Corporate Governance in Uncertain Times: Strengthening Board Accountability and Ethical Leadership[1]

1.0 Introduction

Nigeria's economy in 2025 presents substantial challenges for businesses. Although the inflation rate reduced to 23.18% in February from 24.48% in January 2025, the cost of production remains high. With GDP growth projected at a modest 3.3%, organisations must function within tight constraints. The Central Bank of Nigeria (CBN) will likely maintain its monetary tightening stance and may hold the interest rates, focusing on achieving long-term price stability. These conditions create significant operational hurdles for businesses across all sectors.

Globally, protectionist policies have disrupted the established global trade order. As noted in one analysis by the Columbia Business School, President Trump's sweeping tariffs, especially those targeting China, have triggered sharp global market volatility. Professors Brett House and Laura Veldkamp of that University argue that these tariffs harm global economic stability. In addition, Trump's executive orders, especially those targeting diversity, equity, and inclusion (DEI) programmes, carry substantial implications within the United States and on the global stage and may redefine corporate governance norms in the United States and across the global business environment.

Incidentally, during such uncertainty, governance matters more than ever because strong corporate governance provides the stability and direction required when external conditions become volatile. It establishes a decision-making architecture that determines how organisations respond to crises, allocate resources, and maintain ethical standards when pressures mount to compromise.

Leadership decisions during these times shape immediate outcomes and long-term organisational health. The demonstration of clear vision, ethical commitment, and strategic acumen by Board, can steer their organisations through difficult periods while maintaining stakeholder trust.

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[1] ***Being paper presented by Mr. Bamidele Alimi, FNIM, F.CIoD, Director General/CEO, Chartered Institute of Directors Nigeria at the April 2025 Members General Meeting of Institute of Chartered Accountant of Nigeria, Lagos and District Society held on Thursday, 24 April 2025 at the BWC Hotel, Ahmadu Bello Way, Victoria Island, Lagos.***

2.0 Defining Corporate Governance in Uncertain Times

Corporate governance encompasses the systems, principles, and processes by which companies are directed and controlled. It establishes the distribution of rights and responsibilities among different participants in the corporation, including the board, managers, shareholders, and other stakeholders. It spells out the rules and procedures for making decisions on corporate affairs.

The key pillars of effective corporate governance include:

Accountability: Ensuring that management is answerable to the board and the board is answerable to shareholders and other stakeholders.

Transparency: Providing clear, accurate, and timely disclosure of material information to stakeholders.

Risk Management: Identifying, assessing, and managing risks to the organisation's objectives.

Ethics: Maintaining high standards of business conduct and integrity.

Uncertain times test these governance structures profoundly. When economic pressures mount, transparency may be sacrificed for short-term gain. Risk management systems designed for stable conditions may prove inadequate when volatility increases. Ethical standards can erode when survival seems at stake. The true measure of governance strength emerges not during calm periods but amid storms.

3.0 Why Strong Corporate Governance Is Crucial Now

The need for robust corporate governance becomes particularly acute during periods of economic uncertainty for several compelling reasons.

First, strong governance structures help restore and maintain investor confidence. When external conditions create doubt, investors look for signs that organisations have the internal strength to weather difficulties. As evidenced by the then Nigerian Stock Exchange (NSE)) reports in 2018, companies with poor governance practices face sanctions and reputational damage. The continued rise in the percentage of quoted companies sanctioned by the NSE for flouting post-listing rules increased by 28% in the same year, demonstrating the significant governance challenges many organisations face.

Second, effective governance enables organisations to anticipate and manage risk in volatile environments. With proper risk management frameworks, boards can identify emerging threats and opportunities, allocate resources appropriately, and establish contingency plans. This foresight proves invaluable when conditions shift rapidly.

Third, good governance protects organisational reputation and public trust. When crises occur, stakeholders judge organisations not only on whether they suffered harm but on how transparently and ethically they responded. The Institute of Chartered Accountants of Nigeria (ICAN) recognises this through its adoption of standards addressing non-compliance with laws and regulations, acknowledging that maintaining trust requires robust ethical frameworks.

Finally, strong governance fosters sustainability and long-term growth. Short-term thinking often dominates during crises, but boards with sound governance practices maintain a focus on long-term value creation even while addressing immediate challenges.

4.0 Key Governance Challenges

The Nigerian corporate environment faces several distinctive governance challenges that become more pronounced during uncertain times. These include;

4.1 Weak Oversight and Ineffective Board Structures

Weak oversight and ineffective board structures remain prevalent issues. Many boards struggle to provide genuine strategic guidance and robust monitoring of management. This weakness becomes particularly problematic when economic conditions demand difficult decisions and scrutiny of organisational performance.

4.2 Political Interference and Weak Regulatory Enforcement

Political interference and weak regulatory enforcement create additional complications. While regulatory bodies like the Financial Reporting Council (FRC), the Securities and Exchange Commission (SEC), and the Nigerian Exchange Group (NGX) impose sanctions for governance violations, the quantum of penalties has shown inconsistent application. This suggests insufficient deterrence for governance breaches.

4.3 Corruption and Inadequate Internal Controls

Corruption and inadequate internal controls continue to undermine governance efforts. Professional accountants play a crucial role here, as some have argued that accounting professionals often hide under the cover of confidentiality to indulge in corporate governance breaches. This recognition highlights both the problem and the professional's commitment to addressing it.

4.4 Inadequate Financial Disclosure Practices

Inadequate financial disclosure practices further weaken the governance environment. The NSE reported that 36% of listed companies flouted requirements for the timely disclosure of interim and audited financial performance in 2018, up from 28% the previous year. This troubling trend reduces transparency and inhibits effective market discipline.

4.5 Poor Succession Planning

Poor succession planning at the board and executive levels creates additional vulnerability. When leadership changes occur during crises, organisations without robust succession plans face a heightened risk of strategic discontinuity and governance failures.

5.0 The Role of Chartered Accountants

Chartered accountants serve as essential guardians of corporate governance through several critical functions. Some of them are highlighted below.

5.1 Support Governance Financial Reporting

They support sound governance through accurate financial reporting, providing the reliable information that boards and other stakeholders require for effective decision-making. The International Ethics Standards Board for Accountants (IESBA) Non-compliance with Laws and Regulations (NOCLAR) guideline, of which ICAN is a signatory, explicitly addresses the responsibilities of professional accountants when encountering non-compliance with laws and regulations, emphasising their duty to uphold integrity.

5.2 Promote Ethical Conduct

Professional accountants promote ethical conduct through their advisory role and personal example. This standard specifically aimed to raise the bar of ethical behaviour among professional accountants and auditors and, in the long run, reduce the level of sharp practices in both public and private organisations.

5.3 Enhance Internal Control Systems And Regulatory Compliance

Accountants enhance internal control systems and regulatory compliance, helping organisations establish structures that prevent misconduct and ensure adherence to relevant requirements. Their expertise in designing and evaluating controls protects against deliberate malfeasance and unintentional errors.

5.4 Advise on Financial Strategy

They advise boards on long-term financial strategy, bringing analytical rigour to strategic planning processes. This role becomes particularly valuable during economic uncertainty as organisations weigh complex trade-offs and resource constraints.

5.5 Serving as Watchdogs

Perhaps most importantly, chartered accountants flag warning signs early, enabling timely intervention. The NOCLAR (Non-Compliance with Laws and Regulations) standard specifically addresses the accountant's responsibility when encountering potential legal or regulatory violations, providing a framework for appropriate action.

6.0 Strengthening Governance: Practical Recommendations

Organisations seeking to enhance their governance during uncertain times should consider several practical steps.

6.1 Regular Board and Executive Training

Regular board and executive training in ethics and governance ensures that leadership remains current on best practices and regulatory expectations. This training should address both technical requirements and ethical decision-making frameworks, preparing leaders to respond appropriately to complex situations.

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6.2 Reinforce Whistleblower Protection Frameworks

Strengthening whistleblower protection frameworks encourages reporting misconduct before small problems become organisational crises. Effective whistleblower systems require both appropriate policies and a supportive culture that values integrity over misplaced loyalty.

6.3 Clear Policies for Accountability

Developing clear, functional policies for accountability establishes expectations and consequences throughout the organisation. These policies should address what constitutes acceptable conduct and how violations will be handled, ensuring consistent application.

6.4 Encourage Independent Audit

Encouraging truly independent audits and Board Audit Committees provides essential oversight. Independence requires formal structures and genuine commitment to objective assessment, even when findings are uncomfortable.

6.5 Encourage Diversified Board and Independent Directors

Encouraging a diversified board and appointing independent directors is essential for effective corporate governance. A board composed of individuals with varied backgrounds, skills, experiences, and perspectives enhances decision-making, reduces groupthink, and promotes innovation.

Independent directors, who do not own shares and are not involved in the company's day-to-day management, bring objectivity and unbiased oversight, helping to protect the interests of shareholders and other stakeholders.

This blend of diversity and independence strengthens accountability, fosters transparency, and contributes to an organisation's long-term success and sustainability.

The Chartered Institute of Directors Nigeria maintains a Register of renowned and experienced Independent Directors who are our members and who can add value to your organisation. We receive and process requests from different organisations at no cost. This is one of the ways we contribute to sound corporate governance in Nigeria.

6.5 Uphold Professional Ethics

Upholding professional codes of conduct, such as those established by ICAN, provides an external benchmark for ethical behaviour. The NOCLAR standard represents an important step forward, addressing situations where accountants encounter potential legal or regulatory violations.

CIoD Nigeria also released a Code of Ethics for Directors, which organisations can use as benchmarks and can adopt to guide their directors.

7.0 The Board's Responsibility in Fostering Ethical Leadership

The board plays the central role in establishing and maintaining ethical standards throughout the organisation by:

7.1 Set Standard

Setting the right tone at the top involves both explicit communications and implicit messages conveyed through decisions and actions. When board members demonstrate integrity in conduct, it establishes the expected standard for the entire organisation.

7.2 Act in Stakeholders' Interest

Acting in the interest of all stakeholders requires balancing competing interests and maintaining a long-term perspective. This becomes particularly challenging during economic difficulty, when short-term pressures intensify, but it remains essential for sustainable success.

7.3 Disclose Conflict of Interest

Managing and disclosing conflicts of interest demands rigorous processes and personal commitment. Board members must identify potential conflicts, disclose them appropriately, and recuse themselves from decisions where their judgment might be compromised.

7.4 Embrace Transparent Remuneration

Embracing transparency in remuneration and related-party dealings builds trust with shareholders and other stakeholders. Clear disclosure of how compensation decisions are made and how related-party transactions are handled demonstrates the board's commitment to fairness and accountability.

7.5 Take Responsibility

Owning decisions, especially when mistakes occur, establishes accountability and learning. Boards that acknowledge errors, address their consequences, and implement improvements demonstrate the maturity and integrity that build lasting trust.

8.0 Conclusion

Corporate governance represents far more than compliance with regulatory requirements. It establishes the foundation of trust upon which sustainable business depends. During uncertain economic times, this trust becomes even more precious and more vulnerable.

Boards and accountants must demonstrate bold leadership in upholding governance standards even when immediate pressures suggest compromise. This leadership requires courage, clarity, and commitment to fundamental principles of integrity and accountability.

Ethical leadership and strong governance provide essential elements for both national economic recovery and sustainable organisational development. Given the global uncertainties, organisations with robust governance will position themselves to thrive in this still-challenging environment.

9.0 Closing Thought

Chartered Accountants have both the opportunity and responsibility to serve as ambassadors of integrity within their organisations and the broader business community. Your technical expertise, combined with ethical commitment, can significantly strengthen governance practices across Nigeria.

Promoting a culture of responsibility at the board level requires persistent effort and clear expectations. Boards that embrace this responsibility not only protect their organisations from harm but also position them for sustainable success.

A renewed commitment to transparent and ethical business practices from all stakeholders can create the conditions for economic growth and shared prosperity even amid uncertainty.

Thank you for your kind attention.

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