Corporate Governance, Corruption and Financial Performance of Listed Fast Moving Consumer Goods (FMCG) Companies in Nigeria.

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ABSTRACT

This study explores governance challenges and corruption dynamics within Nigeria's Fast Moving Consumer Goods (FMCG) sector. It investigates the corporate governance, corruption, and the financial performance of listed FMCG firms in Nigeria. It employed an ex-post facto research design to analyze historical data on corporate governance and financial performance. The population comprised of 21 listed FMCG companies in Nigeria and using purposive sampling, 17 were selected ensuring relevant data from 2014 to 2023. Secondary data were sourced from annual reports. Data analysis involved descriptive statistics to summarize central tendencies, variability, and dispersion, a correlation matrix to assess relationships between variables. Ordinary Least Squares regression was used to estimate relationships and test hypotheses using E-VIEW software. The study finds that corruption significantly shapes corporate governance, positively affecting board independence ($\beta = 0.190446$, $p = 0.0000$), gender diversity ($\beta = 0.130695$, $p = 0.0000$), and executive compensation ($\beta = 0.104154$, $p = 0.0000$). Furthermore, corruption moderates the relationship between governance and financial performance, enhancing the positive effect of board independence on ROA but amplifying inefficiencies of larger boards. Corruption positively impacts ROA ($\beta = 28.16272$, $p = 0.0000$) but negatively affects EPS ($\beta = -1570.961$, $p = 0.0000$). The study concludes that corporate governance and corruption significantly influence financial performance in Nigerian FMCG companies. Corruption moderates these relationships, amplifying the need for governance vigilance. It is recommended that companies enhance board diversity and align executive compensation with performance goals while adopting anti-corruption measures to ensure sustainable financial outcomes and robust governance practices.

Keywords: Corporate Governance, Corruption, Financial Performance, Executive Compensation, Board Gender Diversity.

INTRODUCTION

The fast-moving consumer goods sector, which includes frequently purchased and consumed products, is vital to Nigeria's economy. Companies in this sector are expected to adhere to high standards of corporate governance to enhance their financial performance. In Nigeria, despite the establishment of corporate governance frameworks, the expected improvements in financial performance, particularly in this sector, have not materialized. This raises concerns about the efficacy of corporate governance mechanisms and the potential impact of corruption on their implementation as corruption continue to exist in a significant number of businesses despite the existence of governance codes, regulatory organisations and compliance agencies. In recent years, Nigeria has made strides in strengthening corporate governance. For instance, the introduction of the Nigerian Code of Corporate Governance (NCCG) 2018 by the Financial Reporting Council of Nigeria (FRCN) aimed to enhance corporate governance practices across all sectors. This code emphasizes board independence, risk management, and accountability. Despite these efforts, the enforcement of corporate governance standards remains weak due to regulatory inefficiencies and a lack of political will.

Corruption is a significant issue in Nigeria; it is endemic, permeating various sectors, including corporate governance (Timipere, Peter & Johnny, 2020). It manifests in several ways as bribery and kickbacks, nepotism and cronyism, and regulatory capture. Therefore, the influence of corruption level on both corporate governance and financial performance is an issue of concern in relation to the Fast-Moving Consumer Goods (FMCG) companies in Nigeria, as the effects of corruption are gauged to be more severe and deep in the country (Ojeka et al, 2019).

Given the pervasive nature of corruption, it is plausible that the human behavioral factor plays a significant role; as sturdy systems are ineffectual if they are run by individuals who lack integrity, and override even a well-designed mechanism (Rashid et al, 2022). This situation creates a paradox where corporate governance mechanisms exist in theory but fail in practice due to corrupt practices. Thus, corrupt practices can compromise the independence and effectiveness of the board (Adedeji & Olajide, 2021). Directors may prioritize personal gain over shareholder interests, leading to poor decision-making and financial mismanagement. Also, corruption undermines transparency; financial statements may be manipulated to hide malpractices, and accountability mechanisms may be circumvented. Likewise, investors and other stakeholders lose confidence in the company's governance, leading to reduced investments and higher capital costs. Therefore, (Rooly, 2021) and (Ayunitha et al, 2020) opined that agency conflicts and attendant agency costs will occur as a result of these conflicts or interest misalignments between directors and owners. Companies operating in corruption-sensitive environment usually face higher agency costs (Donadelli et al, 2014).

In sum, the relationship between corporate governance, corruption, and financial performance in Nigeria's FMCG sector is complex and intertwined. Despite the presence of corporate governance frameworks, their effectiveness is hampered by corruption. Since corporate governance plays a major role in shaping an organization's financial success, it is imperative to address the underlying corruption concerns that undermine it in order to improve financial performance (Boateng et al, 2021) and (Ololade, 2021). This requires a concerted effort from regulatory bodies, corporate entities, and civil society to strengthen governance practices, enforce anti-corruption measures, and build a culture of integrity and accountability. Only then can the potential benefits of robust corporate governance be fully realized, leading to improved financial performance in the sector.

Statement of the Problem

The performance of the Fast-Moving Consumer Goods (FMCG) sector is crucial to the global economy, as high-performing firms significantly contribute to employment, consumer welfare, and economic stability. However, many companies still underperform, and some even collapse and the most widely recognised root cause is poor ethical and corporate governance (Oshatimi et al, 2022) and (Boateng et al, 2021). In Nigeria, the FMCG sector like their counterparts in other emerging economies, strives for financial resilience, operational efficiency, and shareholder value. Yet, achieving sustained optimal performance remains a significant challenge especially in a corrupt environment (Onakoya et al, 2012) and (Joshua et al, 2019).

The levels of corruption continue to be a long-standing concern which undermines the confidence of investors, hampers economic growth, and obstructs FMCG sector's potential. In 2023, Transparency International Corruption Perceptions Index ranked Nigeria as 145 least corrupt nation out of 180 countries, based on the pervasiveness of the corrupt practices in the country (Transparency International, 2023). The presence of unethical practices undermines trust, discourages investment, and ultimately impairs financial performance (Crane et al, 2016). Therefore, to enhance financial performance, it is necessary to address the issues of corruption that undermine corporate governance in Nigeria.

First, it was observed that very little empirical studies have been carried out to examine the effect of corruption on both corporate governance and financial performance in the Nigerian context. Most studies contributed to corruption and performance literature in Nigeria without examining the combined effect of corruption on both corporate governance and performance of the firms (Ojeka et al, 2019) and (Timipere et al, 2020). Secondly, another contextual gap is the fact that previous studies on corporate governance and financial performance in Nigeria do not focus considerable attention on Fast Moving Consumer Goods. More attention has been focused on banks (Ojeka et al, 2019) and (Oshatimi et al, 2022). In addition, research on corruption and company performance is concentrated in areas outside of Nigeria there is dearth of empirical data from Nigeria where the corruption menace is growing at higher proportion (Mohammed, 2021). Consequently, this study fills these gaps by providing more empirical evidence for the case of Nigerian Fast Moving Consumer Goods sector as it examined the nexus between corporate governance, corruption levels and financial performance of FMCG companies in Nigeria. The research would be beneficial to shareholders and other stakeholders, including senior management, managers, investors, financial analyst, policy makers, regulatory bodies in Nigeria, such as the Financial Reporting Council of Nigeria (FRCN), as well as the academic community.

Objectives of the Study

The study investigates the relationship between Corporate Governance, Corruption Level and Financial Performance of Listed Fast Moving Consumer Goods (FMCG) companies in Nigeria. The specific objectives are to:

1. investigate the impact of corruption level on corporate governance within Fast Moving Consumer Goods (FMCG) companies in Nigeria.
2. assess the extent to which corruption level influenced the relationship between corporate governance and financial performance in Fast Moving Consumer Goods (FMCG) companies in Nigeria.

Research Questions

The following questions were answered in the study:

1. how does corruption level influence corporate governance in Fast Moving Consumer Goods (FMCG) companies in Nigeria?
2. to what extent has the corruption level influenced the relationship between corporate governance and financial performance in Fast Moving Consumer Goods (FMCG) companies in Nigeria?

LITERATURE REVIEW

Conceptual Review

Financial Performance

Financial performance serves as a gauge for how well the objectives of an organization are being met (Haruna et al, 2019). A firm's financial performance is correlated with how effectively it uses its resources to carry out its core business operations and produce future revenues (Ayandele & Oyelade, 2019). It also refers to the state of a firm's finances generally throughout a specific time frame. Profitability is frequently used to measure business success since it evaluates how well current assets, such as machinery and equipment, are converted into profits (Tabassum & Singh, 2020). Therefore, financial performance **r**efers to the ability of listed fast-moving consumer goods (FMCG) companies in Nigeria to achieve its strategic goals and objectives, including financial performance measures such as return on assets (ROA), return on capital employed (ROCE), and earnings per share (EPS) which are used as dependent variables.

Return on Assets (ROA): It is a metric used by managers and financial analysts to evaluate how well an organisation uses its resources to make a profit. It is a financial ratio that indicates how profitable a company is in relation to its total assets, and it is an essential factor in determining a firm's profitability (Osemene Olayemi, 2022). Return on assets measures how much a firm's assets are worth in relation to its profits over a certain time frame. Therefore, it It refers to performance measure that indicates the profitability of listed fast-moving consumer goods (FMCG) companies in Nigeria by measuring the net income generated by its assets.

Return on Capital Employed (ROCE): Refers to a financial performance measure that indicates the profitability of listed fast-moving consumer goods (FMCG) companies in Nigeria by measuring the return generated by the capital invested in the business.

Earnings Per Share (EPS): This refers to the amount of net income allocated to each existing share of ordinary stock (Haruna et al, 2019). Since the organisation is earning more money for each share of its outstanding stock, a higher EPS often signifies more financial success. It is a financial performance measure that indicates the profitability of companies by dividing the net income by the total number of shares outstanding.

Corporate Governance

The structures, values, and procedures that a firm is managed and guided by are referred to as its corporate governance (Joshua, Efiong & Imong, 2019). In order to ensure that an organisation is operated ethically and transparently, and that its management acts in the best interests of its shareholders and stakeholders, good corporate governance is crucial. Corporate governance is a collection of interlocking rules that firms, shareholders, and management use to control their conduct (Chukwuemeka et al, 2015). Therefore, it refers to the formal system of rules, practices, and processes by which companies is directed and controlled.

Board Independence: The board of directors is the most crucial tool for managing management. The percentage of independent non-executive directors in relation to the total number of directors is known as the board's independence. It is suggested that boards with more non-executive members will better supervise managers' opportunistic behavior and safeguard the interests of shareholders than boards with dependent members. The importance of independence in ensuring board effectiveness through the directors' oversight and strategic functions cannot be overemphasized (Merendino & Melville, 2019).

Board Size: The board's size, is a key facet of corporate governance, can influence its ability to function effectively. The minimum and maximum board sizes are typically set by corporate governance regulations or stock exchange listing standards. These regulations aim to establish a suitable board size that fosters effectiveness while avoiding cumbersomeness. It refers to the total number of directors on the board of listed companies (Handriani & Robiyanto, 2019).

Board Gender Diversity: In recent times, there has been a growing advocacy for more female’s representation in a board. Women executives make decisions in an organization with more caution than males do. Boards with a significant proportion of women have access to a variety of viewpoints and additional talents that might not be available on all-male boards. Also, board diversity encourages more effective monitoring and problem-solving. Gender diversity will be used in this study as a stand-in for board diversity. It refers to the proportion of female directors on the board (Adegboyegun & Igbekoyi, 2022).

Executive Compensation: It is the financial payments and nonfinancial benefits that top executives receive from the organisations they oversee. It is all forms of financial returns and perquisites received directly or indirectly as a result of an executive's association with the firm. Characterize executive compensation as a combination of fixed and variable elements strategically structured to attract, retain, and motivate top executives with the aim of enhancing firm performance and maximizing shareholder value (Al Farooque, Buachoom & Hoang, 2019). Therefore, it refers to the total compensation, including salary, bonuses, and stock options, paid to the top executives of listed fast-moving consumer goods (FMCG) companies in Nigeria.

Corruption: It refers to abuse of entrusted power for private gain. Corruption erodes trust, weakens democracy, hampers economic development and further exacerbates inequality, poverty, social division and the environmental crisis. Corruption plagues many emerging nations. Research indicates that corruption hinders economic growth at the national level, but few researches have examined its impact on individual enterprises (Boateng et al, 2021).

Transparency International Corruption Perceptions Index was used as the measure of pervasiveness of corrupt practices in the study.

THEORETICAL REVIEW

Agency Theory

According to Jensen & Meckling (1976), agency theory explains the relationship that arises between the principal party who hires another party or agent to perform a service and the principal has the power to make decisions with the agent. This theory is the primary theoretical framework for the study. The agency theory asserts that multiple stakeholders, including shareholders and management, may have conflicts of interest within a corporate structure, necessitating the creation of procedures to align these interests and assure optimal performance (Bernhold & Wiesweg, 2021).

Empirical Review

Ojeka et al (2019) examined the effect of corruption perception and institutional quality on the performance of firms using extracted data for 135 listed companies in Nigeria between 2013 and 2017. The Transparency International Corruption Perception Index and World Bank Governance Indicators were used using the Generalized Method of Moment (GMM) for the analysis. The study finds that corruption is negatively related to the market value (TobinQ) and accounting value performance (ROA) while institutional quality is negatively related to both. The results suggest that corruption and institutional quality weaken the market and accounting performance of firms in Nigeria. It recommends that Nigeria needs more effective and strong mechanisms to curtail corruption practices and weak institutional quality.

Boateng et al (2021) using institutional theory, examine how corporate governance affects corruption. The influences of national culture and governance on corruption are also examined and the basic findings from 149 countries suggest that corporate governance practices reduce corruption. Three cultural dimensions power distance, individualism, and indulgence - moderate the relationship between corporate governance and corruption. The findings imply that national culture is more influential than corporate governance in explaining corruption in societies.

Mayowa et al, (2020) examine the influence of corporate governance on firm performance with the accounting measure in selected consumer goods companies from 2014-2018. The dependent variables were the return on sales, profit margin and operating cash flow while the independent variables were board size, board independence and audit committee. The study revealed that board size significantly has positive impact on return on sales. Board size and board independence has positive significant influence on profit margin, while negatively influencing operating cash flow. The research recommended that the firm must be aware about its board size and should ensure the board is controlled with a low-cost reduction rationality to prevent it from causing any negative influence on firm performance.

Adedeji et al, (2021) assess the effect of corporate governance on firm performance of selected Nigerian banks using 5 years regression analysis from 2014 – 2018 employing descriptive and Correlation analysis to identify the relationship. It is found that 86.78% of the stock performance of banks was accounted for by the explanatory variables. It implies that corporate governance intervention should be directed towards the stock performance of deposit money banks as the stock performance is a measure of the wealth of shareholders. Also, the Central bank of Nigeria and other regulatory authorities should ensure mandatory and strict compliance with the code of corporate governance by firms.

METHODOLOGY

This study employs an ex-post facto research design to analyze historical data on corporate governance and financial performance, examining the influence of pre-existing independent variables (e.g., board independence, board size, executive compensation, board gender diversity) on dependent variables (e.g., Return on Assets, Return on Capital Employed, Earning Per Share) without direct manipulation. This design is justified as it suits fact-finding inquiries, enabling the exploration of relationships by observing existing conditions and tracing plausible contributing factors over time. The study's population comprises all 21 listed Fast Moving Consumer Goods companies in Nigeria listed on the Nigerian Exchange Group (NGX) as of December 31, 2023 for secondary data. Purposive sampling was used to select 17 listed Fast Moving Consumer Goods companies in Nigeria. Companies were excluded if their financial statements or annual reports were unavailable, unsuitable, or inaccessible.

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RESULTS AND DISCUSSION OF FINDINGS

Table 1- Descriptive statistic of the variables

	ROA	ROCE	EPS	Board Independence	Board Size	Board Gender Diversity	Executive Compensation	Corruption Level
Mean	0.089	0.270	0.960	1.378	2.282	0.523	11.79	0.259
Median	0.061	0.146	0.756	1.609	2.302	0.693	12.14	0.260
Maximum	0.425	2.894	4.663	2.397	2.708	1.386	15.23	0.280
Minimum	-0.133	-0.270	-2.995	0.000	1.386	0.000	0.000	0.240
Std. Dev.	0.089	0.425	1.640	0.703	0.263	0.458	2.561	0.013
Skewness	1.134	3.652	0.249	-0.605	-0.796	0.098	-2.784	-0.231
Kurtosis	4.783	19.10	2.598	2.388	4.046	1.735	14.00	1.829
Jarque-Bera	46.50	1745.3	2.286	10.28	20.27	9.148	849.2	8.838
Probability	0.000	0.000	0.318	0.005	0.000	0.010	0.000	0.012
Sum	11.95	36.27	128.7	184.7	305.9	70.20	1580.1	34.80
Sum Sq. Dev.	1.062	24.06	358.0	65.80	9.234	27.96	872.3	0.022
Observations	134	134	134	134	134	134	134	134

Table 1 provides the descriptive statistics for the study variables, summarizing key measures of central tendency, variability, and distributional characteristics for the observations. These provide insights into the overall data distribution and form the foundation for further analyses.

Research Question 1 - How does corruption level influence corporate governance in Fast Moving Consumer Goods (FMCG) companies in Nigeria?

Table 2 Effect of Corruption level on Corporate Governance within Fast Moving Consumer Goods (FMCG) companies in Nigeria.

Metric	Board Independence	Board Size	Board Gender Diversity	Executive Compensation
Coefficient	0.190446	0.001646	0.130695	0.104154
Std. Error	0.022473	0.015896	0.011582	0.000675
t-Statistic	8.474317	0.103577	11.28432	154.3622
Prob.	0.0000	0.9177	0.0000	0.0000
R-squared	-107.604497	-371.687797	-103.485191	-1.284664
Adjusted R-squared	-107.604497	-421.971071	-103.485191	-1.284664
S.E. of Regression	0.137458	0.271325	0.134885	0.020016
Sum Squared Resid	2.871986	9.275785	2.437988	0.055687
Long-run Variance	0.019884	0.000176	0.020654	0.000389
Mean Dependent Var	0.257778	0.257778	0.257778	0.257571
S.D. Dependent Var	0.013190	0.013193	0.013196	0.013242

Table 2 presents the analysis of the impact of corruption levels on corporate governance metrics within Fast-Moving Consumer Goods (FMCG) companies in Nigeria. The table provides coefficients, standard errors, t-statistics, and probabilities to evaluate the significance and direction of these relationships. Board independence is positively and significantly influenced by corruption levels, with a coefficient of 0.190446 ($p = 0.0000$). This finding suggests that as corruption increases, there may be a greater emphasis on maintaining independent boards, potentially as a mechanism to signal integrity and mitigate reputational risks. The high t-statistic (8.474317) supports the robustness of this relationship. Board size shows no significant relationship with corruption levels, as indicated by a near-zero coefficient (0.001646) and a high p-value ($p = 0.9177$). This implies that board size remains unaffected by variations in corruption levels, suggesting that companies may prioritize other factors over corruption when determining board composition. Board gender diversity demonstrates a significant positive relationship with corruption levels, with a coefficient of 0.130695 ($p = 0.0000$). This finding

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indicates that higher corruption levels are associated with increased gender diversity on boards. This may reflect efforts to enhance governance quality and stakeholder trust by incorporating diverse perspectives, particularly in environments where corruption poses challenges to corporate legitimacy. Executive compensation is also significantly and positively related to corruption levels, as shown by a coefficient of 0.104154 (p = 0.0000) and an exceptionally high t-statistic (154.36). This suggests that executive pay may increase in response to higher corruption levels, possibly as a form of risk premium or as a means to align executives' incentives with firm performance under challenging conditions. The findings highlight that corruption levels significantly affect certain aspects of corporate governance, particularly board independence, gender diversity, and executive compensation. These results suggest that in high-corruption environments, governance structures adapt in ways that may reflect attempts to counterbalance governance risks or enhance organizational resilience.

Research Question 2 - To what extent has the corruption level influenced the relationship between corporate governance and financial performance in Fast Moving Consumer Goods (FMCG) companies in Nigeria?

Table 3 - Corruption Level Has effect on the Relationship between Corporate Governance and Financial Performance in Fast Moving Consumer Goods (FMCG) Companies in Nigeria.

Variable	**ROA Coefficient (Prob.)**	**ROCE Coefficient (Prob.)**	**EPS Coefficient (Prob.)**
Board Independence	-24.08942 (0.0000)	-65.22805 (0.0455)	-3735.123 (0.0000)
Board Size	27.60966 (0.0000)	71.28438 (0.0375)	3724.187 (0.0000)
Board Gender Diversity	1.050593 (0.0000)	-11.02660 (0.0064)	-117.1480 (0.0000)
Executive Compensation	-6.285729 (0.0000)	-	-
Corruption Level	28.16272 (0.0000)	312.4045 (0.2250)	-1570.961 (0.0000)
Board Independence* Corruption Level	97.27214 (0.0000)	219.0999 (0.0376)	15032.97 (0.0000)
Board Size *Corruption Level	-110.7548 (0.0000)	-251.1512 (0.0457)	-14606.65 (0.0000)
Board Gender Diversity*Corruption Level	-4.411137 (0.0000)	40.92689 (0.0070)	433.3893 (0.0000)
Executive Compensation*Corruption Level	2.798560 (0.0000)	-9.421545 (0.0204)	69.39266 (0.0000)

Metric	**Return on Assets**	**Return on Capital Employed**	**EPS**
R-squared	-77.795452	-10152.536338	-2024.384070
Adjusted R-squared	-89.468853	-22336.779945	-3796.595131
S.E. of Regression	1.157693	190.3445	134.7205
Sum Squared Resid	72.37363	724620.9	145196.8
Mean Dependent Var	0.046909	0.268266	2.040889
S.D. Dependent Var	0.121715	1.273563	2.186146
Long-run Variance	3.03E-12	0.016247	6.62E-15

Table 4 analyzes how corruption levels have influenced the relationship between corporate governance and financial performance in FMCG companies in Nigeria. The dependent variables examined include return on assets (ROA), return on capital employed (ROCE), and earnings per share (EPS). The table shows that Board independence exhibits a negative and significant influence on all three-performance metrics. Specifically, its coefficients for ROA (-24.08942, p = 0.0000), ROCE (-65.22805, p = 0.0455), and EPS (-3735.123, p = 0.0000) indicate that higher board independence is associated with a decline in performance. However, the interaction between board independence and corruption level demonstrates a significant positive effect on ROA (97.27214, p = 0.0000), ROCE (219.0999, p = 0.0376), and EPS (15032.97, p = 0.0000). This suggests that while board independence alone negatively impacts performance, its influence becomes favorable in the context of high corruption, potentially due to increased governance vigilance. Board size shows a significant positive impact on ROA (27.60966, p = 0.0000), ROCE (71.28438, p = 0.0375), and EPS (3724.187, p = 0.0000). However, the interaction of board size with corruption level reveals a significant negative effect on ROA (-110.7548, p = 0.0000), ROCE (-251.1512, p = 0.0457), and EPS (-14606.65, p = 0.0000). This indicates that while larger boards positively influence performance, corruption moderates this relationship, potentially by amplifying inefficiencies or coordination challenges within larger boards. Board gender diversity significantly improves ROA (1.050593, p = 0.0000) but negatively affects ROCE (-11.02660, p = 0.0064) and EPS (-117.1480, p = 0.0000). The interaction term between board gender diversity and corruption shows mixed effects: a negative influence on ROA (-4.411137, p = 0.0000) and positive impacts on ROCE (40.92689, p = 0.0070) and EPS (433.3893, p = 0.0000). These findings suggest that gender diversity's role in performance varies based on the corruption context. Executive compensation demonstrates a negative and significant impact on ROA (-6.285729, p = 0.0000), with its interaction with corruption showing a positive influence (2.798560, p = 0.0000). This implies that while higher executive pay may initially reduce firm performance, its alignment with performance may improve under conditions of higher corruption, potentially incentivising executives to mitigate corruption risks effectively. Corruption level alone has a significant positive impact on ROA (28.16272, p = 0.0000) but a negative effect on EPS (-1570.961, p = 0.0000), with no significant effect on ROCE. This underscores corruption's complex and varied influence on different performance dimensions, acting as a context-specific moderator in the corporate governance-performance nexus.

CONCLUSION

The study concludes that corruption levels significantly have effect on most corporate governance metrics, except board size. Board independence, board gender diversity, and executive compensation exhibit positive and significant relationships with corruption levels, suggesting that firms may strengthen these governance mechanisms in high-corruption environments to signal integrity, enhance trust, or incentivise performance. Also, corruption significantly moderates the effect of corporate governance on financial performance. These findings emphasize the complex role of corruption in shaping governance outcomes.

RECOMMENDATIONS

Based on the findings, the study recommended that:

1. companies should promote board independence and diversity to signal integrity and build stakeholder trust. Independent boards are more effective in corrupt societies.
2. companies should maintain stable board sizes to reduce inefficiencies and coordination challenges that can compromise decision-making effectiveness.
3. executive compensation should be aligned with governance goals to reward ethical leadership and sustainable performance outcomes.

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