Corporate Board Meeting Frequency and Financial Performance of Listed Building Materials Companies in Nigeria

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Abstract: - The study examines the impact of corporate board meeting frequency on financial performance of listed building materials companies in Nigeria. The population of the study is made up of 12 listed building materials companies in Nigeria out of which 9 companies are selected to form the sample. The linear regression is used in analyzing the data. The findings of the study reveal that corporate board meeting frequency has positive and insignificant impact on financial performance. The firm size has positive and significant impact on financial performance of listed building materials companies in Nigeria. The study recommends that the number of meetings of the board of directors of these companies should not be more than eight (8) times in a financial year. The listed building materials companies in Nigeria should take measures to improve on the assets maintenance, assets renewal, leasing and hire purchase of assets which improve significantly the return on assets of such companies. These recommendations could be implemented by issuing an improved code of corporate governance by the central bank of Nigeria and Nigeria security and exchange commission.

Keywords: Corporate Board, Frequency of Board Meeting, Financial Performance, Building Materials, Central Bank of Nigeria, Nigeria Security and Exchange Commission.

I. INTRODUCTION

The frequency of board meetings is an indicator of the efficiency and effectiveness of the board in monitoring and deliberation of decisions. Board meeting is the number of board meetings held by directors within a financial year. Johl, Kaur and Cooper (2015) claim that board meetings and attendance of the meetings are considered to be important channels through which directors obtain firm’s information that will enable them to fulfill their monitoring role.

The corporate board that meet more frequently have increase capacity to effectively advise, monitor and discipline management, and thereby improve on the corporate financial performance. Frequency of board meetings are the only occasions when non-executive directors formally participate in the corporate process and the minutes of such meetings are now generally reported to shareholders. According to Hahn and Lasfer (2001) the number of board meetings is one measure of non-executive director contribution to the corporate process and certainly one of the most visible measures of monitoring the corporate decisions.

To safeguard the operations of the public listed companies in Nigeria, the Nigeria Securities and Exchange Commission (SEC) in 2011 introduced a comprehensive code of corporate governance expected to be adhered to by all public listed companies in Nigeria. Some sections of the code provided that the board of directors of public companies should meet at least, four times in a financial year. Every director is required to attend at least two third of every board meetings, such attendance shall be among the criteria for the re – nomination of a director except where there are cogent reasons which the board must notify the shareholders of at the annual general meetings.

Again, Trivedi (2010) states that financial performance refers to the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure a firm's overall financial health over a given period of time and can also be used to compare the performance of similar firms across the same industry or to compare performance of industries or sectors in aggregation.

A series of widely-publicized cases of accounting improprieties have been recorded for example, Wema bank and Fin bank (2009) respectively. Some of the reasons stated for these corporate failures are the lack of vigilant oversight functions by the board of directors, the boards are being relinquishing control to corporate managers who pursue their own self-interests and it is being remiss in its accountability to stakeholders (Abidin, Kamal & Jusoff, 2009).

None of the related researches in this area of study used the financial performance of building materials subsector of manufacturing industry as dependent variable. Similarly, none of the related research used the period of the study of up to eleven (11) years. Therefore, this study is set to fill this gap by using the financial performance of building materials subsector in Nigeria as dependent variables and used the study period of up to eleven (11) years.

The main objective of this research is to examine the impact of board meetings frequency on the financial performance of listed building materials companies in Nigeria.

The study has covered the period of eleven years from 2005 – 2015 and it is limited to board meeting frequency (NMEET) and financial performance (ROA) of listed building materials companies in Nigeria.
II. LITERATURE REVIEW

2.1. The Concept of Board Meeting Frequency

According to Hahn and Lasfer (1999) the boards of directors that do not adapt their meetings to firm needs cannot provide their non executive directors the optimum opportunity to exercise their primary responsibilities of monitoring and ratification of decisions. Again, Ranti and Samuel (2012) express that board of directors is about building credibility, ensuring transparency and accountability as well as maintaining an effective channel of information disclosure that will foster good corporate performance. Furthermore, Fadzil and Noor (2013) express that board meeting is the main avenue for board to deliberate performance, business environment and strategic direction of the organizations.

Similarly, Menozzi, Urtiaga and Vannoni (2010) state that board of directors have the responsibility of monitoring the management, a duty that includes selecting top executives of the company, implementing incentives to motivate executives to take actions consistent with the shareholders’ wealth maximization objectives. They also evaluate the executives’ performance and determining the size of bonuses or whether the appointment of the executives should be terminated. They also vote on important decisions such as merger and acquisitions, changes in the firm’s capital structure like stock repurchases or new debt issues. In addition to their monitoring role, directors are required to advise management about a firm’s business strategy.

However, directors must deal with the additional cost of managerial time, travel expenses, administrative support and directors' meeting fees when board meeting increases. Furthermore, non executive directors exhibit some independence from top management. Firstly, directors have legal obligations to the shareholders for which they can be held liable for damages if they fail to exercise due care. Secondly, directors will be desired to establish and maintain a reputation as being good monitors and competent professionals (Evans, Evans & Loh, 2002).

2.2 Review of Empirical Studies

In their study, Ntim and Osei (2011) found that corporate board that meet more frequently have increase capacity to effectively advise, monitor and discipline management, and thereby improve on the corporate financial performance in South Africa. Similarly Bouaziz and Triki (2012) examine the relationship between the board's characteristics and financial performance measured by three different ratios, ROA, ROE and Tobin's Q. The study uses a sample of 26 companies listed on the Tunisian stock exchange (TSE) over a period of four years (2007-2010). The study reveals positive and satisfactory results between board characteristics such as board size, board meeting frequency, the degree of independence of the audit committee and the gender diversity of the board of directors and financial performance of Tunisian companies.

In the same vein, Iftekhar and Qiang (2012) examine whether and to what extent corporate boards affect the performance of firms. Using cumulative stock returns to measure firms’ performance in Finland. The study found that board independence significantly affects firm performance. Similarly, there is a positive and significant relationship between outside financial experts, board meeting frequencies, director attendance behaviors, and director age and firms’ performance.

Furthermore, Fadzil and Noor (2013) empirically support these findings when investigating the effectiveness of board characteristics and firms’ performance in Malaysia for pre year (2006) and post year (2008) period of Malaysian code of corporate governance. The study comprises of public listed companies from Bursa, Malaysia as at end of year 2008. The study supports the correlation between experience, percentage of independent directors and board meeting frequency and firms’ performance. At the same time, board education and board size are not related to firms’ performance. Similarly, Taghizadeh and Saremi (2013) Support this hypothesis with the findings which reveal that board meeting enhance firm performance in Malaysia.

2.3 Theoretical Framework

2.4 Agency Theory

According to, Shleifer and Vishny (1997) the financiers give funds to the manager on the condition that they retain all the residual control rights. Any time something unexpected happens, they get to decide what to do. But this does not quite work, for the simple reason that the financiers are not qualified or informed enough to decide what to do, which is the reason they hired the manager in the first place. As a consequence, the manager ends up with substantial residual control rights and therefore, discretion specified in the contract and much of corporate governance deals with these limits, but the fact is that managers do have most of the control right.

Similarly, Braendle (2008) also reveals that to reinforce the classical model of the company where the interests of the owners and managers of the company are aligned, regulatory measures mainly in the form of laws and codes are used. These include strengthening shareholders’ voting rights, with the help of minority shareholders rights. In addition, the accountability of the management to shareholders is achieved by imposing penalties on managers when they behave wrongly. Furthermore, enforced publicity and disclosure should reduce the asymmetric information between the parties and therefore lead to better control, Braendle also asserts that all control forms involve agency costs; therefore corporate governance revolves around finding the control which minimizes agency costs.

2.5 Stewardship Theory

The steward realizes the tradeoff between the personal needs and organizational objectives and believe that by working
toward organizational collective ends, personal needs are met. Hence, the steward’s opportunity set is constrained by the perception that the utility gained from pro–organizational behavior is higher than the utility that can be gained through individualistic, self–serving behavior. Steward believed their interests are aligned with that of the corporation and its owners. Thus, the steward’s interest and utility motivation are directed to organization rather than personal interest objectives (Davis, schoolman and Donalson, 1997).

In the same vein, Albrecht, Albrecht and Albrecht (2004) state that the assumptions of stewardship theory are that long-term contractual relations are developed based on trust, reputation, collective goals, and involvement, where alignment is an outcome that results from relational reciprocity. Stewards are motivated by intrinsic rewards, such as trust, reputational enhancement, reciprocity, discretion and autonomy, level of responsibility, job satisfaction, stability, tenure, and mission alignment.

Fundamentally, stewardship theory relies significantly on the principal’s and steward’s initial trust disposition. Initially, a principal-steward relationship may involve higher transaction costs than a traditional principal-agent relationship because there will be a greater investment of time on the part of the principal by involving the steward in problem formulation, joint decision making, information exchange, and generally attempting to understand the needs of the steward and therefore managing the relationship in a collectively interested manner (Albrecht, Albrecht & Albrecht, 2004).

Therefore, the agency theory provides that effective board meetings frequency resolves conflict of interest between the managers and the shareholders. The stewardship theory expresses that both the interests of the steward and the owners are organizationally centered so there is no need of an overseer. Therefore, this research is explained by agency theory as used by Abidin, Kamal and Jesuff (2009); Sanda, Garba and Mikailu (2011); Ghabayen (2012); Albert (2013); and Ali and Bin Nasir (2014).

III. METHODOLOGY

The population of this study comprises all the quoted companies in the building materials subsector in Nigerian stock exchange as at 31th December, 2015. The study makes use of ex-post facto research design since it is based on past events. The data are extracted from already prepared annual reports. It explores cause and effects relationships where causes already exist and cannot be manipulated. The research design is adopted with some modifications from Babatunde, Edwin, Adedire and Oluwaremi (2014); Mahmoud, Moeinadin and Heyrani (2014).

Table 3.1 the Population of the Study

<table>
<thead>
<tr>
<th>S/N</th>
<th>Listed Firms</th>
<th>Date of Incorporation</th>
<th>Date of Listing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ashaka Cement PLC</td>
<td>1974</td>
<td>1990</td>
</tr>
<tr>
<td>2</td>
<td>Dangote Cement PLC</td>
<td>1992</td>
<td>2010</td>
</tr>
<tr>
<td>3</td>
<td>Lafarge Africa PLC</td>
<td>1959</td>
<td>1979</td>
</tr>
<tr>
<td>4</td>
<td>Cement Company of Northern Nigeria PLC</td>
<td>1962</td>
<td>1993</td>
</tr>
<tr>
<td>5</td>
<td>Berger Paints PLC</td>
<td>1959</td>
<td>1974</td>
</tr>
<tr>
<td>6</td>
<td>CAP PLC</td>
<td>1965</td>
<td>1978</td>
</tr>
<tr>
<td>7</td>
<td>DN Meyer PLC</td>
<td>1960</td>
<td>1979</td>
</tr>
<tr>
<td>8</td>
<td>Portland Paints and Products Nig. PLC</td>
<td>1985</td>
<td>2009</td>
</tr>
<tr>
<td>9</td>
<td>Paints and Coating Manufacturers PLC</td>
<td>2001</td>
<td>2010</td>
</tr>
<tr>
<td>10</td>
<td>Premier Paints PLC</td>
<td>1982</td>
<td>1995</td>
</tr>
<tr>
<td>11</td>
<td>IPWA PLC</td>
<td>1961</td>
<td>1978</td>
</tr>
<tr>
<td>12</td>
<td>Africa Paints Nigeria PLC</td>
<td>1974</td>
<td>1996</td>
</tr>
</tbody>
</table>

Source: Generated by the Author from Nigeria Stock Exchange Fact Book, 2015

This table contains the population of the study. Column one (1) represents the serial number, while column two introduces twelve (12) listed building materials companies in Nigeria. Column three (3) and column four (4) show the date of incorporation and date of listing of the companies respectively.

The firms that report consistent financial statement during the period of (2005 to 2015) are eligible to be selected to form the sample of the study. Secondly, a firm must have been quoted without being delisted by the Nigeria stock exchange from 2005 to 2015. Three companies do not meet the criteria for selection into the sample of the study comprises: Dangote Cement PLC, Paints and Coating Manufacturers Nigeria PLC, Paints and Coating Manufacturers Nigeria PLC, Berge...
Portland Paints and Products Nigeria PLC which were quoted in the Nigeria Stock Exchange in 2009 and 2010 respectively.

IV. RESULTS AND DISCUSSION
In order to examine the impact of the independent variables on the dependent variables the following model has been used and the model has been slightly modified from the one used by (Sanda, Garba and Mikailu 2011; Thi Ho 2014; Müller, Ienciu, Bonaci and Filip, 2014). Other variables which affect financial performance of listed building materials companies in Nigeria that are not captured in this study are represented by an error term, µ. The functional relationship among these variables can be defined thus:

FB\_it = f(NMEET, FS)\_it + \mu\_it ........................1
FP\_it = f(ROA)\_it + \mu\_it .................................2

From these regression equations a model will be developed to test the hypothesis.

\[
\text{ROA}_{i,t} = \beta_0 + \beta_1 \text{NMEET}_{i,t} + \beta_2 \text{FS}_{i,t} + \mu_{i,t} \quad \text{------------1}
\]

\[
\text{Where,}
\]

ROA\_i,t is return on assets for firm i in year t.
\(\beta_0\) is the intercept of the regression model.
NMEET\_i,t: Is board meeting which denotes the total number of meetings held by the directors for firm i in year t.
Firm Size: Is firm size which denotes natural logarithm of firm assets for firm i in year t.
\(\mu_{i,t}\) is the error term.
i = firm
t = year

4.1. Linear Regression Results of the Model
Table 4.5 presents the linear regression results for dependent and explanatory variables of the study.

<table>
<thead>
<tr>
<th>EXPLANATORY VARIABLES</th>
<th>ROA</th>
<th>Fixed Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Robust OLS)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Coef.</td>
<td>P &gt;</td>
</tr>
<tr>
<td>NMEET</td>
<td>0.0049</td>
<td>0.631</td>
</tr>
<tr>
<td>FS</td>
<td>0.0789***</td>
<td>0.000</td>
</tr>
<tr>
<td>CONSTANT</td>
<td>0.1533</td>
<td>0.503</td>
</tr>
<tr>
<td>Rho</td>
<td>0.0000</td>
<td>9.49</td>
</tr>
<tr>
<td>Sign</td>
<td>0.214</td>
<td>0.163</td>
</tr>
<tr>
<td>F - value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R²</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj R²</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Annual Report and Account Data of Listed Nigeria Building Materials Companies

Legend: * p<.1; ** p<.05; *** p<.001. Indicate 10%, 5% and 1% significant level.

Table 4.5 presents the linear regression results of the dependent variables ROA and the explanatory variables NMEET, FS of listed building materials companies in Nigeria. The regression contains the results of the model on which few tests have been considered among which the most effective and appropriate tests for this study have been chosen to represent the models.

The results of the regression have shown that the number of meeting NMEET held by directors has positive and insignificant impact on ROA using OLS regression in model 1 as reveal by the p – value of 0.631 and coefficient of 0.0049 and it has negative and insignificant impact on ROA using fixed effect regression as reveal by the p – value of 0.561 and coefficient of -0.0123. This has indicated that increase in the number of meetings have little impact on the financial performance of the listed building materials companies in Nigeria.

The results also has shown that firm size (FS) has positive and significant impact at 1% level of significant to ROA using OLS regression in model 1 as given by the p – value of 0.000 and coefficient of 0.0789 and it has positive and significant impact on ROA using fixed effect as reveal by the p – value of 0.972 and coefficient of 0.0010. These results indicate significant and positive impact between FS and financial performance of listed building materials companies in Nigeria. Thus, implies that an increase in the size of the companies’ assets could lead to significant increase in the financial performance of these companies.

V. CONCLUSION
Board meeting (BMEET) has positive and insignificant impact on ROA of listed building materials companies in Nigeria. Therefore, board meeting (BMEET) has little impact on financial performance of these companies. The positive
and significant impact exist between Firm size (FS) and ROA of listed building materials companies in Nigeria.

**Recommendations**

Based on the above conclusion the following recommendations were reached:

To avoid a situation where by the cost of monitoring of the management activities exceed the benefits of monitoring. It is recommended that the number of meeting held by the board of directors of listed building materials companies in Nigeria should not be more than eight (8) times in a financial year. The listed building materials companies in Nigeria should take measures to improving on the assets maintenance, assets renewal, leasing and hire purchase of assets which improve significantly the return on assets of such companies.

**REFERENCES**


