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The Determinant of Corporate Governance on Profitability of Selected Firms in the Food and Beverages Industry in Nigeria

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Abstract:

At its core, the goal of a firm is to create sustainable profitability. And corporate governance should work to ensure this steady increase in corporate performance. Understanding the determinant of corporate governance on firm profitability has warranted a special attention over time by different fields of scientific knowledge. This study was aimed to explore the relationship between corporate governance and profitability of firms, employing eight food and beverages firms listed in the Nigerian Stock Exchange from 2005 to 2014. The data were analyzed using basic descriptive and inferential statistics with Ordinary Least Square multiple regression in a panel data setting. The results revealed that at 5 per cent level of significance, Board size have positive relationship with return on equity. However, Board skills and competence have negative relationship with return on equity, while Board gender diversity results indicated positive relationship with return on equity. it can be argued that the empirical results support the contention that corporate governance has a positive relationship with profitability of firms. The study recommends among other things, that Nigerian food and beverages firms should adopt effective corporate governance practice as a panacea to firm growth and survival. Further research using corporate governance processes and profitability will not only add value in explaining performance of firms, but also add value to the academic literature.

Keywords: Ccorporate Governance, board, profitability, food and beverages, listed firms.

1. Introduction

Corporate Governance is the process by which companies are directed, controlled and held to account (Standard, A. 2003). This shows that corporate governance encompasses the authority, accountability, stewardship, leadership, direction and control exercised in managing organizations. The concept of corporate governance originated in the 19th century but began to be widely used in the 1980s (Parker, 1996; Fletcher, 1996; Vinten, 2001). Corporate Governance gained prominence in the 1980s as a result of stock market crashes experienced in different parts of the world and failure of some organizations due to poor corporate practices (Reynolds & Francis, 2000).

Previous studies have shown that having effective corporate governance in place does not always translate into high firm profitability. Suffice it to say that, a firm may demonstrate good corporate governance, but still has low profitability level. The implication is that there may be other factors different from corporate governance characteristics which could influence profitability of firms. Liargovas and Skandalis (2010) confirm that there are still hectic debates about what the best numbers of factors that affect profitability of firms are.

Tailab & Abdul Hamid, (2014) identifies that several internal factors play an important role directly or indirectly in determining profitability. These other determinants of firm profitability may include: leverage, liquidity, inventory, firm growth, firm age and firm size (in terms of either volume of sales or total assets). However, this study could not have accommodated all these factors as control variables. Following availability of data and robustness of the results, firm's size in terms of total assets is considered as the control variable of this research work. Firm size could be measured both in terms of total assets and in terms of total sales. It is considered as a fundamental variable that influences firm profitability (Nunes & Serresaueiro, 2008).

Given the preliminaries, this paper examines corporate governance and profitability with the specific objectives:

1. To test whether size of the board of directors has positive relationship with profitability of food and beverages firms in Nigeria.
2. To test whether board skills and competence has positive relationship with profitability of food and beverages firms in Nigeria.

3. To test whether board gender diversity has positive correlation with profitability of food and beverages firms in Nigeria.

2. Empirical Review of Literature and Hypotheses Formulation

The link between corporate governance and profitability has been strongly discussed in almost all the developed and developing economies. While many results have shown the evidence that corporate governance is relevant to firm's profitability because it provides the policies, principles and procedures through which the corporate value is maximized. There are some other empirical findings that demonstrate negative and inconclusive results of the relationship between corporate governance and profitability of firms. This paper thus, aimed at consolidating such reliance on the use of profitability to determine the performance of corporate governance of food and beverages firms in Nigeria.

The extant literature has identified size of board of directors as one of the characteristics of corporate governance. Board size refers to the total number of directors on the board of any corporate organization (Dozie, 2003; Ogbechie & Koufopoulos, 2010:6). Determining the ideal board size for an organization is very important because the number and quality of directors in a firm determine and influence the board functioning and corporate profitability (Ogbechie & Koufopoulos, 2010).

This is measured as the natural logarithm of total number of directors serving as board members as at the year ended. BS = Natural Logarithm of total number of board members. his hypothesis tests this relationship and stated as follows:

H_A1: The size of the board of directors has relationship with profitability of food and beverages firms in Nigeria.

In considering Kolb, (1974) learning cycle, there are four types of learners: concrete, activist, theorists and reflectors. Also, Blue Ribbon Panel on healthcare Governance, BRPHG (2009) categorizes competencies as threshold and differentiating. Threshold consists of generic knowledge, skills, characteristics and behaviors essential to job performance and it is considered as the minimum competence necessary for performance on the job and can apply to the same job industry-wide range of activities. According to BRPHG (2009), differentiating competencies relate to superior job performance for a specific type of organization.

Katz and Kahn (1978) identity technical, human relations and conceptual skills as must possessed skills for strategic level. This study measures board skills and competence on the basis of threshold competencies, which include only the theorists and activists. It does not consider technical and human relations skills of the board members. Following the conceptual or threshold competencies basis, board skills and competence = Number of directors sitting on the board with minimum of first degree or its equivalent and/or professional qualifications (conceptual skills of learning) to total number of directors on the board as at the period ended. It is measured in per cent. Boards require a high degree of specialized knowledge and skills to function effectively. Of the several characteristics evolved for ensuring good corporate governance, the skills and competences of the board of directors remain prominent in developing corporate conscience and core value. Therefore, board skills and competence is one of the pillars for enhancing board effectiveness. It means the ability to conduct board activities for which a director was trained and inducted as prescribed in the code of corporate governance. This lead to the second hypothesis;

H_A2: Board skills and competence has relationship with profitability of food and beverages firms in Nigeria.

For boards to be effective, there is need for diverse perspectives in the board to confront the thinking of management (Ogbechie & Koufopoulos, 1997:8), and hence the demand for board diversity. By board diversity, it means inclusion of persons with different acceptable characters in the board size. According to Vander, Walt and Ingley (2001), diversity in the context of corporate governance is the composition of the board and the combination of the different qualities, characteristics and expertise of the individual members in relation to decision-making and other processes within the board.

This is used as a proxy for board diversity characteristic in this study. It represents the number of female directors serving on the board of a company to the total number of board of directors in that company as at the period ended. According to Marlin and Geiger (2012), board gender diversity is calculated as the number of female directors divided by the total number of all directors on a given period.

BGD = Number of women directors serving on the board X 100%

Total number of board of directors

Diversity has been identified as a fundamental governance issue, which has the capacity to influence corporate performance. Society for Corporate Governance Nigeria, SCGN (2014) observes that corporations are increasingly under pressure to ensure diversity within their boardrooms. It has also been argued that many failures in corporate governance practices which in turn contributed to significant low profitability and investor losses were bolstered by the observation that board composition remains highly homogenous and geared towards "group think" and an inability to effectively rein in management and oversee risk. Given the mixed

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results from the previous studies lead to the formulation of the following hypothesis;

H_A3; There is relationship between board gender diversity and profitability of food and beverages firms in Nigeria.

3. Methodology and Data

The research theme is the determination of the influence of corporate governance on profitability of food and beverages firms in Nigeria. The study is based on quantitative analyses. The quantitative analysis is based on data collected from the sample size drawn from the study population. The population of the study is 23 listed food and beverages firms, and sample size of eight (8) was drawn using random sampling technique on the basis of census to provide answers to the research questions and test formulated hypotheses. The timing of the study spanned from 2005 to 2014, which is a period of 10 years.

The choice for this period is to determine the post effect of the code of corporate governance on performance which was introduced in Nigeria for the first time in 2003 by Nigerian Securities and Exchange Commission. The research methods are mainly adopted from four previous studies by Okougbo (2011), Tornyeva and Wereko (2012), Uadiale (2010) and Dabor, et al. (2015). More so, secondary data collection technique was employed using mainly annual reports and accounts as well as other documents of the selected companies.

The econometric instruments for data analysis adopted in this study include the use of basic descriptive statistics. Also, inferential statistics tools employed for analyzing the underlying statistical test like the Multiple Linear Regression Analysis which is estimated with the Ordinary Least Squares (OLS) in a Panel Data manner to explain the impact of corporate governance on profitability of firms in Nigeria.

3.1. Model Specification

Pooled Ordinary Least Squares (OLS) with Multiple Linear Regression Analysis in the panel data framework is used in the study to investigate the nature of relationship between corporate governance and profitability of food and beverages firms in Nigeria. This covers eight (8) firms for the time period of 10 years spanning from 2005 to 2014. Econometrically, the set up to investigate the relation between corporate governance and firm's profitability variables is expressed in equation form; the prediction model can be specified in a general form as:

$Y_{it} = \beta_0 + \beta_n X_{it} + \varepsilon_{it}$ Where:

Yit = Dependent variable of firm, i in time, t (firm profitability indicators); β0 = Constant term or intercept of the explanatory variable regression line;

β = Regression coefficient or slope or gradient of the explanatory variable (corporate governance characteristics);

n = serial number of regression coefficient of the explanatory variables in the prediction model; **Xit** = Explanatory or independent or predicting or regressing variable in the estimation model of firm, i in time**, t; Ɛit** = Error term or residual random element of firm, i in time, t (assumed to have zero (0) mean and independent across time period).

This estimation model has underlying assumptions to include:

- The relationship between the dependent variable, **Yit,** and the independent variable, **Xit** is linear.
- The independent or explanatory variable, **Xit** is not random. Also, no exact linear relation exists between two or more of the independent variables.
- The expected value of the error term**, Ɛit,** conditioned on the independent variable, is zero.
- The variance of the error term, **Ɛit,** is the same for all observations.
- The error term**, Ɛit**, is uncorrected across observations.
- The error term**, Ɛit**, is normally distributed.

Further, by expressing the general prediction equation in the variables under consideration, we have:

Profitability (PROF) = *f* (Corporate Governance)

PROFit = β0 + βn [(Corporate Governance) it] **+ Ɛit …….. I**

In order to ensure robustness of the model and to reduce specification bias, the prediction model also includes control variables, making the general formula to be further represented as:

ROEit = β0 + β1BSit+ β3BSCit + β4BGDit + β5FSit + Ɛit ……. 1

Where:

ROEit = Return on equity of firm, **i** in time**, t;**

Where: i and t represent the companies and time period from 2005 to 2014 respectively for the study. The sample consists of 80 observations for data from the food and beverages firms in Nigeria ranging from 2005 to 2014, which is (8 firms x 10 years = 80).

4. Data Analysis and Results

The analysis of data for the years, 2005 to 2014 are shown to reflect the behavior and direction of relationships. The table 4.1 below indicates the relationships among the various variables.

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Table 4.1 Descriptive statistics of the study variable

VARIABLES	ROE	BS	BSC	BGD	FS
Mean	0.072911	1.002208	1.000000	0.064861	10.60864
Median	0.248050	1.079180	1.000000	0.000000	10.74710
Maximum	3.025500	1.146130	1.000000	0.285700	11.47783
Minimum	-20.71000	0.845100	1.000000	0.000000	9.409880
Std. Dev.	2.302489	0.110157	0.000000	0.089891	0.781449
Skewness	-8.472508	-0.349146	NA	1.179289	-0.517178
Kurtosis	77.22760	1.480040	NA	3.249597	1.763224
Jarque-Bera	21255.19	10.25893	NA	20.62569	9.531524
Probability	0.000000	0.005920	NA	0.000033	0.008516
Sum	6.416165	88.19427	88.00000	5.707810	933.5602
Sum Sq. Dev.	461.2267	1.055710	0.000000	0.702997	53.12770
Observations	80	80	80	80	80
Cross sections	8	8	8	8	8

Table 4.1 above exhibits the descriptive statistics of all the variables used in this study. The report shows that the variables are both positively and negatively skewed, and the positive value of the Kurtosis signifies that the regression variables are peaked than the Gausian distribution. The Kurtosis values greater than 3 indicates that the variables are Leptokutosis only the board size (BS) and firm size (FS) values of Kurtosis that are less than 3 which represents Platykurtic distribution. Further, the analysis of size of the board of directors (BS) is in natural logarithm and should be converted to natural number for proper interpretations. The result shows that board size reported a mean value of 1.002208, which is equivalent to 10 and implies that on the average the sampled food and beverages firms have a board size of ten directors. The board size reported a maximum value of 1.146130, which is equal to 14 indicating a maximum board size of 14 directors. Also, the minimum value of board size reported is 0.845100, which are 7 directors. The minimum board size as provided by section 4.2 of the 2011 SEC code of corporate governance in Nigeria is five; while the 2015 exposure draft of National Code of Corporate Governance for private sectors provided eight members. Subsequently, the selected food and beverages firms' minimum board size of seven exceeded the 2011 code of corporate governance provision of five which fell within the time frame of this study and by implication, the food and beverages firms have a sufficient size relative to the scale and complexity of the sector.

Following the newly drafted exposure code, however, the minimum board size of the studied firms should be increased to meet the requirement. The result suggests that on the average, the companies considered in this study have moderate board sizes. This is good in respect of the performance of these companies because it supports recent thinking about board size and is sufficient to attract external resources towards improving corporate profitability.

The result of descriptive statistics shows that there is an average of 6.49% board gender diversity, with the minimum of 0% and maximum of 28.57% representing female directors serving on the boards of the listed food and beverages firms in Nigeria. While most other countries have provided in their domestic corporate governance codes that at least one female director must serve on the boards of any quoted company in their countries in order to promote gender diversity, Nigeria is yet to follow suit. The 2003, 2011 and the newly drafted 2015 NCCG for private sectors could not specifically mandate quota for board gender diversity. They basically provided that the board should be composed in such a way to ensure diversity of experience and gender without compromising competence, independence, integrity and availability of members to attend meetings. More so, section 5.12 of NCCG has indicated that companies should establish a policy concerning diversity and disclose the policy. Yet, this blank provision is not sufficient to say that the regulators recognize the real benefits of board gender diversity mainly in strategic decision making. This could be the reason that the food and beverages firms in Nigeria have a very low average of female directors on their boards.

Further, the board skill and competence result shows 100% on average, minimum and maximum boards members in the sector. All the directors on the boards either have a university degree or its equivalent and/or professional qualifications. This means that the food and beverages firms in Nigeria recognize the importance of job and behavioral competencies. This is as provided in section 4.4 of 2011 code of corporate governance that the members of the board should be individuals with upright personal characteristics, relevant core competences and entrepreneurial spirit. Firm size value is based on natural logarithm. When converted to natural number, the average total assets employed by the sector is ₦40,610,655,540.00, with maximum total assets of ₦300,489,983,600.00 and minimum total assets of ₦2,569685,654.00.

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From the side of dependent variables, the companies on average generated return on equity of 7.29% with maximum of 302.55% and minimum of -2071%.

4.1. Analysis of the Results of Regression Estimates

This section presents the regression results that were utilized in examining the impact of the explanatory variables that would help in testing the hypotheses.

Dependent Variable: ROE
Method: Pooled Least Squares
Date: 07/27/17 Time: 22:46
Sample: 2005 – 2014
Included observations: 10
Cross-sections included: 8
Total pool (balanced) observations: 80

Table 4.2 Multiple Regression

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BS	4.945574	2.696277	1.834223	0.0702
BSC	-4.722703	3.570439	-1.322723	0.1896
BGD	4.761343	3.147102	1.512930	0.1341
FS	-1.99E-06	2.53E-05	-0.078709	0.9375

R-Squared	0.054391	Mean dependent var	0.072911
Adjusted R-squared	0.008819	S.D. dependent var	2.302489
S.E. of regression	2.292313	Akaike info criterion	4.552140
Sum squared resid	436.1402	Schwarz criterion	4.692898
Log likelihood	-195.2942	Hannan-Quinn criter.	4.608848

*Significant at 5% (0.05) level of significance
Source: E – Views version 8.0

Table 4.2 reports the results of the multiple regression analysis using ordinary least square (OLS), and the result helps to explain the empirical relationship between the dependent variable (return on equity) and the independent and control variables. The explanatory power of the pooled OLS regression model, coefficient of determination or R – square shows that the prediction variables: BS, BSC, and BGD and control variable FS reviewed the weak ability to predict profitability proxy – return on equity and accounts for about 5% of the cross-sectional variations in the dependent variable of ROE. This implies that the remaining 95% variation in ROE cannot be explained because it is related to other variables which are not depicted in the model. The implication is that there may be number of variables which can have an impact on profitability of food and beverages firms that need to be studied. Durbin – Watson statistic test was also carried out to check the auto correction among the independent variables. The Durbin – Watson statistic ranges in value from 0 – 5. A value near 2 indicates non-auto correlation. The Durbin – Watson statistic of 2.323135 signifies the absence of auto correlation. In this result, the interpretation for level of significance is based on 5 per cent (0.05) critical value.

Thus, BS has t – statistic value of 1.834223 with an associated probability of 0.0702 reveals that there is a positive and insignificant relationship between board size and return on equity. Also, the reported regression coefficient values of 4.945574 for BS holds that a unit increase in BS will lead to about 4.95 units increase in ROE with 7 per cent probability level.

Also, the t – statistics value of -1.322723 associated with the reported probability value of 0.1896 for BSC indicates negative and insignificant relationship with ROE, and as such, the regression coefficient value of -4.722703 for BSC implies that a unit increase in BSC will bring about 4.72 units decrease in ROE with 18.96 per cent probability level.

In addition, the reported t–statistics of 1.512930 and associated probability of 0.1341 for BGD show a positive and statistically insignificant relationship with return on equity to suggest that the observed data is inconsistent and as such, the regression coefficient value of 4.761343 for BGD means that a unit increase in BGD will lead to about 5 units increase in ROE with 13.41 per cent probability level.

Subsequently, the t – statistics value of -0.078709 and probability value of 0.9375 for FS reveal that there is a negative and weak relationship between FS and ROE, and the reported regression coefficient value of -1.99 for FS holds that a unit decrease in FS will bring about 1.99 units increase in ROE. Since the firm size unit in naira is in one billion (₦1 billion) and the unit of return on equity is in one naira (₦1), it could mean that ₦1 billion decrease in firm size as measured by total assets will lead to ₦1.99 increase in return on equity of the listed food and beverages firm in Nigeria.

4.2. Summary of Findings

The study, provides empirical support of the relationship between corporate governance and profitability of firms as summarized below:

1. Board size has a positive and insignificant relationship with return on equity of food and beverages firms in Nigeria implying that board size influences the profitability parameters in the firms; as such, the larger the board size, the higher the firm profitability. This is consistent with the empirical findings of previous studies (Kashif, 2008; Zubaidah, Nurmala, & Kamaruzaman, 2009; Tornyeva & Wereko, 2012; Okougbo, 2011; Mutalib, 2012; Babatunde & Olaniran, 2009; Tanko & Kolawole, 2007; Uadiale, 2010; Dabor, et al. 2015).
2. Furthermore, the study observes that the relationships between board skills and competence with profitability indexes – return on equity show negative and statistically insignificant results. This result is inconsistent with all theories and codes of corporate governance.
3. The study equally observes that board diversity proxy – board gender diversity does have positive but statistically insignificant correlation with return on equity. The implication is that the larger the number of female directors serving on the board of food and beverages firms in Nigeria, the better the performance of those profitability surrogates. This finding is consistent with previous studies (Erhardt, et al. 2003; Bathula, 2008; Rose, 2007; Chiang, 2005; Luckerath-Rovers, 2011).
4. Finally, the regression results show that firm size as measured by total assets has negative and statistically insignificant relationship with profitability of food and beverages firms in Nigeria. This is consistent with the findings of previous studies (Goddard, Tavakoli, & Wilson, 2005; Nunes & Serrasqueiro, 2008).

4.3. Discussion of Findings

Considerably, the estimated coefficient of the size of the board of directors turns out to a positive but statistically insignificantly related to return on equity. Hence, the results are sufficient to submit that a positive relationship exists between size of board of directors and profitability of food and beverages firms in Nigeria. This implies that the larger the size of the board of directors, the higher the profitability of the companies. The rationale for a positive relationship between board size and profitability indicator – return on equity may be because directors own part of the company's equity (Okougbo, 2011:61).

It is therefore plausible to argue that as the board increases in size, the newly appointed directors are allocated shares leading to both increase in equity and monitoring function that will reduce operational costs while profit increases, thereby improving the amount of equity. The positive relationship of board size with the profitability surrogates – RO advocate that companies' board of directors with large size enjoy higher profit compared to the firms' board of directors with small board size. The proponents of large board size are of the view that it provides an increase pool of experience, knowledge, skills and diversity at their disposal to make better decisions and also capable of reducing the dominance of an overbearing MD/CEO and hence puts necessary checks and balances (Forbes & Milliken, 1999; Pfeffer, 1973; Pearce & Zahra, 1991; Goodstein, Gautam, & Boeker 1994). However, this finding is inconsistent with agency approaches.

Board skills and competence reported negative and statistically insignificant relationship with return on equity. The results clearly indicate negative relationship with profitability of food and beverages firms in Nigeria. More so, the negative result contradicted the invisible power of skills and competence as a critical asset in generating high returns and increase profits from the assets base of the food and beverages firms in Nigeria. But, this does not mean that board skills and competence is not must possess dire advantage for higher performance of firm. According to Power (1991), it could be due to the occupational and professional affiliations of highly qualified directors which may increase agency behavior. Ideally, if directors and managers should demonstrate the utmost good faith and integrity required of them, then higher skill levels should bring about higher corporate performance (Tornyeva & Wereko, 2012).

Further, the negative relationship is not due to the fact that skills and competence is not the pillar for enhancing board effectiveness for high firm performance, but it might be as a result of the inability of the directors to personally maintain and enhance their competence, as well as failure to identify and address gaps in their own and the board's collective competence. It might also be that the boards' nomination committees of food and beverages firms in Nigeria were not able to recruit and select the right mix of skills, capabilities, experiences and attitudes to deliver the right outcomes to stakeholders. More so, other likely causes to the negative relationship include: inability to take proactively individual and collective responsibility for ensuring that market knowledge, technical knowledge, and professional skills of directors are maintained; failure to remain aware of economic conditions, industry developments and changes in the company's strategic direction; board

comprising of inappropriate diverse group of directors that are not able to possess collectively the technical skills, conceptual skills, human relations skills and attitudes require to deliver the best outcomes for stakeholders; inability of the board to exercise fully inclusive leadership approach; failure of the board as a group to maintain up to date competency in its areas of supervision through continuing professional developments, consultation, and other procedures in conformance with current standards of industry; failure of the directors as a group to translate their competencies into economic reality; mismatching of skills and competence; lack of understanding of the power of effective board skills and competence as a prime factor that contributes to better board performance; appointing directors on the board without a clear understanding of the specific job they are supposed to perform and without receiving any written information about their roles, responsibilities, expectations and accountabilities; appointing directors to serve for their influence or affluence rather than on the basis of predetermined competencies; poor performance of the board chairman in ensuring that the board and its committees are composed of the relevant skills, competencies and desired experience.

Board gender diversity is used as proxy for board diversity. It reported positive but weak correlation with profitability indicators – return on equity. This indicates that a positive relationship does exist between board gender diversity and profitability of food and beverages firms in Nigeria. The positive relationship of board gender with profitability implies that Nigerian food and beverages firms with higher proportion of women directors on the board are more committed to ensuring for improved performance of the firm and that larger number of women directors serving on the board will ensure effective corporate governance process that will enhance reduction of operating expenses to improve profitability. This is as it will bring new ideas and different perspectives to the firm as well as the company will benefit from more diversity of thought, commitment and purpose. The positive and weak relationship could also mean that the presence of women as directors on the boards of food and beverages firms in Nigeria will help to increase the sector profitability. The positive result is supported by agency theory approach that believe diversity opens the arms of linkage, value, transparency, independence and accountability which are necessary for better performance. Many authors and previous studies have supported board gender diversity (Langevoort, 2011; Luckerath – Rovers, 2011; SCGN, 2014; Ijas, 2012; Valsan, 2013; Erhardt, et al. 2003; Catalyst, 2007; McKinsey, 2007).

Finally, the firm size comes out with a negative and statistically insignificant in all statistic panel models with profitability surrogates – ROE indicating that firm size as measured by total assets has negative and weak relationship with profitability of food and beverages firms in Nigeria. The results obtained for firm size do not let the investigator conclude that firm size has an influence on firm profitability. It shows that Nigerian food and beverages firms with high amount of non-current assets do not have any relationship that could affect profitability. It might also be that the non-current assets of the firms are weak and old to put the companies into sustainable path of success and growth.

Consequently, it will generate heavy operating expenses and inefficiency which in turn will lead to significant erosion of revenue and at last to slim profitability. The result is consistent with previous studies (Goddard, Tavakoli, & Wilson, 2005; Nunes & Serrasquerro, 2008). However, it contradicted with some other investigations that found that firm size as measured by total assets has positive relationship with profitability (Okougbo, 2011; Lee & Lee, 2009; Omondi & Muturi, 2013; Babalola, 2013).

5. Conclusion

It has been said that, "the cornerstone to corporate governance efforts lies in one basic policy objective: selling the concept to the business community. We have to convince businesses that better corporate governance serves them." Effective and robust corporate governance system is an essential feature of successful companies. Against this background of examining the relationship between corporate governance and profitability, it is very much the purpose of this study to let in some fresh view on the role of corporate management in firm profitability and to make recommendations to enhance its effectiveness towards raising the bar for superior corporate performance.

As a matter of fact, the effectiveness and efficiency of any company is a function of the quality of corporate government adopted in the organization. Adoption of good corporate governance practices enhances transparency of company's operations, ensures accountability, improves risk management and increases firm's profitability. More so, it promotes cooperation among the stakeholders of the firm, and most importantly, aligns the interest of shareholders with that of the managers, and opens the gate for corporate success. From this study, the empirical findings hold that on average, corporate governance has positive relationship with profitability of food and beverages firms in Nigeria. Most of the corporate governance characteristics of board size and board gender diversity employed in the study reveal positive correlation with the profitability of

food and beverages firms in Nigeria, in exception of the board skill and competence. Despite this result, the findings show that the food and beverages firms must have large board size with wide range of diversity and gender consideration, and must also be independent from the management of the company as well as galvanized with right skills and competence to bring the desired turn around in the companies. This would help to give the board the strategic control and direction.

Also, this research work, "promotes acceptance of corporate governance, no longer as something of 'borrowed' discipline, but as a way of running enterprises that takes sensitive account of the needs and imperatives of corporate practice in Nigeria." Finally, corporate governance and profitability are the twilight zone of a firm. Together, they establish system of rules and measurement of performances, and ensure continuous coexistence of all interest groups. Suffice this to say that, corporate governance is not only a technique. It is also a hope. It is the hope that common ground and common good can be found, forged and expressed between stakeholders and between economies, despite their differences in corporate objectives. It is the hope that common appropriate behavior can be found to restore public confidence of corporations from action plans and internal controls to performance measurement and corporate disclosure of every organization. This hope is anchored on persons who are charged with the sole responsibility of keeping the flagship of corporations strongly fluttering. The hope that, guided by reason and aware of the fragility of corporate life, "human beings are capable of valuing what brings them together, rather than what keeps them apart".

Truly, it is the hope that strikes 'the balance between economic and social goals', and aligns 'as nearly as possible the interests of individuals, corporations and society'. It is the hope of economic justice, fairness and equity among the stakeholders. Be that as it may, "this hope, we all know it, this hope is not self-fulfilling". It will only come true if we have the strength for 'intellectual honesty', and sometimes also the uncommon courage and humility, to make possible, and to oppose and reconcile the conflicting self, imposing interests of stakeholders that too often and too easily puts our corporate goals asleep. Lest it shall be late, we urge every legitimate interest holder to keep the hope determinedly alive, viable, vibrant and growing by standing for good corporate governance that serves as a system of checks and balances for a better firm profitability at all times.

The submissions made in this study are based on the major research findings in the course of establishing the relationship between corporate governance and profitability of food and beverages firms in Nigeria. They are highlighted as follows:

1. This study has confirmed that corporate governance has a linear relationship with firm profitability. Therefore, the issues of corporate governance should be considered as important as profit making since it is a key factor in maximizing shareholders and other stakeholders' value. As a matter of fact, nomination and governance committee should be composed of as provided by section 8.12.4 of the 2015 NCCG as well as ensure that as provided by section 8.12.5 of the 2015 NCCG, that a separate section of the annual report should be used to describe the work of the committee, including the process it uses in relation to board appointments.
2. The findings made in this study have clearly shown that profitability parameters are linked with good corporate governance. Therefore, any fall in profitability should be considered as a dangerous signal and the corporate board should investigate into it immediately without compromise.
3. The finding from the study also indicates that the food and beverages firms in Nigeria have strength in large board size as increase in board size will increase their key profitability ratios. Therefore, the board should dwell on this by appointing more resourceful persons on the board and considering majorly diversity, knowledge and competence as well as 'intellectual honesty' of the persons.

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