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Research Article

Moral Person –Moral Manager: Unveiling the nexus between Ethical Leadership and Corporate Governance Effectiveness of Public Interest Entities (PIEs) in Nigeria

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ARTICLE INFO	ABSTRACT

Corporate success, prosperity, and sustainability among others are strongly linked to the ethical stance of business managers and corporate governance effectiveness. Underpinned by institutional theory, this qualitative study investigated the nexus between ethical leadership and corporate governance effectiveness of Public Interest Entities (PIEs) in Nigeria. This study adopted qualitative inductive technique, specifically, interpretivist research paradigm. Semi-structured interviews served as data collection method. The study sample size consisted of 20 corporate governance key players in PIEs, consisting of regulatory authorities (Central Bank of Nigeria, Nigerian Deposit and Insurance Corporation, Security and Exchange Commission, and National Insurance Commission), consulting organisations and shareholders of Public Interest Entities in the banking and insurance sectors. The nature of the sampling technique is multistage comprising purposeful and convenience sampling methods. Content analysis was used to analyze the data gathered from the participants. Findings of the study revealed that corporate governance practices in Nigeria no doubt have gained growing recognition, but it is still evolving. The views of the participants revealed poor board practices, transparent disclosure, weak control environment and board commitment, which propel huge complications in effectively managing both internal and external environment. In addition, participants expressed that corporate governance effectiveness is driven by leaders who are passionate about doing the right thing for the right reasons. Effective corporate governance will be impossible to achieve and maintain in the absence of Chief Executive Officers (CEOs) who will imbibe and demonstrate high level of ethical stance. The study concludes that it is unmanageable to discuss corporate governance effectiveness in the absence of leaders that are moral and ethical, because such behavioural dispositions are very essential to corporate governance effectiveness. Based on the findings, the study recommends that PIEs should increase focus on the need to employ and develop leaders who view ethical conduct as a fundamental aspect of their lives and then demonstrate such in the way and manner they lead and manage corporate entities.

Keywords: corporate governance, corporate governance effectiveness, board practices, transparent disclosure, board commitment, control environment, public interest entities

1. Background to the Study

The debate whether corporate organizations can be prosperous, competitive and at the same time ethical is shrouded in controversy. According to Akers (1989), the degree of market success and ethical conduct go hand in hand, thus ethics and competitiveness are always together. Concern on ethics infiltrates all aspects of human life and corporate organizations are not immune to the anxiety connected to ethical infractions.

Nevertheless, numerous influences such as changing economic circumstances, growing pace of globalization, technological advancement, demographic shift, and changing social/cultural norms in the business environment, upset the activities of firms and pose new challenges to their ethical stance (Akers, 1989). Scholars such as Agbim (2018) and Ann and Dongkyu (2020) stated that businesses must uphold and constantly develop ethical behaviour in their activities and engagements to accomplish success. Unethical behaviour on the part of the leaders results in weighty consequences, such as corporate reputational damage, lessened productivity, and challenges in recruiting topnotch experts, among other detrimental outcomes. There are three notable sets of controls that regulate corporate entities, namely: internal governance mechanisms, horizontal internal governance mechanism and external control mechanism (Cunningham, 2003). The first category constitutes internal governance mechanisms which address the relationship between those in control of the corporation and all other constituents such as the shareholders, workers, lenders and communities. The second cluster (the horizontal internal governance mechanisms) directly controls the inter-relationships between the numerous constituencies. Lastly the third group handles the external governance mechanisms which define the rules and regulations obligatory on the corporations.

The importance of ethics in leadership is highlighted by recent instances of corporate scandals and ethics desecrations that have sparked interest in corporate governance in both developed and developing nations (Mitchell, Rivera, & Trevino 2003; Zhu, Xiaoming, Hongwei, Gang, & Xi, 2019; Cakir, Selim, Wardman, & Alexander, 2023). Consequently, business executives have become the focal point in the public domain when deliberating on unethical behaviour in the workplace. Widespread corporate scandals, such as Elizabeth Holmes' Balenciaga' in California, Daewoo in South Korea, Enron in United States of American, Marconi in United Kingdom, Toyota Motor in Japan and Volkswagen in Germany to mention a few serve as reminders of the significance of understanding the need to recognize and develop ethical leaders. In Nigeria, some of the major incidences bothering on unethical conducts of business leaders include those of Cadbury Nigeria Plc, Oceanic Bank Plc, Unilever scandal, and the Siemens bribery scandal. These incidents underscore the necessity for improved ethical ideologies and corporate governance effectiveness. When everything is going smoothly and successfully in the workplace, it is easier for the person in position of authority to raise his or her hands and others to high standards, but when things go wrong, the costs are more evident on the leaders. The diverse stakeholders of business organizations, particularly in Public Interest Entities (PIEs) are more and more demanding to know more about the performance of these corporations, and raising more relevant questions about whether the operations and activities of these corporations conform to high ethical standards and established codes of corporate governance. Since PIEs raised funds from the public to function and operate, they assume the duty and responsibilities of public trust, therefore, expected to act in a manner that safeguards the public interest and ensures full and unrestricted disclosure of corporate information, comprising financial and non-financial results. This is the basis and rudiment for effective corporate governance, and the major responsibility for promoting effective corporate governance rests directly with the leadership (Elebute, 2000; Ebenezer, 2018; Ann & Dongkyu, 2020).

Effective governance implies that corporate practices and institutions produce outcomes that meet the desires of stakeholders and the larger society (Yap, n.d.). According to Yakasai (2001), and Adegbite (2013), recent developments such as growing corporate collapse and egregious conduct of business leaders in Nigeria have added an energetic impetus to the burgeoning corporate governance debate. These developments have conveyed corporate governance practices to the climax of policy debate, academic discourse, and business practices in Nigeria. Corporate governance encompasses blend of regulations, guidelines, rules and practices that empower the firm to meet statutory obligations and societal expectations (Maier, 2005). In an effort to better comprehend the circumstances and influences that promote effective corporate governance, academics have proposed a shift from the traditional agency viewpoint which is contemplated as a tick box approach to a more internally oriented view. Thus, adopting a more flexible-internalized view is gradually becoming a dominating step towards recognizing the human side of governance (Maria, Spyros, & Irini, 2020). Consequently, there has been a remarkable change in the demands placed on corporate organizations and their leaders.

According to Schnackenberg, Maurice, Jon, Collen, Lekshmy, and Sean, 2023), corporate organizations are facing intensifying pressure from stakeholders to be more open, transparent, and accountable. Previous research states that an understanding of the fundamental influences contributing to corporate scandals plays a crucial role in influencing public opinion and propelling both organizations and their leaders in efficiently reducing the negative consequences of such indignities (Hersel, Helmuth, Zorn, Shropshire, & Ridge, 2019). Incidences of unethical conduct may be further endorsed based on a widely held notion- 'everyone is doing it' to justify unethical practices (Jacobsson, 2012). Ethical leadership is generally viewed from two dominant perspectives, namely: moral person and moral manager. The integration and blend of strong moral person and strong moral business manager produces a strong reputation for ethical leadership. Ethical leaders are those who demonstrate moral behaviour individually (moral person), as well as those who enable subordinates ethical behaviour (moral manager).Trevino, Hartman, and Brown (2000) alluded that one must first act and behave as an ethical person to be become an ethical manager. The role of moral person defines the ethical values of the leader, while the moral manager describes the activities that the leader undertakes to indoctrinate ethical values in subordinates (Heres & Lasthuizen, 2012).

According to Ahmed (2018), the moral person component is linked to behaviours and individual traits such as righteousness, impartiality and fairness that a leader possess. Ethical behaviour is also conceptualized as a way of acting that is morally known and acknowledged as being “decent” and “correct” in each circumstance, as opposed to being “immoral” or “incorrect” (Sims, 1992). The “ethic approach” presumes thinking and acting under generally recognized written or unwritten laws, standards, and guidelines in a given society (Jones, 1991). On the other hand, unethical behavior signifies “decisions and engagements either unlawfully or ethically intolerable to a larger community. Thus, morality guides individuals to act properly and, in consequence, serves as a mechanism that controls behaviour, views, and approaches (O’Keefe, Jennifer, & Deanna, 2019). The implication of ethical leadership turns out to be most obvious when leaders prioritize personal benefits over the larger organizational or societal concerns. Such nonconformities and abnormalities from ethical conduct not only weaken the very basis of trust but also grind down organizational morale and endanger the integrity of corporate organizations (Trevino et al., 2000).

In the time past, business leaders were respected and cherished, thus viewed to be a good model of success. Nowadays, the sincerity and legitimacy of leadership are under severe probe and the public’s confidence in corporate governance has dropped intensely (Ko, Ma, Bartnik, Haney, & Kang, 2017). Academics and business practitioners have consented that business leaders are largely responsible for flying the flag of ethical atmosphere and behavior (Bavik, Tang, Shao, & Lam, 2018; Sarwar, Ishaq, Amin, & Ahmed, 2020). These misconducts and questionable business practices have damaged investors’ confidence in most PIEs in Nigeria (Adegbite, 2013; Ozilli & Uadiale 2017; Vincent, Ikpeasu, & Dakare, 2021). For so many obvious reasons, it is far more rewarding to be ethical and a number of contemporary studies alluded to that position and further voiced strong suggestive evidence that businesses with improved codes of business ethics produce an above-average performance when assessed against a similar cluster without superior codes of conducts (Fulmer, 2004). Above declaration, raised a dissenting opinion, probing why the need to promote code of ethics? According to the supporters of this school of thought, is Adam Smith’s invisible hand not applicable to the conduct of corporate executives, whose corporate entities institute public good by behaving and acting confidently and autonomously in the pursuit of personal benefits? In other words, does the way and manner in which contemporary market forces fail to inspire effective governance in corporations? Also, why do we have to bother about effective corporate governance? And finally does it matter at all? There are inadequate explanations and evidence in the literature to suggest that academics have comprehensively struggled to address these probing questions, instead the literature keeps growing on a domain filled with inaudible doubts (Adegbite, 2010).

No doubt, supervisory structure, regulatory institutions and rules are important because they are tools for safeguarding ethical decent behavior. Nonetheless, current realties have proven the need for an alternative and more internalized moral set of tendencies that can be cultivated amongst business leaders to ensure conformism to ethical expectations. According to Adetula (2015), the worldwide financial crisis and corporate failure have exposed that compliance with the doctrine of the law with reverence to governance guidelines does not safeguard effective governance. Most governance rules and guidelines that looked good on document did nothing more than provide cover or lacuna for business executives to exploit (Adegbite, 2013; Ozzili, 2020). There is scanty research on how effective ethical leadership is responsible in disabling unethical behavior (Hsieh, Hsu, Kao, & Wang, 2020; Seriki, Nath, Ingene, & Evans, 2020; Shaw, Tang, & Liao, 2020). Also, literature on the circumstances that influence ethical leadership is inadequate (Sosik, Chun, Ete, Arenas, & Scherer, 2019; Wang, Devine, Molina-Sieiro, & Holmes, 2023). In continuance of this discourse, scholars such as Godwyns and Paebi (2013) stated that absence of in-depth scholarly research on leaders’ ethics is becoming the foremost reason for the menace of corruption and poor governance in developing nations. More important, research enquiry on such defensive behaviour by business leaders is largely dominated in Western countries (Jacobsson, 2012; Schoultz & Flyghed, 2020). No doubt, these research efforts have offered significant insights in emphasizing the motivations and procedures involved in justifying such acts, but focusing research interest on contexts inadequately represented in the literature would hopefully generate knowledge and meanings that underlie the notion of ethics and broader explanations concerning what is justifiable or otherwise across diverse companies and societies (Alm & Guttormsen, 2021). Considering the background explicated above, the purpose of this study is to investigate the nexus between ethical leadership and corporate governance effectiveness of Public Interest Entities in Nigeria. Consequently, the study seeks to answer two specific research questions: (i) how effective is corporate governance practices of PIEs in Nigeria? (ii) How does CEO ethical leadership influence corporate governance effectiveness of PIEs in Nigeria?

2. Theoretical framework

Numerous theories, including agency, social learning, legitimacy and stakeholder theories to mention a few, have been advocated and used to explicate corporate governance practices. Among those theories, institutional theory seems appropriate and useful in this study. The advocates of institutional theory contend that the theory offers a richer analysis of corporate governance practices (Deegan, 2017). Such analysis is relevant for clarifying organizations’ complex practices such as corporate ethical concerns and compliance. Institutional theory describes a circumstance in which a firm adapts to a specific practice in reaction to numerous institutional pressure and the purpose of the adaptation is to secure or gain legitimacy. Legitimacy in this context can be defined as a generalized view or supposition that the engagements, actions, and practices of a firm is appropriate, correct, and ethical within a socially constructed system encompassing values, principles, and rules (Suchman, 1995). To prosper and survive, corporate organisations, particularly PIEs must adhere to diverse requirements, standards, morals, and expectations within a social system (Akbar & Deegan, 2021). In the context of institutional theory, pressures on corporate organizations to adapt ethical practices can come from three diverse isomorphic causes, namely: coercive, mimetic, and normative pressures (DiMaggio & Powell, 1983). Coercive isomorphism arises when a firm is stressed by its stakeholders to disclose information, like ethical disclosures (DiMaggio & Powell, 1983). Mimetic isomorphism elucidates a circumstance in which a company adapts specific practices, commonly used by other firms in the same industry (DiMaggio & Powell, 1983). Normative isomorphism take place when a company is pressured by a group of norms to undertake a specific practice because of their beliefs that that practice constitutes a good act or deed (DiMaggio & Powell, 1983).

3. Corporate Governance: An Overview

To date, there is no universally acknowledged meaning or definition of corporate governance. Issues prompting corporate governance arise in a corporate organization whenever two circumstances occur. Firstly, there is an agency complication, or conflict of interest, encompassing members of the company, and secondly, occurrence of transaction costs such that agency brouhaha cannot be effectively resolved (Hart, 2005). The definitions of corporate governance have conventionally varied theoretically along two foremost viewpoints. The Anglo-Saxon economics which put shareholder preeminence at the central of corporate governance and strive to safeguard that there are procedures to align the interests of business executives with that of shareholders. On the other continuum is the traditional German and Japanese stakeholder models which take a wider look at the legitimate concerns of other stakeholders to ensure long-term sustainable value for all stakeholders. Similarly, the concept of corporate governance can be observed from two standpoints: a narrow one, where it is merely contemplated as being concerned with the frameworks within which businesses receives its basic orientation and direction (Rwegasira, 2000), and a broader viewpoint in which it is considered as being the core of both a market economy and sustenance of a democratic society (Sullivan, 2000).

In its simplest description, corporate governance highlights the wide-ranging policies and practices that investors, business managers, and boards of directors use to oversee the activities of corporate entities towards accomplishing corporate objectives and goals. Cochran and Warwick (1988) viewed corporate governance as an umbrella words that comprises precise concerns arising from interfaces among business managers, shareholders, boards, and other corporate stakeholders. Shleifer and Vishny (1997) defined corporate governance as a procedure through which investors are guaranteed of reasonable return. According to Keasy, Thompson and Wright (1997), corporate governance is a system of accountability of business leaders to shareholders. John and Senbet (1998) conceptualized corporate governance as the process through which stakeholders exercise control over the activities and decisions of the management in order to safeguard their interests. Oman (2001) viewed corporate governance as a route through which firms' source for funding at a competitive cost. O'Sullivan and Sheffrin (2003) conceptualized corporate governance as an institution that impacts how businesses deploy resources and manage investment. Gill (2008) defined corporate governance as consisting of business practices and regulatory guidelines or rules that are responsive to maintaining transparency. Ofo (2013) defined corporate governance as consisting multiplicity of regulatory mechanisms and diverse codes of conduct to monitor and control the activities of management. Cornforth (2014) associates corporate governance with organizational governance which involves a scheme that is connected to the overall bearing, control and responsibility of a firm and accommodates desires of stakeholders who have the capability to impact corporate action by their responses to the execution of corporate decisions and strategic directions. Turnbull (2020) defined corporate governance as consisting of principles instituted to accomplish the tenacity of a firm existence in a legitimate way without generating destructions or undesirable risks while at the same time ensuring eternal wellbeing for the bulk of individuals who it may upset.

3.1 Ethical Leadership and Corporate Governance Effectiveness

Leadership and corporate governance are two vital issues that influence the success and sustainability of corporate organizations. Leadership encompasses stimulating and guiding individuals and group efforts towards accomplishment of goals, promotion of ethical behavior, and making strategic decisions. Corporate governance, on the other hand, embraces the system of guidelines, rules, and practices that safeguard justice, transparency, and accountability. Ethical leadership and corporate governance are interrelated and reciprocally reinforcing. Nguyen, Nguyen, and Hoai (2021) stated that ethics are progressively being deliberated as a vital feature of leadership. Leaders exert major influence on ethical conduct in the workplace and are accountable for the rules and codes of conduct that guide workers' behavior (Leslie, 2015; Ann & Dongyhu, 2020). Ethical leadership sets the tone and direction from the top, stimulating a culture of ethical conduct, sound decision-making, and improve stakeholder engagement. In addition, ethical leadership inspires the development and execution of effective corporate governance guidelines and practices. In the same way, effective corporate governance offers the basis and structure that guide and support leaders in their decision-making and stewardship tasks. According to Nassif, Hackett, and Wang (2021), ethical leadership promotes a greater focus on moral contemplations than other models of leadership. Ethical leadership is also distinctive relative to other models of leadership because of its prioritizing of ethical conducts through actions such as trustworthiness, truthfulness, moral standards, justice, and accountability (Hoch, Bommer, & Dulebohn, 2018). To address leadership concern in the workplace, transformational leadership approach has been observed to place little importance on the significance of ethics, consequently, numerous alternative leadership models have been developed, one of which is ethical leadership (Nassif et al., 2021).

Ethical leadership is an intricate and complex notion that is based on diverse theoretical frameworks, such as social learning theory, role theory, Eastern ideological traditions, social and cognitive theory to mention a few. According to Brown, Trevino, and Harrison (2005), ethical leadership refers to the demonstration of normative consisting of uprightness, honesty, impartiality, and care, as well as advancement of ethical conduct through individual actions and interpersonal relationships. Ethical leadership oscillates along two important dimensions, namely: ethical manager and ethical person. The moral person aspect comprises three pillars: traits, behaviors, and decision making (Brown et al., 2005). The moral manager dimension, on the other hand embraces three issues: communicating ethical values and standards to subordinates, rewarding ethical conduct/behavior and punishing unethical acts, and role-modeling by advocating rigorous ethical decisions (Trevinno, Brown, Hartman, 2003; Brown et al., 2005). Egregious conduct in the workplace engenders corruption which gulps corporate profitability, exploit people, and the planet, therefore, ethical leadership is desirable to promote ethical behaviors (Hussam, Thomas, Kent, &· Ramayah, 2022). Ethical leadership is connected with a diverse range of high-value group or firm's outcomes i.e., group ingenuity (Keem, Koseoglu, Jeong, & Shalley, 2022), circular economy practices (Cheffi, Zahir-ul-Hassan, Farooq, Baqrain, & Mansour, 2023), employee performance (Kim, Jeong, & Seo, 2022), task accomplishment (Kalra, Briggs, & Schrock, 2023), service performance (Mingjun, Tuan, & Giang, 2023). Ethical leaders also promote a shared sense of determination among workers (Zahid Rana, Pooja, Varun, & Areej, 2023). The motivation for this form of behavior is to endorse and inspire conduct that are suitably based on group, corporate, and cultural social standards that comprise the notions of trustworthiness, credibility, and impartiality (Gill & Caza, 2018). Furthermore, ethical leadership practices tend to propel positive tendencies for workers' to act in an ethical or moral ways (Al Halbusi, Ruiz-Palomino, Morales-Sanchez, & Abdel Fattah, 2021). Hassan and Stacey (2023) stated that ethical leadership accentuates the campaign of ethical behaviour through two-way communication with subordinates. De Cremer and Vandekerckhove (2017) stated that in the absence of ethical leadership, corporate entities will be exposed to a number of undesirable consequences, one of which is the leader's promotion of one's self-interest or opportunistic tendencies.

According to Ozilli (2020), agency problem defines the intrinsic focus of corporate governance principles and how to curb the menace of unethical conducts of business executives. Research interest on corporate governance effectiveness has become more relevant in contemporary business environment due to two major reasons: (i) a large number of private firms are now seeking capital from the stock market, thus changing their status to quoted corporations, (ii) enhanced technological procedure, like trade liberalization, regulations of pricing conventions that lessen constraints on ownership, and capital inflows from diverse nations have made leadership and effective corporate governance very significant, and (iii) the size and complication of contemporary enterprises is remarkably enormous, which raised the issue of corporate governance effectiveness(Claessens, 2006). On no occasion has there been less concern related to trust towards corporate organizations in the domain of governance than today (Edelman Trust Barometer, 2014). According to Klapper and Love (2004), there are three foremost determinants of the quality company-level corporate governance: (i) the utility" of corporate governance, (ii) the nature of the company's operations, and (iii) the size of the company. A firm with sound corporate governance is one which holds and accomplishes the common good or ideals of corporate governance instituted by the regulatory agencies (Lokman, Mula, & Cotter, 2014). Effective Corporate governance highlights the principles of openness, responsibility, impartiality, culpability, and justice which encourages information disclosure to all stakeholders, thereby diminishing the gaps for management to engage in fraudulent and deceptive behavior (Ejeagbasi, Nweze, Ezeh, & Nze, 2015). Mechanisms for ensuring effectiveness of corporate governance occurs within the firm and impacts the quality of financial and non-financial performance and by extension corporate reputation (Iqbal, Nawaz, & Ehsan, 2019).

Corporate governance framework or practices and mechanisms consist of a number of elements such as board practices, board composition, board commitment, board diversity, transparent disclosure, and control environment among others. According to Ferkins, Shilbury, and McDonald (2005), managerial hegemony theory proclaims that, while the board of a company has power by legal right, the onus and actual responsibility for managing the affairs of the organization is implicit on the management (leadership or CEO). Thus, the individual with extreme capability to influence board leadership is the CEO who oversees board activities (Roberts, McNulty, & Stiles, 2005; Machold, Huse, Minichilli, & Nordqvist, 2011). In fact, the CEO occupies a position through which the activities and effectiveness of the other board members can be

swayed (Knockaert, Bjornali, & Erikson, 2015; Krause, Semadeni, & Withers, 2016). Transparency and disclosure have been intensely highlighted as the foremost indicators of corporate governance quality, which enables investors in making better prediction of corporate future performance (Parum, 2005).
From both market and societal viewpoints, a critical aspect of effective corporate governance relates to the level to which companies publicly disclose their governance structure and practices. Nevertheless, there has been long standing condemnation that corporate governance disclosures lack comprehensiveness and rigor (Akbar & Deegan, 2021). When transparency is viewed from a viewpoint of good governance, it propels corporate entity to develop procedures, policies, and practices that enable stakeholders have access to relevant information about the company (Goede & Neuwirth, 2014). Thus, leadership performs a pivotal role in ensuring transparent disclosure. Having a committed board is very important in improving the quality of decision taking by the board, hence, corporate governance effectiveness. Therefore, the degree of board commitment can be implicit as a company board's capability in safeguarding a vital and vibrant exchange of ideas that has capability in the long run to enhance company performance (Vu, Ngan, & Xuan, 2023). Board commitment can be largely inferred as the level of personal conviction and recognition of each board member in the company's values and their preparedness to work towards accomplishing the corporate objectives and goals. Effective commitment shows that the board exerts stronger positive influence on firms (Stephens, Dawley, & Stephens, 2004). Given the prominence of the positive impact of board commitment on considerable organizational outcomes, comprising board effectiveness, improved financial performances, risk-taking and enhanced market valuation, a deeper knowledge and understanding of how leadership can propel board commitment is a matter of utmost significance. Also, because companies, particularly PIEs impact diverse stakeholders in their environment, there is absolute need for ethical behaviour from the organizations, particularly the leaders (Solomon & Solomon, 2004; Ann & Dongyu, 2020).Therefore, weak internal and external controls, may be attributed to unethical leadership practices and deficits of ethical values on the part of the leadership and management of organisations.

3. Methodology

This study adopted qualitative inductive method to obtain a detailed and in-depth analysis of the linkage between ethical leadership and corporate governance effectiveness. Specifically, interpretivist research paradigm founded on qualitative research design was used. Semi-structured interviews served as data collection technique. According to Struyve, Chloe, Machteld, Bieke, and Sarah (2017), semi-structured interviews enable respondents to share their opinions on specific set of questions that are relevant to the study context.

To address the study problem, PIEs in Nigeria was chosen as the study context. The presence of the agency complications informs the choice of this setting. To this end, corporate governance major players in PIEs consisting of regulatory authorities (Central Bank of Nigeria, Nigerian Deposit and Insurance Corporation, Security and Exchange Commission, and National Insurance Commission), consulting organisations (PricewaterHouseCoopers-PWC, KPMG, Deloitte, and Ernst & Young) and shareholders of Public Interest Entities constitute the study participants.The choice of these participants is informed by their functions as regulator, corporate governance compliance institutions, and ownership. More important, they possess in-depth knowledge and capability to attest to the effectiveness or otherwise of corporate governance effectiveness of firms under their purview. To be precise, the study focused on PIEs in the banking and insurance sectors. The decision to focus on the two sectors are based on a number of explanations, namely: the structure of ownership/ concentration is diverse, and both sectors, not only account for high capitalization on Nigerian Stock Exchange, they both contribute immensely to Nigeria's economy, thus their activities may pose huge systemic risks to the nation's economy compared to other sectors.

The study sample size consisted of 20 corporate governance key players in PIEs. According to Yin (2014), qualitative research design does not entail any precise sample size, compared to quantitative research approach. Thus, a minimum sample size for a qualitative study should stop at a point where data saturation occurs, and no new opinions or views emerges (Francis, Johnston, Robertson, Glidewell, Entwhistle, Eccles, et al., 2010). The sampling technique used is multistage in nature comprising purposeful and convenience sampling methods. In the first phase, purposive sampling was used to select participants that are knowledgeable about the subject matter. In the second stage, convenience sampling was adopted to survey respondents that were available and enthusiastic to participate in the survey. In the course of the data collection, the researchers adhered strictly to interview protocol to obtain opinions of the interviewees, and the interview questions were arranged in a way that address the subject matter and enable the respondents to express their views and opinions freely. Content analysis was used to analyze the data gathered from the participants. Adopting content analysis to analyze the data, enables researchers to distill words into fewer contents to answer the research questions.

4. Results and Discussion of Findings

Research Question One

RQ1: How effective is corporate governance practices of PIEs in Nigeria?

Research question one was investigated through open-ended survey question, which asked respondents to: discuss the effectiveness of corporate governance practices of Public Interest Entities in Nigeria. Opinions and thoughts of fourteen participants were gathered to address the research question and they were labelled R1, R2, R3, R4, R5, R6, R7, R8, R9, R10, R11, R12, R13, and R14. Data saturation happened during the interview session with the eight respondents, labeled as R8. At this point, views and opinion expressed became repetitive. All the respondents confirmed that corporate governance practices are very important and are developed to lessen agency complications and opportunistic tendencies of management. Nonetheless, the pace of corporate failure and collapse have proven and validated views that corporate governance practices are weak and ineffective. R2 and R5 noted that a number of issues have watered down corporate governance practices of PIEs operating in Nigeria. They voiced that some companies with strong supposed CEO and political affiliation lobbied regulatory agencies to evade sanctions when held for committing egregious acts, some have ownership that is highly open to manipulation, thereby weakening board practice and commitment. Likewise, the ownership structure of some companies is not properly diverse, very disjointed and complicated, thus creating huge problems in managing and controlling the company in line with corporate governance ideologies.

R1and R3 stated that corporate governance framework in Nigeria looks good on paper, but lacks the basics to safeguard compliance and enforcement, thereby opening it up to all forms of manipulation. R10 and R12 maintained that though compared to the past, there are significant improvements in corporate governance practices of PIEs, but regulatory authorities need to do more to ensure compliance. R6, and R8 commented that transplantation nature of cooperate governance rules and guidelines from the developed nations significantly lag towards improving corporate governance practices arising from limited attention on institutional circumstances and legal and political levels in Nigeria's governance environment. R9 mentioned that corporate governance approach in Nigeria is largely mandatory lacking touch of voluntary undertaking, making it less effective due to lapses in legal and enforcement framework. R4, R11, and R14 voiced that some of the corporate governance guidelines and rules are ineffective and has become one of the major avenues exploited by business leaders to promote personal interest as against decision that will promote and generate value for all stakeholders. R7 and R13 stated that a number of PIEs demonstrate compliance on paper, but in practice their activities are contrary to the provision of corporate governance rules and guidelines.

Opinions expressed by the participants concerning research question 1 showed that corporate governance practices no doubt has gained increasing recognition in Nigeria. Nevertheless, growing corporate indignities and collapse proved that corporate governance practices have not significantly improved and therefore, ineffective in decreasing corporate misconduct and immoral acts on the part of CEO in Public Interest Entities in Nigeria. This is a significant similarity between the views expressed in the previous studies and this current research (Adegbite, 2013; Ozilli & Uadialle, 2017; Frankiln & Adegbite, 2018; Vu et al., 2023; Lloyd, Busaya, Darlene, Geoffrey, 2024).

Research Question Two

RQ2: How does CEO ethical leadership influence corporate governance effectiveness of PIEs in Nigeria?

Research question two was examined through open-ended survey question, which asked respondents to: discuss their opinions about how CEO ethical stance influences corporate governance effectiveness of Public Interest Entities in Nigeria. Similar to research question one, views and opinions of fourteen out of targeted twenty participants were obtained to address the research question and for the purpose of the analysis, they were equally labelled as discussed above. Regarding research question two, data saturation occurred during the interview session with the eight respondent, labeled as R8. At this stage, views expressed by the participants were repetitive.

All the respondents opined that leadership is essential to corporate governance effectiveness. As expressed by them, effective corporate governance will be difficult to develop and maintain in the absence of CEO who will set the right ethical tone for its implementation organizational wide. R2, R4, and R6 maintained that it is almost impossible to discuss effective corporate governance practices in the absence of leaders that are moral and ethical, because such behaviour and conducts are very vital to corporate governance effectiveness. R1, R5, and R7 stated that CEO performs de facto role in setting standards for ethical behaviour in the workplace and communicate same to subordinates. R3 and R8 explained that ethical leadership promote and upsurge ethical awareness in the workplace, thereby setting the tendency for ethical conducts across the organization.

Views and thoughts presented by the participants concerning research question 2 established that ethical leadership is no doubt the rubric of corporate governance effectiveness and therefore, the level of ethical stance of CEO significantly influences corporate governance effectiveness. The findings of this study are compatible with existing literature that documented strong influence of CEO on corporate governance effectiveness (Ko et al., 2017; Ebenezer, 2018; Ann & Dongkyu, 2020; Winny, Budi, & Sobandi, 2024; Eleri, 2024).

5. Conclusion

This study investigated ethical leadership and corporate governance effectiveness of Public Interest Entities in Nigeria. The phenomenal changes in the business world have propelled new necessities in the corporate landscape, particularly in PIEs. Aggressive rivalry among companies, growing societal demands for corporate citizenship behaviour, political forces and demands of both internal and external stakeholders have forced businesses to be more open, transparent and ethical (Cornelissen, 2008). In view of this challenging and thought-provoking business climate, ethical stance of business leaders has become a form of substantial intangible asset for corporate success and sustainability. In particular, corporate governance has become a fulcrum, exerting substantial impact on corporate performance and its quintessence lies in instituting governance framework that transcends beyond regulatory compliance (consisting of mandatory and voluntary), incorporating transparency, culpability, and responsibility (Andersen, 2024).

Consequently, leadership scholars reacted to these desires by theorizing and promoting ethical leadership. Arising from the vibrant role that the PIEs play in the economic development of any country, and the desire to safeguard good governance of these entities, there has been an improvement in global practices to provide governance ideologies for the effective management and control of these companies. These ingenuities have featured in some developing nations such as Nigeria (see the King Report 1994 and 2002) to address corporate governance concerns. Effective corporate governance can contribute immense value because it is anticipated that by putting it into practice, the firm would perform well and generate superior value (Asghar, Sajjad, Shahzad, & Matemiloa, 2020; Ozilli, 2020). Similarly, poor implementation of corporate governance results to poor financial performance, and lack of incentives to promote efficiency in corporate activities (Sulaimon, Ifere, Rahim, & Buleje, 2016).

Nigeria has never been dumpy of rules and regulations guiding business conducts, nevertheless, adherence and compliance to the provisions of corporate governance practices is far below expectations, thereby providing lacuna for business executives to engage in reckless and egregious conducts in flagrant abuse of corporate governance principles. The behaviour and conduct of some CEOs managing PIEs have attracted several forms of risk mostly expropriation and fraud which are inimical not only to the performance and prosperity of the compaies, but also the ability of the country to attract foreign investments. Like most developed nations, efforts and policy agenda to promote best corporate governance practices is no doubt a significant framework for a timely and proactive response by business executives to generate value for all stakeholders through improved adherence to code of conducts and high standards of ethical conducts. According to Abdulwahab, Bala, and Adamu (2023), effective corporate governance is very vital most especially in developing economies, like Nigeria in particular, which is still struggling to regain the confidence of investors. Accomplishment of this feat is not possible in the absence of business leaders that demonstrate high ethical standards. Leaders that demonstrate such behaviour and conducts are looked upon as role models, because they exemplify the form of ethical and moral standards that are generally admired by others within the organization and society at large.

The influence of ethical leaders on corporate organizations is of recurrent academic interest. Some decades ago, Raymond (1961) alluded that if people were to act properly, they desired an ethical leader to promote and shun unethical business practices. The commonly held view is that the significance of leadership is self-evident, irrespective of the context it occurs. As a matter of fact, ethical behaviour is an absolute prerequisite for all effective corporate leaders. Therefore, effective corporate governance can only be accomplished by linking ethics to leadership so that those that occupy positions of authority are seen to be managing and controlling the affairs of their firms in an open and transparent manner. Therefore, there is need to imbibe an acceptable code of conduct and moral standard to be an ethical leader (Ann & Dongkyu 2020). Leadership role has become prominent and more noticeable in corporate governance, because a leader has more prospects to influence the corporate behaviour and culture of a company. Thus, ethical behavior of a leader occupies critical locus in the corporate governance. Consequently, growing research have proven that ethical leadership and effective corporate governance practices make a significant difference in promoting long-term accomplishment of corporate organizations. This is because institutionalization of effective corporate governance assists in enabling and stimulating the performance of corporate organizations by generating and upholding incentives that inspire CEO to maximize corporate efficiency. Similarly, it enables framework to lessen insiders' abuse of power, undue deployment of resources, as well as instituting the means to monitor business managers' behaviour in order to safeguard corporate responsibility and accountability (Ogbechie & Koufopoulos, 2007; Ozilli & Uadhile, 2017).

5.1 Implications

Recent global economic crisis has reechoed the prominence of effective corporate governance to the world economy and humanity at large. In fact, effective corporate governance is very significant for sustainable development, not only for the individual firm, but also for the economy at large. Therefore, the quality of governance should be constantly improved and promoted. Without a doubt, the primary role of the contemporary corporation in any country's economy is a signal that effective corporate governance practices such as board practices, board commitment, transparency disclosure, board diversity, corporate citizen ship behaviour, and control environment among others are very imperative to the economic wellbeing of Public Interest Entities and by extension economic development in both developed and developing nations. Notwithstanding significant efforts and policy initiatives developed to promote corporate governance effectiveness in Africa, corporate governance needs to be further improved. The challenge is to take cognizance of the peculiarities of the country's history, business environment and context to develop frameworks and strategies to accomplish this. Attempt to develop distinctive principles for corporate governance in Nigeria does not imply that a different standard of corporate governance applicable in our clime, but to ensure the contextual fit of corporate governance practices with the prevailing situation in Nigeria.

Notwithstanding the vibrant benefits inherent in effective corporate governance, there are still huge complications in implementing effective governance practices. These challenges, according to Adegbite (2013) and Lloyd et al. (2024) include concerns such as the ownership structure and concentration, conflicts of interest and the struggle of evaluating and monitoring governance practices. In consequence, an effective corporate governance is one that accommodates specific demands of a given set of stakeholders who have the capability to influence corporate direction and action by their reactions to the execution of business decisions and corporate strategy. When properly and fully executed, effective corporate governance safeguards that corporate organizations are well-run entities that earn the confidence of investors and other stakeholders. Accordingly, businesses can accomplish superior financial/ non-financial performance and lessen risk by aligning incentives between business managers and stakeholders through the adoption and implementation of effective corporate governance practices (Farooq et al. 2022; Guido, Alexander, & Dmytro, 2022; Appah, & Tebepah, 2023; Andersen, 2024). The quality of governance is quite important for the transitional Nigeria economy that is burdened and struggling to attract foreign direct investment as it will offer the basis of a reasonable level of assurance that the firm is conducting its activities in a way and manner that create value for all shareholders. This implies that the CEO conducts him or herself in a way and manner than lessen uncertainty connected with the investors's fund.

The procedure enshrined in corporate governance practices ensures protections against corrupt tendency and mismanagement on the part of business executives, while at the same time promoting fundamental values of a market economy. The ethical climate in the workplace is largely shaped by leadership (Trevino et al., 2000; Ann & Dongkyu, 2020). Gough (1998) corroborated the above position and claimed that when struggling with internal issues or contemplating what is good or bad, the compelling factor is the forte of which is largely shaped by leadership. Leaders perform a major role in crafting the ethics agenda in the workplace. Their communications, quality of decisions, and behaviors influence workers to behave ethically or unethically toward accomplish organizational objectives.

However, in contemporary business organizations, CEOs experience an underlying pressure between the quest of what MacIntyre (2015) viewed as external goods such as money or corporate reputation, and internal goods such as job pleasure, pride in achievements, and fulfillment. Therefore, in a such a situation business managers may be tempted to indulge in the pursuit of external goods, unethical and immoral organizational character in which attention to internal goods is abandoned and the immorality of unnecessary attention to material concerns flourishes (Moore, 2005; MacIntyre, 2015). On this note, there is need for business leaders who have developed competence and skills to ward off threats emanating from personal inordinate chase of external goods (Moore, 2005), shuns extremes (Sims, 1992), and contributes towards the development of subordinates (Wright & Goodstein, 2007). As a matter of importance, contemporary business leaders must struggle to resist the powerful temptation of seeking opportunistic tendencies and instead be deeply inspired by broader values and ideologies founded on a morally and ethically established duty owed and a fiduciary compulsion (Caldwell, 2010). In sum, effective corporate governance is vital for safeguarding that companies operate and conduct its activities in the best interests of stakeholders to maximize value creation. Nevertheless, difficulty and complications remain in developing and implementing effective governance practices, thus endless efforts and policy initiatives are needed to safeguard that companies, particularly the PIEs recruit and train leaders/CEOs who are morally and ethically upright.

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