disclosure Score itself is not significant in both models) but fail to reject the Null in the case of the ROA model.

6.3.8 Interaction effects of local issues disclosure, board related variables, and firm performance

The tables below address Hypotheses 8 (H8) which examines the interaction effects between Local Issues disclosure score, specific board related characteristic, and their effect of firm performance. The hypothesis being tested by each estimate are:

- H8: H_0: In a controlled environment, the interaction effect between Local Issues disclosure score and individual CG Board related variables does not affect CFP. H_a: In a controlled environment, the interaction effect between Local Issues disclosure score and individual CG Board related variables affects CFP.

Table 6.16. ESTIMATES OF THE INTERACTION EFFECTS OF LOCAL ISSUES DISCLOSURE SCORE AND CG BOARD VARIABLES ON ROS, WITH ADDITIONAL CONTROLS

	(94)	(95)	(96)	(97)	(98)	(99)	(100)	(101)	(102)
	ROS	ROS	ROS	ROS	ROS	ROS	ROS	ROS	ROS
Intercept	0.337 (1.61)	0.241 (1.26)	0.306 (1.61)	-0.080 (-0.02)	0.302 (1.60)	0.310 (1.54)	0.313 (1.81)	0.344* (2.02)	0.249 (1.05)
LIDS	0.000 (0.01)	0.035 (1.56)	0.021 (0.78)	0.131 (1.80)	0.006 (0.35)	0.011 (0.60)	0.001 (0.10)	0.001 (0.05)	0.035 (0.75)
BMembers	-0.011 (-0.95)								
LI_Members	0.002 (0.59)								
BMeetings		0.003 (0.34)							
LI_Meetings		-0.004 (-1.42)							
BWomen			0.501 (1.10)						
LI_Women			-0.069 (-0.56)						
NonExec				0.506 (1.46)					
LI_NonExec				-0.181 (-1.77)					
IndDir					-0.246 (-1.63)				
LI_IndDir					0.057 (1.42)				
MgrOwn						-0.024 (-0.25)			
LI_MgrOwn						0.009 (0.40)			
AuditCmt							-0.015 (-0.25)		
LI_Audit							0.014 (0.93)		
RemCmt								-0.198* (-2.09)	
LI_Rem								0.042 (1.89)	
MultiDirPos									0.047 (0.34)
LI_MultiDir									-0.026 (-0.55)
Age	-0.003 (-0.87)	-0.003 (-0.84)	-0.005 (-1.19)	-0.003 (-0.98)	-0.004 (-0.96)	-0.004 (-1.06)	-0.004 (-0.97)	-0.003 (-0.93)	-0.004 (-1.00)
AgeSquared	0.000 (0.31)	0.000 (0.21)	0.000 (0.64)	0.000 (0.36)	0.000 (0.43)	0.000 (0.49)	0.000 (0.42)	0.000 (0.46)	0.000 (0.46)
LgTAsset	0.005 (0.17)	0.001 (0.04)	-0.014 (-0.56)	-0.013 (-0.49)	-0.001 (-0.02)	-0.006 (-0.23)	-0.006 (-0.25)	-0.004 (-0.13)	-0.003 (-0.11)
DERatio	-0.002** (-3.10)	-0.002** (-3.05)	-0.002** (-3.03)	-0.002** (-3.21)	-0.002** (-3.08)	-0.002** (-3.04)	-0.002** (-3.04)	-0.002** (-3.02)	-0.002** (-3.03)
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No of Observations	175	175	175	175	175	175	175	175	175
Adj R-sq									
R-sq (within)	0.112	0.126	0.143	0.166	0.151	0.107	0.112	0.154	0.124
F statistics (fixed)									
chi2 (random)	55.54	51.79	61.45	43.47	55.57	54.03	.	60.47	57.16
vce type	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust

The tables above shows the results of 9 panel data regression of ROS, on the independent variable of Local Issues Disclosure Score (LIDS), a specific Board related variable, and the interaction effect between LIDS and the specific Board variable (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). Each model includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

Table 6.17. ESTIMATES OF THE INTERACTION EFFECTS OF LOCAL ISSUES DISCLOSURE SCORE AND CG BOARD VARIABLES ON ROE, WITH ADDITIONAL CONTROLS

	(103)	(104)	(105)	(106)	(107)	(108)	(109)	(110)	(111)
	ROE	ROE	ROE	ROE	ROE	ROE	ROE	ROE	ROE
Intercept	1.035 (1.88)	0.891 (1.70)	0.741 (1.86)	5.532* (2.05)	0.810 (1.94)	0.737 (1.55)	0.771 (1.72)	0.761 (1.89)	0.772 (1.83)
LIDS	-0.077 (-0.81)	-0.016 (-0.19)	0.035 (1.31)	-0.333 (-1.63)	0.030 (0.97)	0.028 (1.60)	-0.014 (-0.50)	0.043 (1.84)	0.024 (0.52)
BMembers	-0.055 (-1.55)								
LI_Members	0.010 (1.20)								
BMeetings		-0.042 (-0.82)							
LI_Meetings		0.007 (0.53)							
BWomen			1.176 (1.67)						
LI_Women			-0.166 (-0.89)						
NonExec				-3.234* (-2.20)					
LI_NonExec				0.483 (1.58)					
IndDir					-0.262 (-0.69)				
LI_IndDir					-0.053 (-0.41)				
MgrOwn						0.009 (0.05)			
LI_MgrOwn						-0.043 (-0.90)			
AuditCmt							-0.035 (-0.31)		
LI_Audit							0.035 (1.26)		
RemCmt								-0.031 (-0.17)	
LI_Rem								-0.028 (-0.60)	
MultiDirPos									-0.091 (-0.58)
LI_MultiDir									-0.000 (-0.01)
Age	-0.002 (-0.32)	-0.005 (-0.75)	-0.008 (-1.12)	0.216 (1.59)	-0.006 (-0.90)	-0.005 (-0.71)	-0.005 (-0.74)	-0.005 (-0.83)	-0.006 (-0.93)
AgeSquared	0.000 (0.50)	0.000 (0.88)	0.000 (1.16)	-0.002 (-1.72)	0.000 (1.05)	0.000 (0.85)	0.000 (0.87)	0.000 (1.01)	0.000 (1.09)
LgTAsset	-0.037 (-0.62)	-0.061 (-0.85)	-0.088 (-1.30)	-1.464 (-1.62)	-0.083 (-1.11)	-0.072 (-1.02)	-0.074 (-1.06)	-0.077 (-1.16)	-0.064 (-1.10)
DERatio	-0.027*** (-4.44)	-0.027*** (-4.42)	-0.027*** (-4.39)	-0.027*** (-5.30)	-0.027*** (-4.51)	-0.027*** (-4.55)	-0.027*** (-4.43)	-0.027*** (-4.40)	-0.027*** (-4.41)
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No of Observations	175	175	175	175	175	175	175	175	175
Adj R-sq				0.52					
R-sq (within)	0.419	0.417	0.412	0.544	0.407	0.408	0.41	0.406	0.408
F statistics (fixed)				4.934					
chi2 (random)	33.99	30.28	28.84		28.28	36.84	.	35.53	28.69
vce type	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust

The tables above shows the results of 9 panel data regression of ROE, on the independent variable of Local Issues Disclosure Score (LIDS), a specific Board related variable, and the interaction effect between LIDS and the specific Board variable (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). Each model includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

Table 6.18. ESTIMATES OF THE INTERACTION EFFECTS OF LOCAL ISSUES LOCAL ISSUES DISCLOSURE SCORE AND CG BOARD VARIABLES ON ROA, WITH ADDITIONAL CONTROLS

	(112) ROA	(113) ROA	(114) ROA	(115) ROA	(116) ROA	(117) ROA	(118) ROA	(119) ROA	(120) ROA
Intercept	0.279* (2.04)	0.269* (2.32)	0.311** (2.70)	0.233 (1.55)	0.309** (2.68)	0.295* (2.37)	0.304** (2.69)	0.319** (2.76)	0.292* (2.27)
LIDS	0.015 (1.13)	0.017* (2.01)	0.006 (0.75)	0.033 (1.53)	0.005 (1.06)	0.005 (0.99)	0.005** (2.65)	0.001 (0.15)	0.012 (1.09)
BMembers	0.001 (0.11)								
LI_Members	-0.001 (-0.90)								
BMeetings		0.003 (0.77)							
LI_Meetings		-0.003* (-2.06)							
BWomen			0.17 (0.92)						
LI_Women			-0.022 (-0.46)						
NonExec				0.132 (1.20)					
LI_NonExec				-0.044 (-1.48)					
IndDir					0.021 (0.59)				
LI_IndDir					-0.009 (-0.85)				
MgrOwn						0.017 (0.60)			
LI_MgrOwn						-0.002 (-0.34)			
AuditCmt							0.004 (0.27)		
LI_Audit							-0.001 (-0.35)		
RemCmt								-0.046* (-2.03)	
LI_Rem								0.011* (2.00)	
MultiDirPos									0.018 (0.53)
LI_MultiDir									-0.011 (-0.91)
Age	0.001 (0.62)	0.001 (0.84)	0.001 (0.36)	0.001 (0.58)	0.001 (0.59)	0.001 (0.69)	0.001 (0.58)	0.001 (0.60)	0.001 (0.57)
AgeSquared	-0.000 (-0.44)	-0.000 (-0.72)	-0.000 (-0.21)	-0.000 (-0.38)	-0.000 (-0.36)	-0.000 (-0.41)	-0.000 (-0.36)	-0.000 (-0.30)	-0.000 (-0.33)
LgTAsset	-0.047* (-2.20)	-0.049* (-2.34)	-0.055* (-2.52)	-0.055** (-2.58)	-0.053* (-2.45)	-0.051* (-2.28)	-0.052* (-2.40)	-0.052* (-2.38)	-0.052* (-2.43)
DERatio	-0.000 (-1.75)	-0.000 (-1.91)	-0.000 (-1.35)	-0.000* (-2.56)	-0.000 (-1.77)	-0.000 (-1.83)	-0.000 (-1.85)	-0.001 (-1.91)	-0.000 (-1.82)
Year	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
No of Observations	175	175	175	175	175	175	175	175	175
Adj R-sq									
R-sq (within)	0.136	0.166	0.142	0.151	0.128	0.138	0.132	0.137	0.138
F statistics (fixed)									
chi2 (random)	41.73	39.42	41.91	44.15	31.22	31.74	.	32.24	36.16
vce type	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust	Robust

The tables above shows the results of 9 panel data regression of ROA, on the independent variable of Local Issues Disclosure Score (LIDS), a specific Board related variable, and the interaction effect between LIDS and the specific Board variable (No. of Board Members, No. of Board Meetings, PCT. of Women on Board, Pct. of Non-Executive Directors, Pct. of Independent Directors, Presence of Managerial Ownership, Presence of Audit Committee, Presence of Remuneration Committee, and Presence of Multiple Directorial Positions). The following firm specific variables were also included as control variables: Age, Age Squared, Logarithm of Total Assets (as a proxy for firm size), and Debt-to-Equity Ratio (as a proxy for financial leverage). Each model includes year control variable to account for time differences and correct for any heteroskedasticity. A robust estimator is used to correct for any presence of heteroskedasticity. *t statistics* of regression coefficients are shown in parentheses, next to the respective coefficient. Statistical significance of variables is denoted with *, ** and *** at the 10%, 5% and 1% levels respectively.

Each of *Tables 6.16, 6.17* and *6.18* above depicts the interaction effects.

Table 6.16 shows the interactions and their effect on Return on Sales (Estimates 94 to 102). Out of the 9 interactions tested between Local Issues Disclosure Score (LIDS) and a specific CG Board related variable, a form of significance or another is evident in only 1 estimate and this significance is not for the interaction itself. Also, consistent with results of previous interactions, D/E Ratio, a control variable, is a significant predictor of ROS, and the impact of this control variable is negative as evident in the coefficient of the DERatio regressor in each of the 9 estimates.

In the interaction between Local Issues Disclosure Score (LIDS) and Presence of Remuneration Committee (RemCmt), there is evidence that the Presence of Remuneration Committee (RemCmt) is negatively associated with ROS at the 90% confidence level; however, neither Local Issues Disclosure Score (LIDS) nor the interaction effect between LIDS and RemCmt show any form of significance.

Table 6.17 shows the interactions and their effect on Return on Equity (Estimates 103 to 111). Out of the 9 interactions tested between Local Issues Disclosure Score (LIDS) and a specific CG Board related variable, a form of significance or another is evident in only 1 estimate and this significance is not for the interaction itself. Also, consistent with results of previous interactions, D/E Ratio, a control variable, is a significant predictor of ROE, and the impact of this control variable is negative as evident in the coefficient of the DERatio regressor in each of the 9 estimates.

In the interaction between Local Issues Disclosure Score (LIDS) and Presence of Non-Executive Directors (NonExec), there is evidence that the Presence of Non-Executive Directors (NonExec) is negatively associated with ROE at the 90% confidence level; however, neither Local Issues Disclosure Score (LIDS) nor the interaction effect between LIDS and NonExec show any form of significance.

Table 6.18 shows the interactions and their effect on Return on Assets (Estimates 112 to 120). Out of the 9 interactions tested between Local Issues Disclosure Score and a specific CG Board related variable, there were interaction significance found in two estimates.

In the interaction between Local Issues Disclosure Score (LIDS) and No. of Board Meetings (BMeetings), there is evidence that the LIDS is positively associated with ROA at the 90% confidence level. BMeetings in itself is not significant but the interaction between LIDS and

BMeetings showed a significant negative association with ROA, indicating that there are differences in groups of firms' behaviours (i.e. those with more meetings compared with those with less), in terms of the level of the relationship between LIDS and ROA. In this particular case, more meetings reduce the magnitude of the benefit associated with the positive association between LIDS on ROA. In other words, a one unit increase in this interaction relationship will reduce the magnitude of the benefit associated with the positive relationship between LIDS on ROA by 0.003.

In the interaction between Local Issues Disclosure Score (LIDS) and Presence of Remuneration Committee (RemCmt), LIDS is not significant while RemCmt has a significant negative association with ROA at the 90% confidence level. The interaction effect between LIDS and RemCmt is also significant at the 90% confidence level, indicating a positive association with ROA.

Overall, the results from *Tables 6.16, 6.17* and *6.18* indicate that the interaction effect between Local Issues disclosure score and individual CG Board related variables does affects CFP in a very small number of cases, while in many other cases, there is no evidence of this.:

- For the ROS model, there is no significant interactions found.
- For the ROE model, there is no significant interactions found.
- For the ROA model, the interactions between Local Issues Disclosure Score (LIDS) and No. of Board Meetings (BMeetings) showed a significance with a reducing effect on the positive association between LIDS and ROA, while the interactions between Local Issues Disclosure Score (LIDS) and Presence of Remuneration Committee (RemCmt) showed a significance with an increasing effect on the association between LIDS and ROA.

In each of the three tables and 27 estimates i.e. Estimates 94 to 120, there are no significance found in interactions for No. of Board Members (BMembers), Pct. of Women on Board (BWomen), Pct. of Non-Executive Directors, Independent Directors, Managerial Ownership, Audit Committee, and Evidence of board members with Multiple Directorial Positions (MultiDirPos). We therefore reject the Null in Hypothesis 4 and conclude that the interaction effect between Environment disclosure score and individual CG Board related variables affects ROA, but not ROS and ROE.

6.4 Consolidated summary of findings

Each of the estimates presented in *Section 6.3 has* implications for the hypotheses being tested in this statistical analysis. *Table 6.19* below provides a summary of each Null hypothesis, and the decisions on each of the hypothesis following the interpretation of each model as depicted in *Section 6.3.* In addition, *Table 6.20.* provides a summary focusing on the interaction effects between Board related variables and CSR/Social/Environment disclosure and their association impact on firm performance.

Table 6.19. Summary of decisions on each hypothesis

Estimates No.	Null hypotheses	Decision: RoS	Decision: RoE	Decision: RoA
1 to 3	H1: H_0: In a controlled environment, CSR disclosure score and individual CG Board related variables do not affect CFP.	Reject	Reject	Fail to reject
4 to 30	H2: H_0: In a controlled environment, the interaction effect between CSR disclosure score and individual CG Board related variables does not affect CFP.	Reject	Reject	Reject
31 to 33	H3: H_0: In a controlled environment, Social disclosure score and individual CG Board related variables do not affect CFP.	Reject	Reject	Fail to reject
34 to 60	H4: H_0: In a controlled environment, the interaction effect between Social disclosure score and individual CG Board related variables does not affect CFP.	Reject	Reject	Reject
61 to 63	H5: H_0: In a controlled environment, Environment disclosure score and individual CG Board related variables do not affect CFP.	Reject	Reject	Fail to reject
64 to 90	H6: H_0: In a controlled environment, the interaction effect between Environment disclosure score and individual CG Board related variables does not affect CFP.	Reject	Reject	Reject
91 to 93	H7: H_0: In a controlled environment, Local Issues disclosure score and individual CG Board related variables do not affect CFP.	Reject	Reject	Fail to reject
94 to 120	H8: H_0: In a controlled environment, the interaction effect between Local Issues disclosure score and individual CG Board related variables does not affect CFP.	Fail to reject	Fail to reject	Reject

Table 6.20. Summary of significant interaction effects of variables

Total interactions tested	108
Significant interactions	17
- Significant interactions for ROS	4
- Significant interactions for ROE	5
- Significant interactions for ROA	8

To summarise, the findings of this statistical analysis has found that CSR related disclosure does not affect any of the three measures of firm performance used in this study (ROS, ROE and ROA). Within these models, a number of corporate board characteristics affect both ROS and ROE, while neither CSR related disclosure not any corporate board characteristic affect ROA. However, once the interactions between specific board characteristics and CSR related disclosure are tested, there is statistically significant relationships in 17 cases although 16 of these 17 significance had a reducing effect on firm performance for groups where the board characteristic is present/higher.

These findings are contrary to a recent study of Kabir and Thai (2017) which found a positive association between CSR and ROE in their study of Vietnam. This comes to show that there is still a lot left to be learnt about sub-Saharan Africa studies and generalisations based on studies in other regions cannot be used as the basis for conclusions on issues within sub-Saharan Africa.

For interactions results, Kabir and Thai (2017) found that Board characteristics strengthen the positive relationship between CSR and CFP in their Vietnam study. In this study, evidence suggests that Board characteristics mostly weakens the relationship between CSR and CFP. The only significant exception is on the interaction between the Presence of a Remuneration Committee and Local Issues Disclosure Score where a presence of remuneration committee actually strengthens the relationship between local issues disclosure and ROA.

Chapter 7: Conclusions, recommendations, and outlook

7.1 Conclusions

The aim of this research was to critically evaluate the effect of corporate governance, specifically corporate board characteristics, on the relationship between corporate social responsibility disclosure and firm performance. In order to achieve this aim, the following objectives were identified in *Chapter 1* of this thesis:

i. *To empirically and critically evaluate the link between CSR practices and disclosure, corporate board characteristics, and firm performance,*
ii. *To review and evaluate the mechanisms and regulatory framework for corporate governance, particularly on board-related matters, and attitudes toward corporate social responsibility disclosure in Nigeria,*
iii. *To statistically analyse the moderating effect of corporate board characteristics on the relationship between CSR disclosure and firm performance, and*
iv. *To recommend key guidelines for 'good' corporate governance specific to the internal mechanism of the board, and CSR practices aimed at governance, social and environmental improvements, including the likely implications for firm performance.*

The four objectives stated above formed the basis of the subsequent review of literature, collection of data, and analysis of research findings. To address the above objectives, the overriding research question has been whether CSR *disclosure in Nigeria explains firm performance through the moderating effect of corporate board characteristics.* Specifically, this research set out to find out the following:

i. Is there a positive correlation between board characteristics of corporate governance (as measured by board characteristics) and the extent of CSR disclosure (as measured by transparency in disclosure) by firms?
ii. When examining current disclosure on corporate board and CSR within Nigeria, is there any evidence to suggest that the practices are translating into improved firm performance?
iii. Can firm performance be predicted by the extent of CSR disclosure? And does the characteristics exhibited by a firm's corporate board enhance or hamper the relationship between CSR disclosure and firm performance?

iv. Can the optimal behaviour (for board characteristics and CSR disclosure) that might foster governance, social and environmental improvement be recommended?

The rationale behind the four objectives and questions above are documented in this thesis through a rigorous and critical review of literature which helped in understanding the progress made in corporate governance and CSR research, as well as the areas that are under-researched and relatively unexplored.

To set the Nigerian context for this research, an evaluation of the systemic issues hindering the development of strong corporate governance and CSR practices shows that the level of corruption within various institutions in the country hinders the promotion of good governance and deep engagement with CSR. A number of issues relating to the existence of multiple codes/guidance on corporate governance were also found to be a hindrance to effective corporate governance mechanisms. Nevertheless, an aggressive reform process has seen the country made some positive strides in terms of economic development and reform of many of its institutions. It was noted that good governance and socially responsible practices are important within Nigeria in that there is a need for the government to act as intermediaries between business and governmental institutions, in order to drive both economic and societal developments.

The review of literature (as depicted in *Chapters 3 and 4*) provided a comprehensive and critical review of literature on the subject areas of CSR, corporate governance – internal mechanisms of board structure and regulatory landscape, firm performance, and the convergence of these three concepts. Moreover, the review concentrated on a critical evaluation of developments at global level as well as their local implications for Nigeria.

On the matter of CSR, the evolutionary themes were critically evaluated, as well as the key theories and business models, various integration framework, and the reporting mechanisms. The themes that developed were noticeably from 1950s where ethics and social obligations of businesses became prominent, and enlightened self-interest in the 1970s where the relationship between the social and economic interests of businesses were further explored. This was closely followed by corporate social performance in the 1980s where we began to see the construction of business models with close links to financial performance, and the emergence of stakeholder and strategic management approach in the 1990s which focused on the practicalities and challenges of CSR. The 2000s-to-date have seen a move towards boardroom activities along with business integration with emphasis on reporting to stakeholders.

The theories and business models evaluated include the pioneering pyramid of responsibilities (Carroll, 1991), strategic and intrinsic stakeholder model (Berman *et al.,* 1999) and the triple bottom line (Elkington, 1994). Each of these models essentially argue for CSR to be an integral part of business strategy and not just an add-on. Carroll's pyramid of responsibilities is one of the early attempts at demonstrating how organisations can advance their responsibilities moving from economic to legal to ethical and finally to philanthropic. The main criticism of this model is in the application especially around the key performance indicators for its effectiveness (Wood & Jones, 1995). Strategic and intrinsic stakeholder model of CSR were based on two arguments: empirical versus moral. The strategic model focuses on the pursuit of responsibilities that align with the wider organisational strategy while intrinsic model focuses on doing what is right regardless of the cost implication. These concepts also mirror the strategic and responsive CSR categorisation introduced by Porter and Kramer (2006) where being strategic sees CSR as a proxy for competitive advantage while being responsive focuses on being a good citizen and actively pursuing the moral high ground. The triple bottom line model is another watershed moment in the modelling of CSR, and it proposes that there are three agenda for corporations namely the economic value that they add (profit), the environmental (planet) and social (people) value that they add. The triple bottom line argued that all three dimensions are important for the sustainability of any company and thus businesses can no longer ignore their social and environmental impact in the pursuit of economic agenda alone. One criticism of this model recognised within this thesis is that the evidence for success used by advocates of the TBL were generally normal business decisions and not necessarily that these businesses were always weighing social and environmental impact against economic decisions.

Also reviewed were three key integration frameworks for CSR. The CSR framework by Castka *et al.* (2004) was developed based on many existing CSR standards such as AA1000 series and the ISO CSR management system standard. The CSR framework proposes that CSR be integrated into business systems, objectives, and performance measures while the governance system be held responsible for this. The framework also proposes the transformation of stakeholders' expectations into business strategy. The second integration framework evaluated is the stakeholder oriented integrative strategic management reference model by Katsoulakos and Katsoulacos (2007) and is based on the principle that stakeholder-oriented strategies of businesses are determined by corporate responsibility and sustainability strategies. Hence,

companies should first establish their CSR/sustainability strategies before developing a stakeholder one. This model is however complex to integrate into a business.

The Integrated Management System (IMS) model by Asif *et al.* (2013) is another integration framework which proposes a top-down approach for integration and a bottom-up approach for developing community-related indicators. This model uses the PDCA (Plan-Do-Check-Act) process for ease of implementation. An area of improvement for this model would be in the implementation of training across the entire process so that the intentions are clear and well communicated and this was proposed within this chapter (see *Section 3.4.4 of Chapter 3*).

Also examined within the literature review chapters were the current level of CSR engagement in Nigeria where it was found that there are differences in the approach of businesses in Nigeria when compared with their peers in both developed and advanced economies. Research shows that the main priority issues in Africa are on poverty alleviation, healthcare provisions, education, skills and youth development; infrastructural and socioeconomic development. A key challenge recognised is that whereas Nigerian companies' places emphasis on community involvement, there is little account for socially responsible products and processes.

The discussions around CSR have subsequently moved on to reporting, with emphasis on social and environmental disclosure and their impacts. Key reporting standards reviewed include the Global Reporting Initiative (GRI), AA1000 Series, ISO 14001 and 26000, and UN Global Compact, amongst others. The GRI standard was found to be the most popular around the world and possibly the most comprehensive. There are also a number of indices that tracks CSR performance of companies including Dow Jones Sustainability Indices (DJSI), FTSE4Good Index, and MSCI KLD 400 Social Index. These indices are either American or European-based and tracks the largest companies in the world, with very few companies from Africa. The indicators in the GRI framework formed the basis of the CSR disclosure score used in the analysis of findings of this thesis.

Attempts at measuring the impact of CSR on firm performance have been made by researchers with various outcomes. Some have found both positive (Wokutch & Spencer, 1987; McGuire *et al.,* 1988) and negative association (Vance, 1975) with firm performance while others found no association. It was noted by Goergen (2012) that a number of research that measured firm performance based on accounting data failed to control for firm characteristics such as age and risk and therefore showed false correlation (this limitation of previous research was considered and addressed in the regression models employed within this study). Generally, previous

research show that social issue participation component of CSR tends to negatively affect firm performance while stakeholder management component tends to positively affect performance (Goergen, 2012). Few research has examined these relationships in Africa, particularly Nigeria. Many of the literature have been qualitative, mainly due to lack of access to data. Nevertheless, Uadiale and Fagbemi (2012) did find a positive association between CSR and firm performance in Nigeria based on a sample of 40 listed firms in 2007 but their methodology of tracing sentences relating to CSR is questionable perhaps not robust while their focus was on a cross-sectional analysis.

The concept of corporate governance was thoroughly evaluated, with insights on the main theories of agency, stakeholder, stewardship, and resource dependency. Agency theories details the potential conflict of interest between the shareholders (the principal) and the management board (the agent) and proposes the use of appropriate and control mechanisms. The structure of the corporate board was found to be an important control mechanism in this. The distinction between the principal and the agent have become more complex and is no longer just a matter of delegation. Members of the board such as CEO often have shares in the companies they oversee (managerial ownership), and more emphasis is placed on the relationship between the principal and the agent rather than on strict delegated guidelines. There are also differences between countries such as US, UK, and Germany in how governance measures are enforced. Stakeholder theory takes a different dimension and argues that the board has responsibility to all stakeholder groups, and not just the shareholders. This theory is mostly prominent in Japan. CSR as a concept developed from stakeholder theory, which demonstrates how intertwined the two concepts of CSR and CG are. Stewardship theory sees workers as wanting to do a good job and therefore the interest of both the principal and the agent are aligned. However, in practice, business decisions are sometimes complex and the simplicity in the stewardship approach may not be applicable. Resource dependency theory advocates that board members use their expertise to help advance the company's interests by securing access to required resources, both physical and non-physical.

The mechanisms and regulatory landscape for corporate governance was evaluated, with a focus on the OECD Principles of Corporate Governance, US Sarbanes-Oxley Act, and the UK Code of Corporate Governance. Similar principles, albeit with some differences, the various regulations continue to converge. The UK approach is a principles-based *'comply or explain'* approach while the US approach is rules-based with financial implications for non-compliance. In Nigeria, there are multiple regulatory framework such as the voluntary Code of Corporate

Governance for Public Companies (established 2003), and the mandatory Corporate Governance for banks (2006), all of which has implications for corporate board structure and committees. Many of their recommendations were based on a combination of both the UK and US codes and this is an issue when it comes to implementation as the motives of the rules'-based approach of the US code can conflict with the principles'-based approach of the UK code. Other codes include the voluntary SEC code for Shareholders (2007), the mandatory PENCOM code for licensed pension operators (2008), and the mandatory NAICOM Code for Insurance companies (2009). The challenges and conflicts within these codes were also evaluated especially around recommendations relating to board characteristics.

Many quantitative research on corporate governance have examined the links with firm performance and generally, the results are clearer for advanced economies while those pertaining to developing and emerging economies are still in their infancy. Some of the focus of these previous studies have been on board characteristics and their effect on firm performance with evidence suggest that some elements of board characteristics do positively affect firm performance; these include board size, board independence (non-executive directors), and presence of audit committee. For example, in an earlier study in Nigeria, board size was found to affect firm performance but not board composition and audit committee (Kajola, 2008).

On the matter of firm performance, Return on Assets (in particular) and Return on Equity dominates accounting measures of firm performance in corporate governance research while Tobin's Q ratio (in particular) and MBVR dominates market-based measures. True market-based measures are difficult to determine due to issues such as data accessibility in Nigeria, volatility of market-based measures in Nigeria (as a result of factors such as high inflation and recent oil price downturn) and thus accounting-based measures such as Return on Assets (ROA), Return on Sales (ROS) and Return on Equity (ROE) were judged to be more appropriate for this study.

The new dimension in this research is on the convergence of the three broad areas identified and evaluated which is now widely known as Environmental, Social, and Governance (ESG). This concept is based on the argument that CSR requires an effective governance mechanism and therefore requires coupling. This review of literature has demonstrated that the topic of CSR's impact on firm performance has been examined at large, albeit with most research focusing on developed and advanced economies. The same apply to corporate governance's

impact on firm performance. A new wave of research must now focus on the combined effect of these two business topics on firm performance, particularly that of board characteristics as a moderator in the relationship between CSR and firm performance. After all, corporate governance is likely fundamental to the pursuit of social and environmental goals. Evidence have shown that the link between corporate governance quality and CSR practices is still relatively under-researched (Claessens & Yurtoglu, 2013). Work by Ntim and Soobaroyen (2013) showed that corporate governance indeed strengthened the link between CSR and firm performance in South Africa between 2002 and 2009, while on the contrary, Arora and Dharwadkar (2011) found corporate governance to have reduced both positive and negative CSR with S&P 500 and KLD Domini 400 Universe between 2001 and 2005. Studies have also shown the importance of the corporate board for effective CSR (Kiliç Kuzey & Uyar, 2015; Said, Zainuddin, & Haron, 2009).

Based on the review of literature conducted, a methodology was constructed in order to evaluate the implications of CSR disclosure and Board characteristics on firm performance, in relation to the research aim and objectives identified. To achieve this, a positive philosophy supported by a deductive approach and a quantitative time-series analysis was employed. Firstly, the methods were designed to revisit and understand the state of CSR disclosure in Nigeria. This review focused on analysing all 175 listed firms in Nigeria, with a final sample of 145, in order to understand their attitudes towards a separate reporting CSR between years 2010 and 2015. This particular analysis helped in answering the questions presented by the first and second objectives of this research. Secondly, the methods focused on a comprehensive analysis of 49 companies over the 4-year time period (175 observations) through time-series regression models, of the moderating effect of corporate board characteristics on the association between CSR disclosure and firm performance in Nigeria. This time-series analysis helped in advancing insights into the first-two objectives of this research whilst providing a comprehensive response and insight for the third and fourth objectives of this research. To ensure integrity of the results, firm specific characteristics and year effects were controlled for (by including year dummy variables). Controlling for the year effect helped ensured that any relationships found are not just spurious

This study provides a comprehensive and original approach to the design of methodology. The construction of CSR disclosure score is unique in that it provides a way for future researchers to approach the measurement of CSR disclosure.

The descriptive analysis which evaluated the state of separate reporting in Nigeria between 2010 and 2015 showed that separate reporting of CSR and/or sustainability issues is an indicator of firms' willingness to engage with their social and environmental responsibilities. Evidence points towards Nigerian firms generally having a history of a laissez-faire approach to social and environmental reporting and to address this problem, it is proposed that a separate CSR/Sustainability report can provide a way for the society to scrutinise more closely, firms' approaches toward governance and CSR issues. The analysis found that as high as 62% of firms either do not have a functioning website or do not have a dedicated page on their website for CSR/Sustainability related information. In 2010, only two firms (1% of sampled companies) were found to have produced a separate CSR/Sustainability report and made this publicly available, whereas by 2014, this has increased to nine firms, thus representing an increase of 6% of sampled companies. 2015 showed a decline but this is possibly attributable to late reporting due to the voluntary nature of such disclosure. What became apparent was that only 10 companies were found to be responsible for all disclosure of CSR/Sustainability matters through 'separate' reporting, representing 7% of listed firms in Nigeria and suggests that there is a need for stronger engagement from firms. Other insights gained were on attitudes toward reporting by sector with contrasting differences between the financial services industry with higher engagement and the construction / real estate industry with lower engagement.

The extensive trends and insights derived from the descriptive analysis of all listed firms on the Nigerian Stock Exchanged helped in shaping the subsequent time-series regression analysis. This analysis focused on evaluating the moderating effect of Board characteristics on the association between CSR disclosure and firm performance. Using the Global Reporting Initiative (GRI) framework as a basis for assessing evidence of disclosure compliance, the final analysis consisted of 49 of the listed largest companies in Nigeria, with a focus on the period between 2012 and 2015 (4 years), and 175 number of observations. A series of hypotheses within four broad areas were tested with insights into the relationship between Board characteristics, CSR disclosure, and firm performance. A summary of the findings for the different relationships tested highlighted below:

CSR disclosure, corporate board related characteristics, and firm performance:

CSR Disclosure Score does not affect firm performance, but a number of individual Board related variables affect firm performance as measured by Return on Sales and Return on Equity,

but not Return on Assets. These Board related variables either enhances or reduces firm performance (Return on Sales and Return on Equity):

- For the Return on Sales, the clearest estimate is of CSR Disclosure Score and Presence of Managerial Ownership which shows a significance for the interaction and a reducing effect on the association between CSR Disclosure Score and Return on Sales. This means that the interaction between this corporate board characteristic (presence of managerial ownership) and CSR Disclosure Score reduces the magnitude of any positive association between CSR Disclosure and firm performance, essentially creating a net cost (or reduced benefit).
- For Return on Equity, the interaction between CSR Disclosure Score and Percentage of Independent Directors, as well as the interaction with Presence of Managerial Ownership were significant. Both of these interactions show a reducing effect on the association between CSR Disclosure Score and Return on Equity, essentially creating a net cost (or reduced benefit).
- For Return on Assets, the interactions between CSR Disclosure Score and Board Meetings, Percentage of Independent Directors, Presence of Managerial Ownership, and Presence of Audit Committee all show significance. In all 4 estimates, the interactions show a reducing effect on the association between CSR Disclosure Score and Return on Assets, essentially creating a net cost (or reduced benefit).

Through these interactions, the following board characteristics play a negative moderating role in the association between CSR Disclosure Score and firm performance: Presence of Managerial Ownership; Percentage of Independent Directors; No. of Board Meetings.

The following board characteristics do not play a moderating role in the association between CSR Disclosure Score and firm performance: No. of Board Members, Percentage of Women on Board, Presence of Remuneration Committee, and Evidence of board members with Multiple Directorial Positions.

Social disclosure, corporate board related characteristics, and firm performance:

Social Disclosure Score does not affect firm performance, but a number of individual Board related variables affect firm performance as measured by Return on Sales and Return on Equity,

but not Return on Assets. These Board related variables either enhances or reduces firm enhance (Return on Sales and Return on Equity):

- For Return on Sales, the clearest estimate is of Social Disclosure Score and Presence of Managerial Ownership which shows a significance for the interaction and a reducing effect on the association between Social Disclosure Score and Return on Sales, essentially creating a net cost (or reduced benefit).

- For Return on Equity, the interaction between Social Disclosure Score and Percentage of Independent Directors, as well as the interaction with Presence of Managerial Ownership were significant. Both of these interactions show a reducing effect on the association between Social Disclosure Score and Return on Equity, essentially creating a net cost (or reduced benefit).

- For Return on Assets, the interactions between Social Disclosure Score and Board Meetings, Percentage of Independent Directors, Presence of Managerial Ownership, and Presence of Audit Committee all show significance. In all 4 estimates, the interactions show a reducing effect on the association between Social Disclosure Score and Return on Assets, essentially creating a net cost (or reduced benefit).

Through the interactions, the following board characteristics play a negative moderating role in the association between CSR Disclosure Score and firm performance: Presence of Managerial Ownership; Percentage of Independent Directors; No. of Board Meetings.

The following board characteristics do not play a moderating role in the association between Social Disclosure Score and firm performance: No. of Board Members, Percentage of Women on Board, Presence of Remuneration Committee, and Evidence of board members with Multiple Directorial Positions.

Environment disclosure, corporate board related characteristics, and firm performance:

Environment Disclosure Score does not affect firm performance, but a number of individual Board related variables affect firm performance as measured by Return on Sales and Return on Equity, but not Return on Assets. These Board related variables either enhances or reduces firm performance (Return on Sales and Return on Equity):

- For Return on Sales, the clearest estimate is of Environment Disclosure Score and Presence of Managerial Ownership which shows a significance for the interaction and

a reducing effect on the association between Environment Disclosure Score and Return on Sales, essentially creating a net cost (or reduced benefit).

- For Return on Equity, the interaction between Environment Disclosure Score and Presence of Managerial Ownership is also the significant one, with a reducing effect on the association between Environment Disclosure Score and Return on Equity, essentially creating a net cost (or reduced benefit).
- For Return on Assets, the interactions between Environment Disclosure Score and Presence of Audit Committee showed a significance, also with a reducing effect on the association between Environment Disclosure Score and Return on Assets, essentially creating a net cost (or reduced benefit).

Through the interactions, the following board characteristics play a negative moderating role in the association between CSR Disclosure Score and firm performance: Presence of Managerial Ownership and Presence of Audit Committee.

The following board characteristics do not play a moderating role in the association between Environment disclosure and firm performance: No. of Board Members, Percentage of Women on Board, Presence of Remuneration Committee, and Evidence of board members with Multiple Directorial Positions. These summary are very similar to those recorded for the CSRDS interactions and Social interactions.

Local issues disclosure, corporate board related characteristics, and firm performance:

Local Issues Disclosure Score does not affect firm performance, but a number of individual Board related variables affect firm performance as measured by Return on Sales and Return on Equity, but not Return on Assets. These Board related variables either enhances or reduces CFP (Return on Sales and Return on Equity):

- For Return on Sales, there is no significant interactions found.
- For Return on Equity, there is no significant interactions found.
- For Return on Assets, the interactions between Local Issues Disclosure Score and No. of Board Meetings showed a significance with a reducing effect on the positive association between Local Issues Disclosure Score and Return on Assets, while the interactions between Local Issues Disclosure Score and Presence of Remuneration

Committee showed a significance with an increasing effect on the association between Local Issues Disclosure Score and Return on Assets, , essentially creating a net benefit.

The following board characteristics do not play a moderating role in the association between Environment disclosure and firm performance: No. of Board Members, Percentage of Women on Board, Percentage of Non-Executive Directors, Independent Directors, Managerial Ownership, Audit Committee, and Evidence of board members with Multiple Directorial Positions.

For those significant results, an emergent trend became obvious on the nature of the relationship and their associated economic benefit and/or cost. These trends and insights, along with those derived from the earlier descriptive analyses helped in understanding matters that were previously unknown within the Nigerian context and are now known as a result of this research; these trends and insights are highlighted below in relation to each research objective:

Objective 1 - To empirically and critically evaluate the link between CSR practices and disclosure, corporate board characteristics, and firm performance:

- Evidences from review of literature have shown that the link between corporate governance quality and CSR practices is still relatively under-researched (Claessens & Yurtoglu, 2013).
- Work by Ntim and Soobaroyen (2013) showed that corporate governance indeed strengthened the link between CSR and firm performance in South Africa between 2002 and 2009.
- Arora and Dharwadkar (2011) found corporate governance to have reduced both positive and negative CSR with S&P 500 and KLD Domini 400 Universe between 2001 and 2005.

Objective 2- To review and evaluate the mechanisms and regulatory framework for corporate governance, particularly on board-related matters, and attitudes toward corporate social responsibility disclosure in Nigeria:

- The level of corruption within various institutions in the country hinders the promotion of good governance and deep engagement with CSR in Nigeria.

- There is still, on average, less than 10% engagement in the comprehensive reporting of CSR/Sustainability impacts either through separate reporting or through the *'one-report'* format.
- As high as 62% of firms either do not have a functioning website or do not have a dedicated page on their website for CSR/Sustainability related information.
- Only 10 companies were found to be responsible for all disclosure of CSR/Sustainability matters through separate reporting, representing 7% of listed firms in Nigeria and suggests that there is a need for stronger engagement from firms.
- There is a greater level of engagement with CSR/Sustainability reporting from firms within financial services industry, mainly banks, when compared with other industries.
- Construction / Real Estate industry was found to have the lowest level of engagement with CSR/Sustainability reporting either through an annual reporting process or through a dedicated area on their website for their impact.

Objective 3 - To statistically analyse the moderating effect of corporate board characteristics on the relationship between CSR disclosure and firm performance:

- The Null hypotheses was rejected in 7 out of 8 for the ROS model (Return on Sales), 7 out of 8 for the ROE model (Return on Equity) and in 4 out of 8 for the ROA model (Return on Assets).

- Financial leverage of firms, particularly Debt-to-Equity ratio, play a dominant role in explaining changes in both Return on Sales and Return on Equity, whereas firm size (as measured by the logarithm of total assets) play a dominant role in explaining changes in Return on Assets. In both cases the association with firm performance is negative.

- CSR disclosure score on its own does not explain firm performance and neither does the Social and Environmental aspect of CSR disclosure score. This is the general trend in the models analysed although some significance where recorded for CSR related disclosure within the interaction models and where this is the case, the association has been positive (in 1 case for Return on Equity and 3 cases for Return on Assets when examining interactions of specific board related

characteristic on CSR disclosure; in 1 case for Return on Equity and 3 cases for Return on Assets when examining interactions of specific board related characteristic on Social disclosure; in 1 case for Return on Assets when examining interactions of specific board related characteristic on Environment disclosure; and in 2 cases when examining interactions of specific board related characteristic on Local Issues disclosure).

- In most cases, in fact with only one exception, interaction effects between specific corporate board characteristic and a CSR related disclosure tend to produce a reducing effect on the association between the CSR related disclosure and the firm performance being examined; these indicate a net cost (or reduced benefit). However, it should be noted that where individual CSR related disclosure had shown significance, this has been positive thus indicating a net benefit to the firm. Nevertheless, evidence suggests that the role of board characteristics as a moderator in the association between CSR disclosure and firm performance is in fact a net cost in that it reduces the magnitude of any positive relationship between CSR and firm performance. This trend is very similar when the interactions were examined in greater detail focusing on the social and environment subsets of CSR disclosure.

- Neither CSR related disclosure, nor local issues disclosure, not any corporate board characteristics, on their own, affect Return on Assets.

- Disclosure on Local Issues (i.e. those issues specific to Nigeria: poverty reduction, health, education and skills, youth empowerment, and socio-economic development) does not appear to have an impact on Return on Sales and Return on Equity in their interaction with specific board characteristics. However, there is evidence that the presence of a remuneration committee plays a positive role in the relationship between local issues disclosure and Return on Assets.

Objective 4 - To recommend key guidelines for 'good' corporate governance specific to the internal mechanism of the board, and CSR practices aimed at governance, social and environmental improvements, including the likely implications for firm performance:

- The argument for stronger internal corporate governance mechanisms and increased focus of CSR, within the Nigerian context cannot be solely explained by firm performance.

- Generally, a stronger corporate board characteristic can and often reduces the magnitude of the positive association between CSR and firm performance. However, firms are to examine other benefits associated with stronger board characteristics beyond financial performance alone.

- In terms of the role of individual board characteristics, more women on board, presence of managerial ownership, and presence of an audit committee generally has a positive impact on ROS.

- There are no clear differentials between a focus on social issues or environment issues as far as their role in moderating the CSR and firm performance relationship is concerned. Where there has been significance, they tend to have a reducing effect on that relationship i.e. net cost to the firm.

Based on these conclusions, the overriding research question of whether CSR disclosure in Nigeria explain firm performance through the moderating effect of corporate board characteristics, can be answered with *'Yes, in the some cases'*, particularly for board characteristics such as managerial ownership, audit committee, independent directors, all of which has a reducing effect (net cost) on the relationship, and for remuneration committee which does have a positive effect (net benefit) on the local issue – Return on Assets - relationship.

7.2 Recommendations on areas for further study

Based on the extensive research carried out in this thesis through a review of literature and the analysis of research findings, the following recommendations are made in relation to areas for further study:

- The examination of the role played by corporate board in strengthening attitudes toward CSR/Sustainability programmes and reporting, and the associated impact on firm performance.
- An investigation into practical ways in which the foundations for an effective framework for corporate governance and CSR interactions can be developed within the context of frontier and emerging economies.

- An empirical analysis of the content of Nigerian firms' disclosures on CSR and Sustainability, that goes beyond disclosure alone, but on the depth of associated activities and/or programmes.
- A longer-term (20+ years) analysis of the moderating effect of corporate board characteristics on the association between CSR disclosure on firm performance. This may prove challenging at this stage due to insufficient longitudinal data in many frontier and emerging economies.
- An analysis of the impact of the moderating effect of corporate board characteristics on the association between CSR disclosure on firm performance in Nigeria, using market-based measures of performance as a substitute for the accounting-based measures used in this research.
- Consideration for Debt-Equity ratio as a key control variable in any study which intend to analyse the impact of any organisational issue on firm performance in Nigeria (Return on Sales and Return on Equity). This is because Debt-Equity ratio, as a measure of financial leverage was found to be significant the majority of the robust regression analysis conducted.

7.3 Outlook

This study has investigated and found some links between corporate board characteristics, CSR, and firm performance. The findings have indicated that while CSR related disclosure does not affect any of the three measures of firm performance used in this study, a number of corporate board characteristics affect both Return on Sales and Return on Equity, while neither CSR related disclosure not any corporate board characteristics affect Return on Assets. These insights within the context of Nigeria is new and thus require a great deal of consideration by scholars and the business society at large. Companies operating in Nigeria and those that operate in countries with similar profile must carefully consider their governance structure, particularly the board and its committees, to ensure that it has the right balance to provide direction for the company. Particularly, strong corporate governance is essential for a company to be able to create a robust approach to its social responsibility in a way that creates a balance between those aspects of its responsibility that might result in a net cost and those that may enhance performance. The question still remains whether a focus on activities that add economic value is the better approach.

Whilst engagement with CSR may not be fully aligned with a financial benefit, the cost of ignoring social and environmental issues can be damaging to the firm especially when considering matters such as relations with stakeholders. In society today, there is an ongoing debate about the role of corporate tax as a critical aspect of fulfilling an organisations social responsibility and this is an area for further research beyond the scope of this study.

In this study, evidence suggest that some corporate board characteristics does play a moderating role in the relationship between CSR and firm performance. The moderating role of these board characteristics a largely of a net cost to the firm (in other words reduces the magnitude of the relationship between CSR disclosure and firm performance). What is clear is that the debate between CSR and governance impact on performance is not fully settled.

What this study has been able to do is provide a rare quantifiable explanation on how the dynamics of CSR disclosure and corporate board characteristics affects firm performance in Nigeria, thus advancing knowledge in this broad area whilst also establishing new insights into the complexity of elements of CSR disclosure as well as board characteristics.

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I dedicate this thesis is honour of the memory of my late father, Bishop dr. Eben Sheba. I am grateful to God for getting me this far.

Abstract

This thesis addresses a significant gap in research and makes an original contribution to knowledge through a rigorous analysis and critical evaluation of the role of corporate board characteristics as a moderator in the relationship between Corporate Social Responsibility (CSR) disclosure and Corporate Firm Performance (CFP) in Nigeria.

The literature review provides insights into CSR as well as the role of governance in fostering societal improvements. Key principles, theories, and models of both CSR and corporate governance, particularly the internal mechanisms associated with board structure and its committees were critically evaluated, including the importance of CSR disclosure, various reporting instruments, and priority issues for Nigeria. A methodology based on a positivist philosophy and a deductive approach was used to evaluate the implications of CSR disclosure and Board characteristics for CFP. In doing this, a descriptive analysis of all 175 listed firms on the Nigerian Stock Exchange from 2010 to 2015 (final sample of 145) was carried out to determine attitudes toward CSR reporting. Subsequently, a robust regression analysis of 49 of the largest listed companies in Nigeria (2012 to 2015) was used to establish the impact of both CSR disclosure and Board characteristics on CFP, including the assessment of the role of Board characteristics as a moderator in this relationship.

The findings from the descriptive analysis show that CSR disclosure is under-developed with less than 10% of Nigerian firms producing a separate CSR report, while the time-series analysis found that CSR related disclosure does not affect any of the three measures of firm performance used in this study. Within these models, a number of corporate board characteristics affect both Return on Sales and Return on Equity, while neither CSR related disclosure nor any corporate board characteristic affect Return on Assets. However, once the interactions between specific board characteristics and CSR related disclosure are tested, there is statistically significant relationships in a number cases although the vast majority of these had a reducing effect (net cost or reduced benefit) on firm performance for groups where the board characteristic is present/higher.

Finally, this thesis has provided new methodology and insights which helps advance knowledge on studies pertaining to these issues, within the Nigerian context.

Abstract (Dutch translation)

Deze thesis vult een aanzienlijke lacune in bestaand onderzoek en levert een originele bijdrage aan de bestaande kennis door middel van een gedegen analyse en kritische evaluatie van de rol van de kenmerken van goed bestuur, corporate board, als moderator in de relatie tussen maatschappelijk verantwoord ondernemen (MVO) en bedrijfsprestaties (BP) in Nigeria.

De literatuurstudie geeft inzicht in MVO en de rol van corporate governance bij het bevorderen van maatschappelijke verbeteringen. Hoofdbeginselen, theorieën en modellen van zowel MVO als corporate board zijn kritisch geëvalueerd, waaronder het belang van informatieverstrekking over MVO, verschillende instrumenten voor verslaglegging en prioriteiten voor Nigeria. De gebruikte methodologie is gebaseerd op een positivistische filosofie en er is gebruikgemaakt van een deductieve aanpak voor de evaluatie van de implicaties van informatieverstrekking over MVO en CG-kenmerken voor BP. Daarbij werd een beschrijvende analyse uitgevoerd van alle 175 ondernemingen die genoteerd waren aan de Nigeriaanse beurs van 2010 tot 2015 (de uiteindelijke steekproefgrootte omvatte 145 ondernemingen), om houdingen tegenover verslaglegging over MVO vast te stellen. Daarna werd een regressieanalyse van tijdreeksen uitgevoerd van 49 van de grootste beursgenoteerde ondernemingen in Nigeria (van 2012 tot 2015) om de impact van zowel informatieverstrekking over MVO als board-kenmerken op BP vast te stellen, met inbegrip van de evaluatie van de rol van CG-kenmerken als moderator in deze relatie.

De bevindingen van de beschrijvende analyse tonen aan dat informatieverstrekking over MVO onderontwikkeld is waarbij minder dan 10% van de Nigeriaanse bedrijven een afzonderlijk MVO-rapport produceert, terwijl uit de tijdreeksanalyse bleek dat de openbaarmaking van MVO geen van de drie maatstaven voor de prestaties van bedrijven beïnvloedt gebruikt in deze studie. Binnen deze modellen heeft een aantal kenmerken van de raad van bestuur invloed op zowel Return on Sales als Return on Equity, terwijl geen van de MVO-gerelateerde openbaarmakingen geen enkele eigenschap van de raad van bestuur van invloed is op de Return on Assets. Echter, zodra de interacties tussen specifieke boardkenmerken en MVO-gerelateerde openbaarmaking zijn getest, zijn er statistisch significante relaties in een aantal gevallen, hoewel de overgrote meerderheid hiervan een reducerend effect had op de bedrijfsprestaties voor groepen waar het boardkenmerk aanwezig / hoger is.

Tot slot heeft deze thesis een nieuwe methodologie en inzichten ontwikkeld die helpen om de kennis over studies omtrent deze kwesties binnen de Nigeriaanse context te vergroten.

List of academic work

Details of sections within this thesis that have been published (or is pending publication) during the course of this PhD programme are identified below:

Publication 1

- *Reference*: Sheba, B. (2014). News Analysis: Transparent Transactions. *ICSA Governance + Compliance*. 20 October 2014 Edition. Available at: < https://www.icsa.org.uk/knowledge/governance-and-compliance/analysis/november-2014-news-analysis-transparent-transactions> Accessed15/11/2014.
- *Details*: A short news analysis article for ICSA: The Governance Institute, a professional body for governance. Some aspects of this articles are in *Chapter 2* of this thesis.
- *Status*: Published in 2014.

Publication 2

- *Reference*: Sheba, B. (2017). Revisiting the State of Corporate Social Responsibility Disclosure in Nigeria. *Australian Academy of Accounting and Finance Review*, *3*(4), 179-188.
- *Details*: An academic journal article which focuses on the findings presented on the level of disclosure in Nigeria.
- *Status*: Published in 2017.

Publication 3 (Pending)

- *Reference*: An academic journal article entitled *"Systemic Issues Hindering the Development of Effective Corporate Governance and Social Responsibility Practices in Nigeria"*. Approved in August 2017 but currently pending publication in the *Australasian Journal of Law, Ethics and Governance.*
- *Details*: This largely comprises of the content located within *Chapter 2* of this thesis.
- *Status*: Currently awaiting the editorial office of the Australasian Journal of Law, Ethics and Governance to allocate a Volume and Issue for this paper.

Publication 4 (Approved; pending publication in 2019)

- *Reference*: Sheba, B., & Bello, H. (2020). The Role of Good Governance in Driving and Promoting Sustainable Development in the Provision of Off-Grid Electricity Solutions in Nigeria. In *The Future of the UN Sustainable Development Goals* (pp. 169-185). Springer, Cham.
- *Details*: This largely comprises of corporate governance principles and implementation in Nigeria with contents from parts of *Chapter 4* of this thesis, particularly *Sections 4.2, 4.3, and 4.4.*
- *Status*: Book has been published by Springer.

Relevant conference presentations

- Revisiting the State of CSR Disclosure in Nigeria; New York International Business and Social Science Research Conference (NYIBSRC), 2017
- Systemic Issues Hindering the Development of Effective Corporate Governance and Social Responsibility Practices in Nigeria; 3rd Conference on CSR, Sustainability, Ethics and Governance Conference, Cologne Business School (CBS), European University of Applied Sciences, 2016

Other completed works

- Development of a postgraduate module entitled *"Environmental, Social and Governance Issues"* in 2017. This included the creation of the definitive module record for the University of Plymouth's MBA programmes in London: Executive MBA, MBA, MBA Energy and Sustainability, MBA (Islamic Finance stream), and MBA (Oil and Gas Management stream).
- Development of lecture content for an undergraduate module entitled *"Politics in the Oil and Gas Industry"* in 2017. This module features on the University of Plymouth's BSc Oil and Gas Management. The content developed covered Corporate Governance, CSR theories, disclosures, CSR reporting framework and indices, and so on.

Publications in process

- Publication of Appendix F as a case study for teaching resource (this has been submitted to the American Journal of Economics and Business Administration)
- Publications from Chapter 6, which examines the role of corporate board as a moderator in the relationship between CSR disclosure and firm performance (currently under development)

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Appendix C: Risk assessment matrix of Nigeria

Source of Threat	Likelihood	Impact	Recommended Policy Response
Oil price shock	MEDIUM • Protracted period of slower growth in advanced and emerging economies could lead to a fall in oil prices.	MEDIUM • Given Nigeria's heavy reliance on oil exports and revenue, oil price volatility directly affects the whole economy: drawdown on the Excess Crude Account (ECA) would in particular be severe.	• Rebuild the ECA balance by implementing regular effective reconciliation processes, while containing recurrent expenditure and prioritising spending in favour of high-return infrastructure projects. • Boost non-oil revenues.
Continued Oil theft and production losses	LOW to MEDIUM • Prolonged oil theft and production losses will translate into a weakening of the economy.	MEDIUM • Scenario analysis (Figure 8) shows that if the level of oil production losses were to continue, the current account balance and gross international reserves will deteriorate rapidly.	• Improve oil sector oversight by strengthening the regulatory framework (e.g., passing a sound Petroleum Industry Bill) and security arrangements and engaging in a multi-country partner strategy. • Boost non-oil exports by diversifying the economy and improving competitiveness and productivity.
Weaker fiscal policy stance	MEDIUM • Fiscal stance has weakened ahead of previous elections.	MEDIUM • A looser fiscal policy, with little increase in pro-growth spending and delays in much needed structural reforms would adversely affect growth. • It can also lead to inflation and crowding out of the private sector.	• Continue enhancing fiscal control (e.g., formula-based budget oil price; full transition to Sovereign Wealth Fund; Fiscal Responsibility Laws for state governments). • Better manage the banking sector liquidity as well as public finance management by expanding the coverage of Treasury Single Account (TSA).
Substantial deterioration of security in the	LOW	MEDIUM	• Ensure service delivery in key areas

North of Nigeria	• The campaign of violence being waged by Boko Haram has adversely affected agriculture and commerce in the North.	• If the conflict intensifies, the adverse impact on economic activity would be marked. • Non-oil growth and investor confidence could also be adversely affected.	(e.g., education and health). • Strengthen social safety net by continuing with early successes of the Subsidy Reinvestment and Empowerment Program (SURE-P). • Continue with reforms in the agriculture sector.
Protracted economic and financial volatility	HIGH • Prospective exit from UMP continues to result in economic and financial volatility.	MEDIUM • Given the relatively open capital account of Nigeria, this could adversely affect macroeconomic and financial stability.	• Enhance prudential supervision. • If persistent pressures emerge in the foreign exchange market, the exchange rate should be allowed to adjust.
1The RAM shows events that could materially alter the baseline path and reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialise jointly.			

(Source: International Monetary Fund [IMF], 2013)

References

International Monetary Fund [IMF] (2014). Nigeria: 2013 Article Consultation-Staff Report; Press release statement by the executive director for Nigeria. Available at: < http://www.imf.org/external/pubs/ft/scr/2014/cr14103.pdf> [Accessed 22 December 2014].

Appendix D: Evolution of CSR definitions

Evolution of CSR definitions

Definitions of CSR have evolved over time especially as the understanding on the concept and its interrelations with CFP and other organisational models became clearer. Below are key definitions of CSR – presented by decades, in order to fully understand the evolution of the definitions.

1900s to 1940s

As discussed earlier in this chapter, the concept of CSR began to evolve in the early 1900s. However, no formal definition of the concept was articulated until the 1950s.

1950s and 1960s

Bowen (1953, p.6) defined social responsibility as the *"obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action which are desirable in terms of the objectives and values of our society."* Another key definition came from Davis (1960, p.70) who defined social responsibility as *"business-men's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest"*. Another notable definition is from Frederick (1960, p.60) who stated that social responsibility "*mean that businessmen should oversee the operation of an economic system that fulfils the expectations of the public. And this means in turn that the economy's means of production should be employed in such a way that production and distribution should enhance total socio-economic welfare"*. Later in this decade, Walton (1967, p.18) stated that social responsibility recognises *"the intimacy of the relationships between the corporation and society and realises that such relationships must be kept in mind by top managers as the corporation and the related groups pursue their respective goals"*.

1970s

Research on CSR in the 1960s focused on the meaning of the concept and why it is important to businesses and the wider society. By the 1970s the focus, according to Carroll and Shabana (2010) had shifted towards 'awareness' and 'issue' relating to CSR. At the stage, the focus is on the overall responsibility of businesses especially in relation to good employment practices, community involvement, addressing racial discrimination, corporate philanthropy, poverty alleviation, and pollution alleviation. CSR began to receive formal definitions during this

period with one notable articulation of CSR being from the Committee for Economic Development (CED) in 1971. In its published *'Social Responsibilities of Business Corporations'*, the CED outlined a three-tiered model of CSR which it argued should act as a code of conduct for businesses. These are:

1. The inner circle, which refer to the responsibility of an organisation in making efficient economic decisions in relation to its profitability and growth. The focus of the inner circle is on the relationship with close stakeholders of the organisation such as its shareholders, managers, and employees.
2. The intermediate circle, which refers to the responsibility of an organisation in being sensitive to the changing social contract that exist between itself and the society, when making economic decisions that, affects its profitability and growth. The focus of the intermediate circle is on the relationship with wider stakeholders such as customers, suppliers, creditors, and competitors.
3. The outer circle which refer to the responsibility of an organisation in pursing social improvement, for example in relation to poverty and urban crowding. The focus of the outer circle is on the relationship with the local community, and the wider society, and CSR in these areas could take the form of community development projects, sponsorships, and philanthropy.

Later in the 1970s, a notable definition of CSR which has remained very popular with researchers and businesses was by Carroll (1979, p.500) who defined CSR as follows: *"the social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organisations at a given point in time"*. This definition of CSR provides the four categories of responsibilities of corporations to its stakeholders and the society – economic, legal, ethical, and discretionary (i.e. philanthropy). Carroll (1979; 1991) further clarified these categories by contending that economic and legal responsibilities of a corporation are required, whereas ethical responsibilities are expected, while discretionary responsibilities are desirable. The formal categories (economic and legal) represent the classical (historic) responsibilities of corporations, while the latter two (ethical and discretionary/philanthropy) represent the new addition to the responsibilities of corporations today.

The economic responsibility of a company, according to Carroll (1979, p.500) is *"to produce goods and services that society desires and to sell them at a profit"*. There are of course several

arguments on how much profit a corporation should pursue in fulfilling this economic responsibility. For example, Apple Inc. reported a net profit of $18bn (£11.8bn) in its fiscal first quarter (3 months leading up to 27 December 2014) representing the biggest quarterly profit ever made by a company at the time (BBC, 2015A). The company also had a net cash reserve of $142bn (£93bn) (BBC, 2015A).

The legal responsibilities of a company are the obligations that are placed on the business by the law governing its place of operation. For example, the legal duties of directors of UK companies according to the Companies Act 2006[19] are:

1. The duty to act within powers
2. The duty to promote the success of the company
3. The duty to exercise independent judgement
4. The duty to exercise reasonable care, skill, and diligence
5. The duty to avoid conflicts of interest
6. The duty not to accept benefits from third parties
7. The duty to declare interest in proposed transaction or arrangement

The ethical and discretionary responsibilities of a company are the responsibilities that extend beyond the normal obligations described earlier i.e. economic and legal. In relation to the ethical and discretionary (philanthropy) responsibilities, Kotler and Lee (2005) defined CSR as *"a commitment to improve community well-being through discretionary business practices and contributions of corporate resources"*. Thus, the emphasis here is on companies going beyond its financial sustainability alone but also doing all it can to ensure social development (this is in contrast to earlier views of CSR that social development is the responsibility of governments, and not of businesses).

1980s and 1990s

During the period of the 1980s and 1990s, many organisations began to see the CSR propaganda as an attempt to regulate them. In 1992, the Earth Summit in Rio (Brazil) represented a key point in this debate. The summit was designed to find and agree on ways to halt the destruction of the natural environment and its resources. However, it was widely

[19] Directors' general duties are defined in sections 170-177 of the Companies Act 2006.

believed that 48 companies had joined forces in order to influence the outcome of the summit, particularly to ensure that any reporting requirement of such issues will be voluntary rather than mandatory.

By 1995, CSR had received a worldwide attention when Ken Saro Wiwa and eight other environmental activists in Nigeria were executed, with Shell being accused of complicity in their execution. Shell had attempted to repress the Niger Delta's civil society in the early 1990s and the subsequent execution of prominent activists led to an international outrage regarding Shell's operations in Nigeria, while it also led to a significant increase in instability in the region. Subsequently, Shell reviewed its practices and developed a 'security-development' nexus whereby 'host communities' would ensure a stable operating environment in exchange for investment and opportunities (Grove, 2009). This, unfortunately, did very little to address violence in the region (International Crisis Group, 2007). The implication of this is that many companies later in 1990s began to see CSR and one of the key strategic ways of 'protecting' and 'improving' their corporate image. Thus, several companies began to treat their ethical and discretionary responsibilities just as important as their normal obligations i.e. economic and legal.

2000s and 2010s

Carter, Kale and Grimm (2000) defined CSR as follows: *"deals with the managerial consideration of non-market forces or social aspects of corporate activity outside of a market or regulatory framework and includes consideration of issues such as employee welfare, community programs, charitable donations, and environmental protection."* Another well-known definition of CSR is by World Business Council For Sustainable Development [WBCSD] (2000) who defined CSR as *"the continuing commitment by the business to behave ethically and contribute to economic development while improving the quality of life of the workplace and their families as well as the local community and the society at large"*.

Also, Steurer, Langer Konrad and Martinuzzi (2005) provided a definition of CSR based on the concept of stakeholder relations management by defining CSR as *"a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis"*. The emphasis of this definition is on the aligning of the three areas of concern together (economic, environmental, and social), albeit voluntarily.

In 2009, a non-profit organisation named 'CSR International' announced that it was supporting the transition of the old CSR (Corporate Social Responsibility) to a new CSR (Corporate Sustainability and Responsibility). The old CSR was termed CSR 1.0 while the new CSR is being referred to as CSR 2.0. Given that this is a relatively new initiative, it remains to be seen whether this new definition of CSR will become acceptable amongst researchers and businesses.

The 2000s' period signalled a significant evolution of CSR into corporate boardrooms. For example, in 2005, 360 different CSR-related shareholder resolutions were filed on various issues from labour conditions to global warming (Porter & Kramer, 2006). Also, legislation in the UK now requires every publicly listed company to disclose CSR-related risks in their annual report (ethical, social, and environmental). Porter and Kramer (2006) proposed at examining the relationship between business and society in a way that does not *'treat corporate success and social welfare as a zero-sum game'*. Porter and Kramer (2006) argued that the *"prevailing approaches to CSR are so disconnected from business as to obscure many of the greatest opportunities for companies to benefit society"*.

A greater level of emphasis is now being placed on the integration of CSR into business processes and how the associated measures and impact can be measured. The key motivation for this is to move CSR from a conceptual matter into a practical business programme that has clear links to financial performance and corporate image. This challenges of this are extensive as critics have argued that CSR has been hijacked by the so-called corporates for profit making agenda rather than for the social responsibility agenda for which it was designed. In terms of business integration, Castka *et al.* (2004) proposed a CSR framework for integration purposes, while Katsoulakos and Katsoulacos (2007) developed a stakeholder oriented integrative strategic management reference model. In addition, an important business integration model is that of Asif *et al.*, (2013) who developed an Integrated Management System (IMS) model for CSR. Furthermore, ISO 14001 and 26000 are pivotal standards within the area of CSR whilst organisations such as the Global Reporting Initiative and AccountAbility have introduced sustainability reporting measures. Various integration and reporting framework are later discussed in this chapter.

What has been clear from the historical evolution of the concept of CSR is that there are commonalities. Dahlsrud (2008), through an analysis of 37 definitions of CSR identified five main dimensions of CSR namely: environmental, economic, social, stakeholder, and

voluntariness. Another notable dimension of CSR identified is corporate governance, which is essential for the integration of CSR with corporate strategy. Today, the importance of CSR is now embodied across many organisations around the world. Research by KPMG (2016) stated that 95% of the 250 largest companies in the world now report on their CSR activities. While reporting is still voluntary, the fact that most companies now report on this is an indication of the value placed by management and shareholders on understanding the social and environmental impact of their operations in addition to the economic impact. Also, the current period of the 2010s has seen the popularisation of the strategic approach to CSR by Porter & Kramer (2011) who argued that the previous approach to CSR has fundamental flaws as it pits the corporate interests against societal interests even though these two interests are interdependent. They argue for CSR to be treated strategically and embedded in the overall strategy and practices of companies. However, many still believe that there are differences between strategy and CSR as very few companies see CSR as a high priority (Murphy & Schlegelmilch, 2013). This assertion is supported by a 2011 research by the National Association of Corporate Directors where only 1.5% of corporate directors identified CSR as being among the highest priorities for the board of directors (Crespin, 2012).

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Appendix E: Seven sustainability revolutions

Markets

Elkington (2004) emphasises the role of competition in driving market revolution – a shift from the old paradigm where the emphasis is on compliance. Essentially, demand by customers and governments on the commitments of companies to the TBL will drive companies to consider these factors when developing their business case for action and investment. Today, citizens continue to apply pressure on their governments to act through legislation on ensuring that companies commit to the social and environmental impact of their business. At the same time, customers have become more aware of the behaviour of companies and are as a result considering these in their purchasing decision processes.

Values

This represents a shift in the values of humans and the society. The 1990s especially saw the growing importance of the values that the society placed on social, environmental, and ethical issues. As detailed earlier in section 3.3.4, CSR in particular gained a worldwide attention as a result of the execution of Nigerian activists (including Ken Saro Wiwa) who had voiced their concerns about Shell's operations in Nigeria. This subsequently resulted in Shell having to consult with NGOs on the environmental and human right impact of its operations, prior to starting any future projects. Also, the collapse of companies such as Enron (due to bad corporate governance structure) has further highlighted the importance of a value-based society.

Transparency

Revolution in the transparency of companies' operations has been immense since the mid 1990s, with many companies under intense scrutiny, not only from their shareholders, but also from their wider stakeholders. Also aiding this revolution is *Transparency International*, which through various research have been able to highlight the level of corruption among institutions around the world. Some of the implication of this has been on the need for companies to disclose more than they were previously accustomed to. For example, many companies now actively report on their contribution to social and environmental issues although it is worth recognising that some disclosures are still voluntary. One example of such reporting is the 'Global Reporting Index', which was established in 2001 and built on the principles of the

TBL. Thus, many companies have moved away from the old paradigm of closeness, to a new era of openness.

Life-cycle technology

The revolution in life-cycle technology have seen companies focus moving from the acceptability of the final product in the market, to the full life-cycle of the product, focusing on the entire supply chain, and also the implication of their product after their useful life (Elkington, 2004). For example, many of the consumer electronics companies such as Apple now offers customers the chance to trade-in or buy back their products after the customer has finished using them and wishes to discontinue their use.

Partners

Elkington (2004) predicted that another revolution would see an increase in the rate by which companies partner with one another. The 21st century has seen a rapid increase in strategic alliances between companies. These alliances are often as a result of several factors such as increased competition, globalisation, fast moving technology, risks, and research and development. For example, many oil and gas firms have entered into joint venture arrangements for strategic reasons. An example of this is the joint venture between Algeria's state-owned oil company namely Sonatrach, and multinationals namely BP and Statoil, in Libya. This joint venture was established for the '*In Amenas*' Gas project and enabled the companies involved to share the risk involved in the operation. Islamist terrorists later attacked the '*In Amenas*' gas plant on 16 January 2013 resulting in a hostage situation where several workers on the plant, including 48 foreign workers were held hostage. The subsequent rescue attempt four days later resulted in the death of 40 hostages, including 5 workers from Statoil and 4 workers from BP.

Time

Elkington (2004) argued that the emerging sustainability agenda requires thinking across decades, generations and, in some instances, centuries. Many businesses now use scenario planning as through this, companies can examine variations of the future and thus increase their time horizon and imagination. The implication of this for CSR is that companies have to consider the long-term impact of their activities on economic, social, and environmental issues.

Corporate governance

Elkington (2004) described corporate governance as the business end of the TBL agenda. For companies to focus on the environmental and social value that they add, in addition to the economic value, the corporate board must function in a way that will allow for these three axes to be equally considered. According to Elkington (2004, p.6), *"the better the system of corporate governance, the greater the chance that we can build towards genuinely sustainable capitalism"*. Thus, the corporate board has a responsibility to ensure that the TBL is embedded within the strategic vision, mission, and objectives of the business, and most importantly, each of the three axis (economic, social, and environmental) are seen as integral to the financial sustainability of the company. Corporate governance is later explored in this study.

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Appendix F: Corporate governance: re-examining the timeline and lessons from the failings of Northern Rock

Corporate failings have seen an increase in the last twenty and so has been the rise in the role of corporate governance in ensuring a strong foundation for businesses to operate whilst upholding their legal responsibilities. We have seen many companies fail because of their board failing to address these responsibilities. One of these failures was that of Northern Rock which was nationalised by the British Government in February 2008 after it became clear that the activities being funded by the bank, through loans from other banks (its competitors) are in fact toxic.

Northern Rock embarked in dangerous practices for several years, unchecked. A significant aspect of the problem faced by the bank was in its mortgage business where many of its borrowers had begun to struggle to repay their mortgage. Earlier in July 2007, the bank issued its trading results and cited a 'very positive' business outlook. It also recorded its strongest ever sale of mortgages of £10.7bn in the first half of 2007 (BBC, 2008). What was more worrying is the fact this record number of mortgages was 47% up on the same period in the previous year of 2006. By September 2007, the first sign of financial troubles for banks began with the LIBOR[20] rate rising to its highest level in a several years, and soon after Northern Rock was asking the Bank of England for cash injection even though it insists there are no concerns about its business operations and assets although it admitted to extreme conditions as the reasons for approaching the Bank of England. This period signalled the beginning of a troublesome period for the bank as both investors and customers began to panic. This panic led to many customers attempting to withdraw their savings only to find that current legislation only provides guarantees for up to £31,700. Several customers began to queue at banks hoping to withdraw cash while at the same time the shares of the company suffered a dramatic fall of 32% (BBC, 2008). By the end of September 2007, the crisis was now in full fledge as shares continue to fall while the bank's management had decided not to pay the dividends that were due to shareholders in October 2007. By this time, the UK Government were now fully involved, and the Chancellor moved to guarantee the first £35,000 of all savings in UK Banks while it also guarantees all new savings deposited into Northern Bank. Soon after, Virgin Group, backed by

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[20] LIBOR is the accronym for 'London Interbank Offered Rate'. This is the rate at which Banks in the developed economies lend to each other (not just London-based Banks).

the Billionaire Sir Richard Branson made it known of its interest in taking over the majority stake in Northern Rock while also rebranding the company as 'Virgin Money'. Northern Rock's board of directors also tabled a proposal which they believed was better than the one proposed by Virgin Group in that jobs will be protected. However, neither proposal was accepted by the Government with the Chancellor arguing that neither of the two offers enough value for the taxpayers and that nationalisation was the better option for the country. The bank was nationalised on 22nd February 2008.

By 2012, the Government was finally able to sell off the bank after having divided it into two distinct arms namely 'assets' and 'banking'. The banking arm was sold to Virgin Money while the assets arm remained under government's control. Subsequently, the government in 2015 was able to sell £13bn of the mortgages (assets) to a US company named Cerberus which meant that over 85% of Northern Rock's assets have been sold with only about £4bn of asset remaining under the control of the government (BBC, 2015b).

So, what were the lessons learned from this failing of one of Britain's major banks? The Financial Services Authority (FSA) who was responsible for regulating banking activities in the UK in 2008 admitted to inadequate supervision of Northern Rock's banking activities. Effectively, Northern Rock was left to operate in an aggressive manner, focusing mainly on profitability and more importantly failing in its duty to ensure that customers who are being lend money in large sums have the capacity to repay the loans. A 2009 report by the OECD on the lessons learned from the financial crisis of 2008 concluded amongst others, that corporate governance failings and weaknesses were key contributory factors to the crisis (Kirkpatrick, 2009). The report by Kirkpatrick (2009, p.2) concluded that *"when they were put to a test, corporate governance routines did not serve their purpose to safeguard against excessive risk taking in a number of financial services companies."* The report also urges the creation of a steering group of OECD to examine its corporate governance principles and determine if there is a need for clearer guidelines for businesses whilst also examining if the current principles are adequate. The OECD principles of corporate governance was first introduced in 1999 and is one of the 12 key standards for ensuring 'sound financial systems'. It was later reviewed in 2004, and in 2014 with the introduction of a newly revised one in July 2015.

Corporate governance is essentially the mechanisms by which companies guide their actions and the associated performance (Nordberg, 2011). It addresses the role of the directors of businesses in ensuring that the business continues to function in a way that promotes its

continuity and compliance with its legal responsibilities. Corporate governance also deals with the relationship between board of directors and the shareowners. Hence, corporate governance addresses two key relationships: between boards and managers, and between investors and boards (Nordberg, 2011; Cadbury & Millstein, 2005). Kirkpatrick (2009, p.7) states *"the purpose of corporate governance is to help build an environment of trust, transparency and accountability necessary for fostering long-term investment, financial stability and business integrity, thereby supporting stronger growth and more inclusive societies."* Katsoulakos and Katsoulacos (2007, p.356) argued that *"corporate governance reflects the way companies address legal responsibilities and therefore provides the foundations upon which CSR and corporate sustainability practices can be built to enhance responsible business operations."*

In the case of the relationship between corporate governance and CSR, Elkington (2004) sees corporate governance as the business end of the TBL agenda, where companies begin to focus on the environmental and social value added, in conjunction with the economic value added (planet, people and profit). Thus, it is the duty of corporate governance to ensure the alignment of these three axis that are critical to today's business. Nordberg (2011) sees the relationship between the board and the society as the third key relationship – the relationship that is now widely referred in various names such as CSR, ethics, sustainability, etc.

It is important to understand that the perception of company ownership varies from country to country. The work of Yoshimori (1995) showed the different assumptions of managers within developed economies where 89% of managers in the UK and US states that the company belong to the shareholders. On the other hand, only a small percentage of managers feels the same way in France (22%), Germany (17%), and Japan (3%). The contrast between the US and Japan is particularly alarming where 76% of US managers where quite clear that the shareholders are the owners of their companies but 97% of Japan managers' states that all stakeholders own their companies. This creates a conundrum for the implementation of corporate governance framework across countries.

To bring this to conclusion, we must remember the past errors of corporations and continue to actively work to prevent such errors from reoccurring. To do this require companies to fully embrace the principles of corporate governance and ensure that this is imprinted in the culture of their directors, managers and wider staff. Society at large also has a role to play, particularly regulators in ensuring that the mechanisms in place (such as stress tests for banks) to monitor companies continue to evolve rather than remain static, taken into account the continued

technological advancements evident among many top banks and the new wave of app based banks.

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Appendix G: Key indicators used in regression analysis

Control Variable Indicators

Firm Age:

- Age of the firm calculated by establishing the date of incorporation. This can be represented by both the actual age and a square age, thus creating two control variables for age.

Firm Size:

- A proxy for this can be created using the logarithm of the book value of assets. Why control? Large firms are more likely to manage earnings than small firms, and large firms have greater bargaining power with auditors.

Debt-to-Equity ratio:

- This allows us to control for risk that is inherent in different sectors and likely to affect those performance measures.

Year effect dummy:

- Dummy variable to control for the year effects in the model.

Firm Performance Indicators

Return on Asset:

- ROA = Net Income after tax / Total assets (or Average Total assets)

Return on Equity:

- ROE = Net income after tax / Average shareholder's equity

Return on Sales:

- Return on sales (operating margin) = EBIT / Revenue

Corporate Governance Indicators

- No of Board Members
- No of Board Meetings
- % of Women on Board
- % of Independent Directors
- Chairman CEO Split
- Existence of Managerial Ownership
- Existence of Audit Committee

- Existence of Multiple Directorial Positions

<u>Corporate Social Responsibility Indicators (Based on G4 Sustainability Reporting)</u>

Environmental:

Materials:

- Materials used by weight or volume
- Percentage of materials used that are recycled input materials:

Energy:

- Energy consumption within the organization
- Energy consumption outside of the organization
- Energy intensity
- Reduction of energy consumption
- Reductions in energy requirements of products and services

Water:

- Total water withdrawal by source
- Water sources significantly affected by withdrawal of water
- Percentage and total volume of water recycled and reused

Biodiversity:

- Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
- Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas
- Habitats protected or restored
- Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk

Emissions:

- Direct greenhouse gas (GHG) emissions (Scope 1)
- Energy indirect greenhouse gas (GHG) emissions (Scope 2)
- Other indirect greenhouse gas (GHG) emissions (Scope 3)
- Greenhouse gas (GHG) emissions intensity

- Reduction of greenhouse gas (GHG) emissions
- Emissions of ozone-depleting substances (ODS)
- NOX, SOX, and other significant air emissions

Effluents and Waste:

- Total water discharge by quality and destination
- Total weight of waste by type and disposal method
- Total number and volume of significant spills
- Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention2 Annex I, II, III, and VIII, and percentage of transported waste shipped internationally
- Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organisations' discharges of water and runoff

Products and Services:

- Extent of impact mitigation of environmental impacts of products and services
- Percentage of products sold and their packaging materials that are reclaimed by category

Compliance:

- Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations

Transport:

- Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.

Overall:

- Total environmental protection expenditures and investments by type
  - Waste disposal, emissions treatment, and remediation costs
  - Prevention and environmental management costs

Supplier Environmental Assessment:

- Percentage of new suppliers that were screened using environmental criteria
- Significant actual and potential negative environmental impacts in the supply chain and actions taken

Environmental Grievance Mechanisms:

- Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms

Social:

<u>Labour practices and decent work</u>

Employment:

- Total number and rates of new employee hires and employee turnover by age group, gender, and region
- Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation
- Return to work and retention rates after parental leave, by gender

Labour / Management Relations:

- Minimum notice periods regarding operational changes, including whether these are specified in collective agreements

Occupational Health and Safety:

- Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs
- Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender
- Workers with high incidence or high risk of diseases related to their occupation
- Health and safety topics covered in formal agreements with trade unions

Training and Education:

- Average hours of training per year per employee by gender, and by employee category
- Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings
- Percentage of employees receiving regular performance and career development reviews, by gender and by employee category

Diversity and Equal Opportunity:

- Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity

Equal Remuneration for Women and Men:

- Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation

Supplier Assessment for Labor Practices:

- Percentage of new suppliers that were screened using labor practices criteria
- Significant actual and potential negative impacts for labor practices in the supply chain and actions taken

Labour Practices Grievance Mechanisms:

- Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms

Human Rights

Investment:

- Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening
- Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained

Non-discrimination:

- Total number of incidents of discrimination and corrective actions taken

Freedom of Association and Collective Bargaining:

- Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights

Child Labor:

- Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor

Forced or Compulsory Labor:

- Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor

Security Practices:

- Percentage of security personnel trained in the organization’s human rights policies or procedures that are relevant to operations

Indigenous Rights:

- Total number of incidents of violations involving rights of indigenous peoples and actions taken

Assessment:

- Total number and percentage of operations that have been subject to human rights reviews or impact assessments

Supplier Human Rights Assessment:

- Percentage of new suppliers that were screened using human rights criteria
- Significant actual and potential negative human rights impacts in the supply chain and actions taken

Human Rights Grievance Mechanisms:

- Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms

Society

Local Communities:

- Percentage of operations with implemented local community engagement, impact assessments, and development programs
- Operations with significant actual or potential negative impacts on local communities

Anti-corruption:

- Total number and percentage of operations assessed for risks related to corruption and the significant risks identified
- Communication and training on anti-corruption policies and procedures
- Confirmed incidents of corruption and actions taken

Public Policy:

- Total value of political contributions by country and recipient/beneficiary

Anti-competitive Behavior:

- Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes

Compliance:

- Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations

Supplier Assessment for Impacts on Society:

- Percentage of new suppliers that were screened using criteria for impacts on society
- Significant actual and potential negative impacts on society in the supply chain and actions taken

Grievance Mechanisms for Impacts on Society:

- Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms

Product Responsibility

Customer Health and Safety:

- Percentage of significant product and service categories for which health and safety impacts are assessed for improvement
- Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes

Product and Service Labeling:

- Type of product and service information required by the organization’s procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements
- Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes
- Results of surveys measuring customer satisfaction

Marketing Communications:

- Sale of banned or disputed products
- Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes

Customer Privacy:

- Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data

Compliance:

- Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services

Appendix H: Sample regression queries used in Stata

Descriptives:

summarize RoS RoE RoA CSRDS Environment Social LocalIssues BoardMembers BoardMeetings PtgWomen PtgNonExec PtgIndDirector MgrOwn AuditCmt RemCmt MultiDirPos Age LogTAsset DERatio

Pairwise Correlation:

pwcorr RoS RoE RoA CSRDS Environment Social LocalIssues BoardMembers BoardMeetings PtgWomen PtgNonExec PtgIndDirector MgrOwn AuditCmt RemCmt MultiDirPos Age LogTAsset DERatio, star(5)

Models of CSR disclosure score, individual variables, and all controls:

eststo: xi: xtreg RoS CSRDS BoardMembers BoardMeetings PtgWomen PtgNonExec PtgIndDirector MgrOwn AuditCmt RemCmt MultiDirPos Age AgeSquared LogTAsset DERatio i.DataYear, fe vce(robust)

Hausman test:

```
. hausman fixed random, sigmamore

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |     fixed        random       Difference          S.E.
-------------+----------------------------------------------------------------
       CSRDS |   -.0053578    -.0045865       -.0007713        .0011556
BoardMembers |   -.0116475    -.0056144       -.0060332        .0051833
BoardMeeti~s |   -.0127451    -.0099256       -.0028195        .0038518
    PtgWomen |    .7021285     .4781879        .2239405        .1423076
  PtgNonExec |   -.2581993    -.0290094       -.2291899        .0616316
PtgIndDire~r |   -.3097863    -.1581952       -.1515911        .0687266
      MgrOwn |    .1174616     .0243115        .0931501        .0347523
    AuditCmt |    .2219551     .1189092         .103046        .0568065
      RemCmt |   -.1255231    -.0769649       -.0485582        .0363777
 MultiDirPos |    .0808746     .0695836         .011291        .0639559
         Age |   -.0152841     -.002703       -.0125811         .018392
  AgeSquared |    -.000075     .0000102       -.0000852        .0001994
   LogTAsset |    .0346048     .0079828         .026622        .1375517
     DERatio |   -.0016862    -.0019553        .0002691        .0001948
_IDataY~2013 |    .0024662    -.0146078        .0170741               .
_IDataY~2014 |    .0125365    -.0273154        .0398519               .
------------------------------------------------------------------------------
                          b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(16) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                           =       32.97
                 Prob>chi2 =      0.0075
```

eststo: xi: xtreg RoE CSRDS BoardMembers BoardMeetings PtgWomen PtgNonExec PtgIndDirector MgrOwn AuditCmt RemCmt MultiDirPos Age AgeSquared LogTAsset DERatio i.DataYear, fe vce(robust)

```
. hausman fixed random, sigmamore

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |     fixed        random       Difference          S.E.
-------------+----------------------------------------------------------------
       CSRDS |   -.0201851    -.0137598       -.0064253        .0082089
BoardMembers |   -.0315144    -.0183931       -.0131214        .0303828
BoardMeeti~s |   -.0566215    -.0244733       -.0321482        .0253751
    PtgWomen |    1.168175     .8876285         .280547        .8396309
 PtgNonExec |   -1.730351    -.4136255       -1.316725        .3912148
PtgIndDire~r |   -.6402144    -.4499265       -.1902879        .4077546
      MgrOwn |   -.0100751    -.1454253        .1353502        .2073524
    AuditCmt |    .2146171     .0062801         .208337        .3397774
      RemCmt |    .1514196    -.0102081        .1616277        .2069199
 MultiDirPos |    .2590415     .1340384        .1250031        .3406588
         Age |     .257231    -.0068216        .2640526        .0831305
  AgeSquared |   -.0024711      .000064       -.0025351        .0009033
   LogTAsset |    -1.28726    -.0618152       -1.225445        .6233494
     DERatio |   -.0273316    -.0267178       -.0006139        .0014417
_IDataY~2013 |   -.0508097    -.0337429       -.0170669               .
_IDataY~2014 |   -.1067234    -.1276035        .0208801               .
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(16) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                           =       30.43
                 Prob>chi2 =      0.0159
```

eststo: xi: xtreg RoA CSRDS BoardMembers BoardMeetings PtgWomen PtgNonExec PtgIndDirector MgrOwn AuditCmt RemCmt MultiDirPos Age AgeSquared LogTAsset DERatio i.DataYear, re vce(robust)

```
. hausman fixed random, sigmamore

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |     fixed        random       Difference          S.E.
-------------+----------------------------------------------------------------
       CSRDS |   -.0008861    -.0004711        -.000415        .0003398
BoardMembers |   -.0038939    -.0035254       -.0003685        .0016396
BoardMeeti~s |   -.0057826    -.0044141       -.0013685        .0011709
    PtgWomen |    .1322354     .1653106       -.0330753        .0445695
  PtgNonExec |   -.0346098     .0093632        -.043973        .0184322
PtgIndDire~r |   -.0133005    -.0179298        .0046293         .021744
      MgrOwn |     .029512     .0211334        .0083786        .0106092
    AuditCmt |    .0491699      .037341        .0118289        .0178602
      RemCmt |   -.0177517    -.0176326       -.0001192        .0113238
 MultiDirPos |    .0172409     .0159773        .0012636        .0206729
         Age |   -.0072888      .001358       -.0086469        .0066947
  AgeSquared |    .0000139    -9.28e-06        .0000232        .0000724
   LogTAsset |   -.0731165    -.0432008       -.0299157        .0499532
     DERatio |   -.0000876    -.0001724        .0000848          .00006
_IDataY~2013 |     .011519     .0016771        .0098419               .
_IDataY~2014 |    .0038183    -.0158935        .0197119               .
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(16) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                           =       15.35
                 Prob>chi2 =      0.4995
```

estout *, cells(b(fmt(a3) star) t(fmt(2) par)) indicate(Year controls = _IDataYear*) stats(N r2_a r2_w F chi2 vcetype)

<u>Interaction between CSR Disclosure score and Individual Board characteristics</u>

<u>BMembers interaction with CSRDS (ROS model)</u>

eststo: xi: xtreg RoS CSRDS BoardMembers CSRDS_Members Age AgeSquared LogTAsset DERatio i.DataYear, re vce(robust)

```
. hausman fixed random, sigmamore

                 ---- Coefficients ----
             |      (b)          (B)            (b-B)     sqrt(diag(V_b-V_B))
             |     fixed        random       Difference          S.E.
-------------+----------------------------------------------------------------
       CSRDS |    .0024607     .0024838        -.000023        .0043853
BoardMembers |   -.0034066    -.0018223       -.0015843        .0052811
CSRDS_Memb~s |   -.0006385    -.0006174       -.0000211        .0003612
         Age |   -.0265053    -.0024206       -.0240847        .0180929
  AgeSquared |    .0001785     5.83e-06        .0001727        .0001904
   LogTAsset |   -.0682156     .0154169       -.0836325        .1379405
     DERatio |   -.0019561    -.0020791         .000123        .0001785
_IDataY~2013 |    .0069065    -.0117677        .0186743               .
_IDataY~2014 |    .0017185    -.0298852        .0316038               .
------------------------------------------------------------------------------
                           b = consistent under Ho and Ha; obtained from xtreg
            B = inconsistent under Ha, efficient under Ho; obtained from xtreg

    Test:  Ho:  difference in coefficients not systematic

                  chi2(9) = (b-B)'[(V_b-V_B)^(-1)](b-B)
                          =        2.52
                Prob>chi2 =      0.9804
                (V_b-V_B is not positive definite)
```

Appendix I: Global Reporting Initiative (GRI) indicators

The Global Reporting Initiative through its Sustainability Index presented a number of key proxies for measuring and reporting CSR. The indicators are divided into three categories namely: economic[21], environmental, and social.

Environmental reporting focuses on issues relating to: *Materials; Energy; Water; Biodiversity; Emissions; Effluents and Waste; Products and Services; Compliance; Overall; Transport; Supplier Environmental Assessment; and Environmental Grievance Mechanisms.*

Social reporting focuses on four distinct areas namely: Labour practices and decent work; Human Rights; Society; Product Responsibility.

> Of these, Labour practices and decent work reporting addresses issues relating to: *Employment; Labour/Management Relations; Occupational Health and Safety; Training and Education; Diversity and Equal Opportunity; Equal Remuneration for Women and Men; Supplier Assessment for Labour Practices; and Labour Practices Grievance Mechanisms.*
>
> Human Rights reporting addresses issues relating to: *Investment; Non-discrimination; Freedom of Association and Collective Bargaining; Child Labour; Forced or Compulsory Labour; Security Practices; Indigenous Rights; Assessment; Supplier Human Rights Assessment; and Human Rights Grievance Mechanisms.*
>
> Society reporting addresses issues relating to: *Local Communities; Anti-corruption; Public Policy; Anti-competitive Behaviour; Compliance; Supplier Assessment for Impacts on Society; and Grievance Mechanisms for Impacts on Society.*
>
> Product responsibility reporting addresses issues relating to: Customer Health and Safety; Product and Service Labelling; Marketing Communications; Customer Privacy; and Compliance.

[21] Economic indicators are not within the scope of this thesis.

Appendix J: Author's biography

Babawande (Baba) Sheba is a scholar-practitioner with experience in both education and consulting. In December 2019, Baba joined St. George's, University of London as the Head of Centre for Technology in Education, with responsibility for the implementation of technology to support teaching and learning, and student experience within the University. In addition, Baba is a director at Octagon Nest – a boutique consultancy specialising in education and business solutions with focus on project management training and consultancy, digital productivity for professionals and businesses, and consulting in oil and gas, governance, CSR, and supply chain management.

Baba was an Associate Dean for Academic Delivery at a London-based private higher education institution (Greenwich School of Management) in partnership with the University of Plymouth, providing strategic leadership particularly for workload and budgetary resourcing covering teaching and learning whilst working closely with the deans, heads of department, and other key stakeholders. Prior to this, he was the head of department for Energy, Procurement and Business, providing academic leadership and operational management for programmes within the department in the areas of oil and gas management, energy and sustainability, procurement and supply chain management, business management with e-commerce, app development for digital business, computer science, and short Continuing Professional Development (CPD) courses.

Baba is an alumni of three UK Universities: Kings College London (UK), University of Wales (UK), and University of Hull (UK). He is a Project Management PRINCE2 Practitioner, a member of the Energy Institute (MEI), and a Fellow of the Higher Education Academy (FHEA).

Finally, Baba is a reviewer for the American Journal of Economics and Business Administration and the International Journal of Corporate Social Responsibility, while he is also member of the Board of Trustees of Ashanti-Akim Community Organisation (AACO), a non-governmental organisation which focuses on alleviating poverty in Ghana's Ashanti Akim region through secondary education and micro-financing.