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Corporate Governance System and Entrepreneurial Orientation in the Banking Sector: Evidence from a Developing Country

[1]W. O. Olori, [2]Waribugo Sylva
[1,2]Department of Management, University of Port Harcourt

Abstract: Streams of literature on Corporate Governance System (CGS) and Entrepreneurial Orientation (EO) dwelt mainly on the association or effect of CGS dimensions: such as board structure, board size and tenure, on limited aspects of EO. Whereas these dimensions are observable in companies' documents and end of year reports, stakeholders may have limited understanding of behavioral tendencies exhibited by boards, and the manner in which tasks are being executed. This study was therefore conducted to ascertain the nexus between behavioral indicators of CGS and EO. Specifically, we analyzed whether boards' effectiveness, knowledge, commitment and involvement correlate with innovativeness, proactiveness and risk-taking. Copies of the questionnaire were self-administered to 101 senior managers of deposit money banks. The data extracted from responses were analyzed using Kendall's tau-b. Results show that CGS correlates positively with innovativeness and proactiveness; while risk-taking has a moderately positive association with effectiveness, knowledge and commitment, but correlates negatively with boards' involvement. Based on the results and findings, it was recommended that boards should employ moderate control and supervision; existing corporate governance mechanism should be redesigned to foster innovativeness by promoting flexible business culture for reasonable risk-taking.

Keywords: Corporate Governance System, Entrepreneurial Orientation, Banking Sector

1. INTRODUCTION

Scholars have consistently stressed the importance of Corporate Governance System as a means of regulating and maintaining the relationship between managers, boards and owners of organizations (Molokwu, Barreria & Urban, 2013). A well-structured Corporate Governance System (CGS) enables an organization to carry out its activities toward actualizing its vision. Oso and Semiu (2012) stated that a good Corporate Governance System is known to play a pivotal role in organizational survival. Moreover, a virile CGS checks financial impropriety, reduces corporate collapse, increases organizational performance (Ofo, 2010; Obiyo & Lenee, 2011), enhances the reputation of firms and strengthens the financial sectors and economies of nations (Basel committee, 1999). Unarguably, effective corporate governance mechanism empowers an organization to efficiently utilize its assets and take decisions that meet the expectations of stakeholders and society at large.

To this end, Molokwu, Barreria and Urban (2013) submitted that board members and executives of organizations which have formidable Corporate Governance Systems tend to formulate vision that drives managers to craft strategies toward championing entrepreneurial orientation. Specifically, Molokwu, et al. (2013) concluded that "boards, executives and decision-makers are able, through their effectiveness, commitment, knowledge and involvement, to create and develop initiatives that will allow for stronger linkages to be more entrepreneurially oriented".

According to Covin and Kuratko (2008), organizations have increased their commitment to entrepreneurship in order to survive in a dynamic and hyper competitive business environment. Thus, the long-term success and survival of organizations may be assured when entrepreneurial orientation becomes an organization-wide phenomenon. To this end, several scholars (e.g Dess and Lumpkin, 2005; Naldi, Nordqvist, Sjoberg& Wiklund, 2007) are of the opinion that firms which are highly entrepreneurial in their orientation achieve their goals and objectives efficiently.

Aguilera, Filatotchev, Gospel, & Jackson (2008) submitted that Corporate Governance urges managers to be disciplined and committed to shareholders' wealth maximization. Thus, CGS is a platform for boards and managers to vigorously pursue shareholders' interests and the over-arching organizational goals through the efficient use of resources. Such commitment extracted from board members and managers may create an entrepreneurial orientation within organizations.

For more than three decades, Entrepreneurial Orientation (EO) has been widely discussed as a relevant concept in business strategy and entrepreneurship (Huang, Wang, Tseng& Wang, 2010; Shirokova, 2012; Wales, Patel, Parida & Kreiser, 2013). Organizations that have entrepreneurial proclivity easily adapt to the vagaries of the business environment, thereby increasing their chances of superior performance and success (Wang, 2008). Besides, EO helps firms to incubate ideas and nurture them to produce goods and services, partake in high-risk projects, forecast future needs, and discover floodgates of opportunities in the market. Stevenson and Jarillo (1990) stated that Entrepreneurial Orientation has a strong correlation with organizational growth and profitability while Grande, Madsen and Borch (2011) conclude that firms with a high EO have competitive advantage over their rivals. Further, Lumpkin and Dess (1996) opined that EO is a form of strategic orientation that galvanizes the firm to recognize and seize opportunities through exploration, risk-taking, innovation and proactiveness. Such orientation leads to technology commercialization (Russell & Russell, 1992), market orientation (Blesa & Ripolles, 2003; Matsuno, Mentzer, & Ozsomer, 2002), learning orientation (Alegre & Chiva, 2013), and experimental learning (Zhao, Li, Lee & Chen,2011).

A plethora of research has been conducted on EO and its relationship with other constructs. For instance, Li, Zhao, Tan and Liu(2008) carried out a study on 'Incentive Mechanisms, Entrepreneurial Orientation, and Technology Commercialization' among Chinese CEOs and found that CEO ownership has a sympathetic relationship with EO, whereas CEO turnover frequency has inverse association with EO. Also, Molokwu et al (2013) conducted a study on EO and Corporate Governance Structures in South African Oil Industry and found that the indicators of CGS are significantly and positively correlated with innovation, risk-taking and proactiveness as dimensions of EO. In another study by Ullah, Ahmad and Manzoor (2013), EO among members of various chambers of commerce in Pakistan was found to be influenced by 'enterprise informalization, value based compensation and access to resources. Mian and Oswego (2010) also studied 800 CEOs of small technology firms in the Berlin Brandenburg area of Germany and found that EO is influenced by external environmental factors such as technological- and marketing turbulence.

Furthermore, Li (2012) conducted a study on the "Influence of entrepreneurial orientation on technology commercialization" among managers of 300 incubation centers in Taiwan and reported that learning capability and firms' resources (tangible and intangible) have impact on EO, which comprises risk taking, innovativeness, proactive-ness, and competitive aggressiveness. Yu (2013) , and Zhang and Jia (2010) point out that Human Resource practices such as 'selective staffing, extensive training, employment security, incentive reward and participation' have a profound effect on EO, while Antoncic (2001) submits that inter-firm networking and alliances create trust and harmony which eventually reinforces the EO of firms. Other studies on EO include: Entrepreneurial Orientation and : - (i) Firm Performance (Davis, Bell, Payne & Kreiser,2010; Boohene, Marfo-Yiadom&Yeboah, 2012;Van Doorn, Jansen, Van den Bosch& Volberda, 2013;Shirokova, Bogatyreva & Beliaeva, 2015), (ii) internationalization of SMEs (Taylor, 2013), and (iii) growth of SMEs (Moreno & Casillas, 2008).

Financial institutions all over the world, including banks, are passing through various forms of challenges occasioned by institutional, economic and technological dynamism or turbulence. Okezie (2011) states that several financial institutions collapsed in several countries between 2008 and 2009, which caused untold socio-political and economic devastation. Moreover, Asikhia (2010) submits that there is tension in the Nigerian banking sector due to the global financial melt-down and its effect on service delivery.

1.1 Problem Statement

Unarguably, Nigerian banks contribute immensely to the socio-economic growth and progress of the nation by playing the role of financial intermediation and wealth creation. The momentum of success of Nigerian banks can be attested by the numerous branches which sprung up in less than a decade, whereby the total number of branches increased from 3,247 in 2003 to 6,605 in 2011. According to Sanusi (2011; 2012), the number of individuals employed in the Nigerian banking sector increased from 50,837 in 2005 to 71,876 in 2010.

Although, there is a general consensus that Nigerian banks are thriving amid the pressures imposed by the changing business environment, the banking sector is still grappling with problems of low liquidity, incompetent management, financial exclusion, lack of innovation, weak governance system, diminishing public trust, dwindling corporate image and systemic failure (Dabwor, 2010; Ojong, Ekpuk, Ogar & Emori, 2014). Dennis (2013) opined that "Nigerian banks are confronted with problems such as weak corporate governance, late or non-publication of annual accounts, gross insider abuses, insolvency, over dependency on public sector deposits and neglect of small and medium class savers". Currently, the number of banks is 24 as against 89 in 2004. Also, bank branch density was as high as 24,224 customers per branch in 2011, while financial exclusion stood at 46% in 2010 (Sanusi, 2012). The organizational health and effectiveness of the banking sector has deteriorated to the point that banks opted to sack hundreds of their employees. This has created a negative impact on the socio-economic and political indices of Nigeria (Pam, 2013; Olusegun, 2015).

1.2 Aim of The Study

From the foregoing, it could be seen that Nigerian banks may grappling with issues of corporate governance and entrepreneurial orientation which takes a toll on optimal performance and productivity. Furthermore, the recurring problems faced by banks in Nigeria may not be unconnected with the degree of EO in the sector. For example, ownership structure in the recent past where some banks were family owned; and the large size of others with strong bureaucracy that hampers intrapreneurship and entrepreneurial orientation to thrive is a case in point. Banks may be passing through the pangs of failure due, perhaps, to their inability to inject a dose of innovativeness, proactiveness and risk-taking behavior into their processes.

Moreover, Berthold (2011) observed that the intrapreneurship construct has not been well researched in the Nigerian service sector, which is the reason why managers, employees and stakeholders have very little awareness of corporate entrepreneurship. Despite the many research on CGS and EO in organizations, few have been carried out in the banking sector in developing countries. Therefore, this study seeks to examine the correlation between corporate governance system and entrepreneurial orientation in the Nigerian banking industry. Specifically, it will investigate the relationship between the latent indicators of EO (innovativeness, proactiveness and risk-taking behavior) and levels of boards' effectiveness, commitment, knowledge and involvement.

Based on the above, the following hypotheses are hereby formulated:
HO1: There is no significant relationship between innovativeness and the indicators of CGS (effectiveness, knowledge, commitment and involvement).
HO2: There is no significant relationship between proactiveness and the indicators of CGS (effectiveness, knowledge, commitment and involvement).
HO3: There is no significant relationship between risk-taking behavior and the indicators of CGS (effectiveness, knowledge, commitment and involvement).

2. LITERATURE REVIEW

Baseline Theories of Corporate Governance

Corporate governance is rooted in several theories such as the Agency theory (Jensen & Meckling 1976; Fama & Jensen 1983),Team production theory (Blair & Stout 1999), Transaction cost economics theory (Williamson,1983,1984,1985), and others. However, four of these theories seem to be the fundamental theories of corporate governance as they underlie the theoretical foundation of papers on the subject(e.g., in Hung, 1998; Yusoff & Alhaji, 2012; Afza & Nazir, 2014). They are: the agency theory, stewardship theory, stakeholder theory and resource dependence theory.

Agency Theory

The Agency Theory is embedded within the principal-agent problem as reflected in the 18th century writings of Adam Smith. However, the theory came to limelight in the 1970s owing to contributions of Stephen A. Ross and Barry M. Mitnick who independently presented a theory of agency. The Agency Theory gained greater currency in 1976 when Michael C. Jensen and William H. Meckling published an acclaimed article titled "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure". Since then, the theory has been a recurring decimal in the scholarly literatures of economics, accounting, finance, marketing, organizational behavior, sociology, political science and corporate governance (e.g. Spence & Zeckhauser, 1971; Demski & Feltham, 1978 ; Fama, 1980; Basu, Lal, Srinivasan & Staelin, 1985; Eisenhardt, 1985; White, 1985; Mitnick, 1986; Bonazzi & Islam, 2007), respectively.

Ross (1973) submits that 'an agency relationship has arisen between two (or more) parties when one, designated as the agent, acts for, on behalf of, or as representative for the other, designated the principal, in a particular domain of decision problems'. Mitnick (1973) also describes an agency relationship as that in which one party, otherwise called 'the agent' acts on behalf of another party known as 'the principal'. In their seminal paper, Jensen and Meckling (1976) gave further definition of an agency relationship 'as a contract under which one or more persons (the principal(s)) engage another person (the agent) to perform some service on their behalf which involves delegating some decision making authority to the agent'. Thus, an agency relationship exists when an individual or a group of persons, called 'principal(s)' gives a mandate to another, called the 'agent' for the purpose of improving the value of the principal(s). In the organizational setting, the principals are the shareholders who give mandate to the agents, otherwise called the managers or Chief Executive Officers. The boards of directors act as intermediaries between the shareholders and the managers (Clark, 2004).

The major idea behind the agency logic is that there is information asymmetry and divergence of goals, priorities and interests between the principal and the agent which decreases the principal's value (Fama & Jensen, 1983; Gamble, Lorenz, Turnipseed,& Weaver, 2013) – a situation that gives rise to residual loss. In a bid to reduce this divergence, the principal incentivizes the relationship in favour of the agent, and incurs additional monitoring cost in order to restrict opportunistic behavior that may be exhibited by the agent. Moreover, the principal may incur bonding cost - a reward given to the agent while allowing him or her to manage the resources. This is to ensure that the principal will have favourable outcomes, while his/her interests are not jeopardized through acts of impropriety or malfeasance as may be committed by the agent. The agency cost is the sum total of bonding cost, monitoring cost and residual loss. The agency cost is embedded in the corporate governance structures that regulate and control the contractual relationship between the managers, the board and stakeholders. In the final analysis, the behavior of managers will be aligned to stakeholders' interests, leading to increased organizational performance (Fama, 1980).

Stewardship Theory

The stewardship theory was developed as diametrically opposed logic of the agency theory (Donaldson & Davis, 1991, 1993). This theory repudiated the notion portrayed by the agency theory that the organizational man is driven by extrinsic economic motives (Corbetta & Salvato, 2004), acts on self-interest and predominantly exhibits a satisficing behavior instead of maximizing the stakeholders' value. Davis, Schoorman and Donaldson (1997) describes a steward as one who 'protects and maximises shareholders wealth through firm Performance.' A steward is one who acts to maximize the value of the owner and ensures that his or her interest can only find expression in the owner's interest. In carrying out this job, the utility function of the steward also increases. The stewardship theory is a humanistic model (Argyris, 1973) which posits that conflict of interests between owners and managers is an illusion, and that the objective of both owners and the steward-managers is to unanimously put in place structures and measures which will synchronize their interests (Donaldson, 1990; Van Slyke, 2006). Behaviour is perceived as pro-organizational, with a high degree of cooperation and interdependence (Eddleston, Kellermanns & Zellweger, 2012). Owners, therefore, create supportive structures and empowering cultures for the steward-managers in order to ensure optimal performance (Cruz, Gómez-Mejía & Becerra, 2010).

Stakeholder Theory

A major pitfall of the agency- and the stewardship theory is their inability to highlight the pluralistic composition of a corporation. This deficiency is bridged by the stakeholder theory. The theory contends that managers have to be accountable to not only the owners or shareholders, but also to a broader spectrum (Jensen, 2001) of interested parties called stakeholders, comprising: investors, employers, suppliers, financiers, non-governmental organizations, environmentalists, customers, government ministries, departments and agencies, political bodies, trade unions, host communities, sister corporations, potential employees, the general public and, in some cases, rivals and future clients. Mercier (1999) views stakeholders as "all of the agents for whom the firm's development and good health are of prime concern", whereas Freeman (1984) submits that stakeholders are "any group or individual who can affect or is affected by the achievement of the organization's objectives". We define stakeholders as a set of agents or group of individuals who are affected by organizational processes and outcomes, and whose actions affect the health and effectiveness of the firm. The actions of Stakeholders may either improve or injure the firm. The theory holds that the firm exists for both economic and social reasons wherein wealth and value are distributed to all stakeholders, with no group being treated favourably to the detriment of others Clarkson (1995).

Resource Dependency Theory

The theories mentioned above provide an understanding of the CEOs, stewards, shareholders and stakeholders logic, but do not give an insight on the need to link essential resources to the firm by its board of directors, in order to bring about organizational success. The Resource Dependency Theory(Pfeffer, 1973; Pfeffer & Salancik, 1978) emphasize that the capacity of the board to link critical resources to the firm is a core requirement of effective corporate governance. By virtue of these linkages, the board makes available critical resources which may include information, capital, knowledge, skills, valuable customers, important stakeholders, quality raw materials and legitimacy which will minimize uncertainty and increase the worth of the firm (Gales & Kesner, 1994; Hillman & Dalziel, 2003). Thus, this theory views the board of directors as providers of valuable resources and not necessarily monitors of managerial behavior.

Theoretical foundations of Entrepreneurial Orientation
The second set of theories are those that provide an anchor for entrepreneurial orientation. Some of these theories include: Cantillon's Risk-Taking Theory (1755), Schumpeter’s Innovation Theory (1949), The Theory of Strategic Orientation and Resource Recombination for Innovation and Proactiveness (Zahra & Wiklund, 2000), and the Resource Based View (Connor, 1991; Rumelt, 1987; Runyan, Huddleston, &Swinney,2006).

Cantillon’s (1755) theory argues that the entrepreneur is not a factor of production, but an individual who assumes risk in order to create equilibrium between supply and demand. This idea is re-echoed by the separate works of Mintzberg (1973) and Khandwalla (1976) who conclude that firms with strong entrepreneurial orientation are more inclined to take risks than others, and are more proactive in discovering fresh business openings. Other the other hand, the innovation theory by Schumpeter (1949) submits that the entrepreneur is an innovator who is not so much interested in profits but derives satisfaction in creating value for the society. According to Schumpeter, economic development is driven by “creative destruction”. In this instance, “the entrepreneur moves the economic system out of the static equilibrium by creating new products or production methods thereby rendering others obsolete”. Furthermore, the ability to be proactive and recognize valuable opportunities is a strategic orientation which requires the recombination of critical resources available to the firm and the individual (Casson, 1982; Stevenson, 1983; Zahra & Wiklund, 2000). Stephenson (1983) evinced that firms with entrepreneurial proclivity craft their strategies based on opportunities that are available in the business environment. Such firms relentlessly pursue, exploit and take advantage of opportunities, through the recombination and use of both tangible and intangible resources to achieve competitive edge.

The Resource Based Logic is traceable to Penrose (1959) who opined that organizational growth is a function of the internal characteristics of the firm. The theory also specifies that firms gain competitive edge when they utilize their distinctive resources (Peteraf, 1993). These resources can assume tangible forms such as location, factory plant, raw material inventory, buildings, machinery, cash-at-hand; as well as intangible forms such as organizational reputation, managerial expertise, manufacturing experience, administrative procedures, brand image, managerial attributes and entrepreneurial orientation (Barney, 1991; Fry, Stoner& Hattwick,2004; Runyan et al., 2006). The managerial attributes comprise leadership style, board’s effectiveness, knowledge, commitment and involvement, among others. It is pertinent to note that risk taking firms endeavor to discover new resources (Hughes & Morgan, 2007) whereas proactive organizations tend to enjoy first-mover advantage in the short run, and determine the direction of the market in the long run (Lumpkin & Dess, 1996).

Corporate Governance Systems
Corporate governance specifies the rights and obligations among the various interest groups in the organization (Aguilera & Jackson, 2003). Corporate governance system (or structure) is set of mechanisms, relationships, rights and responsibilities that are put in place by members of a system for the effective and efficient functioning of the firm and the improvement of shareholders’ value. Furthermore, it has been observed that companies with effective corporate governance structures (CGS) attract investors thereby leading to increase in companies’ value and decrease in cost of equity (Loukil & Yousfi, 2010). An effective CGS

encourages transparency and fairness within organizations and compels executives to recognize the rights and concerns of stakeholders. Moreover, it ensures that stakeholders also allow managers to coordinate corporate activities toward achieving the superordinate objectives of organizations. Coupled with these virtues, good Corporate Governance enables firms to comply with extant laws and policies thereby avoiding costs that could arise from legal battles (Mousavi & Moridipour, 2013). On the other hand, poor CGS promotes information asymmetry and puts organizations on the negative slope of financial crimes, distrust and corporate death, which culminates in unemployment and economic downturn.

Contemporary specimens of organizational failure caused by weak corporate governance have corroborated the need for virile, robust and reformed CGS. The collapse of several firms in the United Kingdom and the United States of America in the 1990s, the economic crisis of Asia in 1997 due to poor institutional mechanisms, and the corporate tsunami of Enron and WorldCom in 2001 and Adelphia Communications in 2002, sent shockwaves across the financial shores of many nations and gave rise to a new order of stakeholder agitation. Thus, in 2002, the US rapidly responded by promulgating the Sarbanes-Oxley Act while the UK published the Higgs Report and the Smith Report in 2003. In a similar response, the Securities and Exchange Commission of Nigeria formed a committee, headed by Atedo Peterside, which issued the Code of Best Practices for Public Companies in Nigeria in 2003. In a complementary move, on the 5th of January 2006, the Central Bank of Nigeria (CBN) issued the Code of Corporate Governance for banks in Nigeria Post Consolidation, effective 3rd of April 2006, emphasizing that "Financial scandals around the world and the recent collapse of major corporate institutions in the USA had brought to the fore , once again, the need for the practice of good corporate governance, which is a system of managing the affairs of corporations with a view to increasing shareholder value and meeting the expectations of the other stakeholders".

Developments for the past 30 years in the Nigerian financial sector have buttressed the fact that there is an urgent need to erect a viable and sustainable CGS in the nation's banking industry. Besides, the astronomical increase in number commercial banks coupled with the dismal collapse rate of a sizeable number them, as well as the shock suffered by depositors, customers and the economy, confirm a greater need to embrace a culture of good corporate governance (Akingunola & Adekunle, 2013). Thus, stakeholders' expectations on boards have increased in same direction. Okpara (2010) mentions that directors have to possess requisite conceptual skills, knowledge, competencies and other capabilities so that they can adequately monitor and control the managers. Boards of directors could be said to be effective if their performance meets stakeholders' expectations in this regard. Moreover, boards are said to be effective when they understand both the business and industry environments and are able to satisfy the human resource needs of the organization in a sustainable manner (Henderson & Cool, 2003). Furthermore, board contributes to enhancement of stakeholders' value by increasing their level of involvement in decision controls which comprises formal and non-repetitive decision making, assignment of resources and strategic decision making (Cutting & Kouzmin, 2002). Overall, an effective board not only shows a strong commitment towards carrying out its functions and obligations but also strives to successfully execute the strategic entrepreneurial decisions of the organization (Mustakallio, Autio & Zahra, 2002; Nicholson & Kiel, 2004). Commitment also entails the willingness to: examine and recommend long term plans, manage risk, carry out valuation of capital requirements and partake in intricately interwoven, organization-wide, strategic decisions (Kor & Sundaramurthy, 2009).

Entrepreneurial Orientation

From the time it was first coined by Miller (1983), the concept of Entrepreneurial Orientation has gained currency as a model that links entrepreneurship to strategic management (Covin & Slevin, 1991; Lumpkin & Dess, 1996). Entrepreneurial Orientation refers to a set of activities, traditions, philosophies, processes and methods adopted by organizations that enables them to recognize, create and take optimum advantage of business opportunities. According to Rauch, Wiklund, Lumpkin and Frese (2009), EO can be described as "the strategy-making processes that key decision makers use to enact their firm's organizational purpose, sustain its vision and create competitive advantage". Lumpkin and Dess (1996), and Wiklund and Shepherd (2003) maintain that EO is essentially a strategy making process that enables organizations to decide and act entrepreneurially. Miller (1983) submits that a firm with high EO "engages in product market innovation, undertakes somewhat risky ventures, and is first to come up with 'proactive' innovations, beating competitors to the punch" Thus, firms that engage in corporate entrepreneurship constantly undergo renewal through innovation, and bear the risk of such innovation in a proactive manner.

Miller (1983) conceptualized and developed the EO construct, which was further operationalized and validated by Covin and Slevin (1989, 1991), as consisting of three latent indicators, namely: innovation, proactiveness and risk taking. Notwithstanding, Lumpkin and Dess (1996) contended that these dimensions fail to capture the entire spectrum of entrepreneurial activity. Hence, they increased the EO dimensions to five by adding autonomy and competitive aggressiveness. In describing EO as "the processes, practices, and decision-making activities that lead to new entry", Lumpkin and Dess (1996) assert that these five dimensions combine in varied proportions, contribute independently and have context bound relationships with entrepreneurial output. Despite the criticisms put forward by Lumpkin and Dess (1996), Miller's (1983) model of EO continues to enjoy widespread adoption among scholars (e.g., in Kreiser et al.,2002; Messeghem, 2003; Tarabishy et al.,2005; Ejdys, 2016). This study adopts the model espoused by Miller (1983).

Innovativeness
The importance of innovation has been emphasized in entrepreneurship and strategy literature for more than eight decades. Schumpeter (1934, 1942) appears to be among the earliest scholars to x-ray the concept of innovativeness, which he described as a process of "creative destruction" wherein a disruption or discontinuity is created in processes, products and markets leading to fall of existing organizations and rise of new firms in terms of growth. The European Union (1995) describes innovativeness as "the renewal and enlargement of the range of products and services and the associated markets; the establishment of new methods of production, supply, and distribution; the introduction of changes in management, work organization, and the working conditions of the workforce" while Rauch, et al (2009) define innovativeness as "the predisposition to engage in creativity and experimentation through the introduction of new products/services as well as technological leadership via R&D in new processes". Simply put, innovativeness is the inclination of a firm to challenge its current state by being creative and by embracing new ideas, processes and methods which leads to the creation of new products, services and technologies (Rowley, Baregheh, & Sambrook, 2011; Van Riel, Semeijn, Hammedi, & Henseler, 2011).

Proactiveness
Economists and organizational experts have stressed the relevance of taking initiatives in entrepreneurial endeavours. Initiatives are borne by visionary and imaginative managers who take advantage of environmental opportunities for growth and competitiveness. Firms that are high on EO apply the first-mover strategy by exploiting the imbalance in the marketplace and making the best use of market opportunities for super-normal profits and positioning (Lieberman and Montgomery, 1988). Such behavior is embedded in the concept of pro-activeness. According to Venkatraman (1989), proactiveness means "seeking new opportunities which may or may not be related to the present line of operations, introduction of new products and brands ahead of competition, strategically eliminating operations which are in the mature or declining stages of life cycle". It could be defined as a strategic posture of foreseeing and preparing for the future by scanning the business environment in order to

discover opportunities. In short, proactiveness is a measure of the degree to which firms take positive actions in anticipation of a future condition. Proactive firms are forward-looking market leaders. They seize opportunities, engage in active experimentation, enter new markets, shape market trends, create demand, and develop new products and services (Jogaratnam,et al., 1999; Pérez-Luño, Wiklund & Cabrera, 2011).

Risk taking
Researchers have commonly agreed in the past that risk taking is a principal indicator of the entrepreneurship construct (Covin & Slein, 1989; Lumpkin & Dess, 1996). According to Cantillon (1734), an entrepreneur is one who assumes business risk for the sake of profit, irrespective of the possibility of a loss. Miller and Friesen (1978) submit that risk-taking is "the degree to which managers are willing to make large and risky resource commitments—i.e., those which have a reasonable chance of costly failure". Sagacious managers take risk not for the sake of risk taking. They take calculated risk (Morris & Paul, 1987) as they venture into the unknown (Baird & Thomas, 1985). A risk taking firm could be described as that which acts boldly, borrows heavily or commits large portion of its important resources to ventures in order to achieve organizational goals despite environmental threats and uncertainties (Rauch,et al, 2009). Knight (2000) holds a similar view that high EO firms are characterized by high risk taking propensity observable by the way they borrow heavily and commit large measure of resources in order to make high profits. They are bold enough to go for gold despite the cold. The extent to which a corporation may take risk could be partly determined by the ownership and governance structures of the organizations (Fama, 1980; Fama & Jensen, 1983; Jensen & Meckling, 1976).

Empirical findings on the relationship between the variables
Investigations concerning the nexus between CGS and EO have remained unabated among scholars. However, much of the available literature dwell on the principal-agent dilemma, ownership structure, board size and composition (e.g. in Račić, Cvijanović & Aralica, 2007; Belloc, 2010;Shapiro, Tang, Wang & Zhang, 2013). Few researchers have conducted studies on CGS and EO based on the roles of board members and executives. For instance, Daellenbach, McCarthy and Schoenecker (1999) concluded that the predisposition of boards and managers as may be reflected in their effectiveness and commitment increases the entrepreneurial quotient of organizations in terms of innovativeness. Kor and Sundaramurthy (2008) found that board directors that have industry specific knowledge and experience are competent enough to craft winning strategies that will add value to the organization in the long run. This position was held by Gabrielsson and Politis (2006) who found that the involvement of board in decision control may affect the entrepreneurial posture of the firm in terms of process- and organizational innovation. Other studies have reported a positive and significant relationship between board effectiveness, involvement (Maly &Anderson, 2008) and knowledge (Wu, 2008) with the entrepreneurial indicators of innovativeness and risk-taking. Fang, Yuli and Hongzhi (2009) reinforced this position when they conducted a study on new ventures in China and reported that formal management systems enable nascent firms to be more organic, thereby increasing their entrepreneurial propensity. Specifically, Molokwu,et al., (2013) conducted a study on the oil and gas industry in South Africa and found that there is a "significant positive correlation among all aspects of board effectiveness and competence, commitment and involvement in decision-making processes and controls; with entrepreneurial risk-taking, innovation and the propensity to act ahead of rivals to gain competitive advantage in product development and capacity expansion for greater market share".

Conversely, a study carried out in Asian metropolitan organizations by Hung and Mondejar (2005) reveals that composition of board does not significantly influence the degree of firms' innovativeness. This position is in concordance with the submission of Bianchini, Krafft, Quatraro and Ravix (2014) that, especially in small firms, an inverse relationship exists between CGS and the innovativeness. Moreover, Eling and Marek (2011) conducted a study on two big European insurance markets and pointed out that an increase in compensation and monitoring in the governance structure translates to reduction in risk-taking proclivity.

3. RESEARCH METHODOLOGY

3.1 Sample and Procedure

A survey was conducted wherebystructured questionnaire was administeredto the respondents in order obtain data to test the conjectural declarations developed in the study. The key informant strategy (Kumar, Stern, & Anderson, 1993) was adopted to engage 101 senior managers from all branches of the commercial banks in Port Harcourt. Responses were obtained from senior managers because they are in the best position to understand organizational processes and perceive the dynamics of the variables within the context of their respective banks. According to Kotha and Vadlami (1995), data on such strategic constructs elicited from junior managers could be misleading because such managers are less informed about critical organizational processes. On the whole, 49 copies of the questionnaire were returned out of which 47 were usable. This represents 46.5% response rate, which is slightly higher than rates of similar studies (e.g. in Gabrielsson & Politis, 2006; Ogbechie & Koufopoulos, 2010; Molokwu, et al., 2013). Thus, the response rate is satisfactory.

3.2 Reliability and Validity

Test for internal consistency of the multi-indicator scale for the variables was done using coefficient alpha parameter (Cronbach, 1951) and composite reliability parameters. Both variables reported reliability estimates above the cut off values of 0.6 (Bagozzi & Yi, 1988; Baker, Parasuraman, Grewal, & Voss, 2002) and 0.7 (Nunnally, 1978; Nunnaly & Bernstein, 1994; George & Mallery, 2003) as summarized in the table below:

Table 1: Latent indicators and their values of internal consistency

Construct	Dimension	Number of items	Cronbach alpha value	Composite reliability
Entrepreneurial Orientation	Innovativeness	3	0.75	0.76
	Proactiveness	3	0.83	0.84
	Risk-taking	3	0.77	0.77
Corporate Governance System	Effectiveness	9	0.79	0.80
	Knowledge	9	0.87	0.87
	Commitment	11	0.85	0.86
	Involvement	14	0.81	0.83

All indicators (items) were observed on a five-point Likert-type scale.

Both the CGS and EO constructs passed through rigorous processes to achieve sufficient levels of psychometric integrity. Extensive and intensive research was conducted on the vast literature of Corporate Governance in order to exhume the multidimensional facets of CGS. Experts in the field (Kimberlin & Winterstein, 2008) confirmed that both the dimensions of CGS and their corresponding observable indicators adequately “reflect the theoretical domain of the construct” (Bollen, 1989). This means that these items adequately describe the roles played by boards of directors of banks. Moreover, these dimensions and items have been used by other notable scholars (see Molokwu et al., 2013; Gabrielsson & Politis, 2006). Thus, the

CGS construct satisfied the conditions for face and content validity. The same applies to the EO construct which has been extensively researched upon, leading to the adoption of its latent and observable indicators. Erudite colleagues confirmed the adequacy of the chosen scales as capable of representing all items that might measure the construct. Moreover, the EO construct has enjoyed widespread validation by key scholars (see Miller, 1983; Covin & Slevin, 1989; Lumpkin & Dess, 2001; Wang, 2008).

3.3 Measurement of Variables

The CGS construct is made up of four dimensions adopted from Molokwu, et al. (2013). These include:board effectiveness on competence that shapes firm's strategic entrepreneurial direction, professional knowledge and experiences, board commitment and recognition of complexities and board involvement in decision control. Nine statement items describe board effectiveness while 9, 11 and 14 statement items captured knowledge, commitment and involvement respectively. The measures of EO, which comprise 9 items, were adopted from Miller (1983), and Covin and Slevin (1989). These measures are: innovativeness (3 items), proactiveness (3 items), and risk-taking (3 items). All items for both constructs were rated on 5-point Likert – like scales which range from "Strongly disagree" (=1) to "Strongly agree" (=5).

4. DATA ANALYSIS AND INTERPRETATION

The Kendall's tau_b statistical tool was used to ascertain the correlations between the dimensions of corporate governance system (board effectiveness, knowledge, commitment and involvement), and the measures of entrepreneurial orientation (innovativeness, proactiveness and risk-taking). This tool was chosen because data collected for both dependent and independent variables are in the ordinal form coupled with entries that have the same values (i.e. ties) on both variables (Göktaş & İşçi, 2011; Cooper& Schindler, 2014). The SPSS outputs are shown in tables 4.1 – 4.3. Correlation figures which range from .10 - .29 are small, while values between .30 - .49, and .50 – 1.0 are medium and large respectively (Cohen, 1998).

The result from the analysis of the first hypothesis which stated that there is no significant relationship between dimensions of corporate governance system and innovativeness is shown below:

Table 2: Correlations between the dimensions of CGS and Innovativeness

			Innovativeness
Kendall's tau_b	**Board Effectiveness**	Correlation Coefficient	.414**
		Sig. (2-tailed)	.000
		N	47
	Board Knowledge	Correlation Coefficient	.332**
		Sig. (2-tailed)	.001
		N	47
	Board Commitment	Correlation Coefficient	.393**
		Sig. (2-tailed)	.005
		N	47
	Board Involvement	Correlation Coefficient	.388*
		Sig. (2-tailed)	.002
		N	47

Correlation is significant at the 0.05 level (2-tailed).**

Table 4.1 shows that result obtained from the analysis of the association between the dimensions of CGS (board effectiveness, - knowledge, - commitment, and – involvement) and innovativeness. All the dimensions of CGS have positive, significant, but medium, correlation with innovativeness. Board effectiveness had tau = .414, P < 0.05, knowledge returned tau =.332, P < 0.05, commitment reveals tau = .393, P < 0.05, while involvement had tau = .388, P < 0.05. Based on this outcome, the null hypothesis was rejected.

Table 3: Correlations between the dimensions of CGS and Proactiveness

			Proactiveness
Kendall's tau_b	**Board Effectiveness**	Correlation Coefficient	.719**
		Sig. (2-tailed)	.000
		N	47
	Board Knowledge	Correlation Coefficient	.889**
		Sig. (2-tailed)	.001
		N	47
	Board Commitment	Correlation Coefficient	.733**
		Sig. (2-tailed)	.005
		N	47
	Board Involvement	Correlation Coefficient	.918*
		Sig. (2-tailed)	.002
		N	47

Correlation is significant at the 0.05 level (2-tailed).**

Table 4.2 shows the outcome of the correlation analysis between the dimensions of CGS and proactiveness. The result indicated that the four dimensions of CGS have positive and significant correlations with proactiveness as follows: Board effectiveness tau = 0.719, p<0.05; Board Knowledge tau= 0.889, p<0.05; Board Commitment tau= 0.733, p<0.05, and Board Involvement tau= 0.918, p<0.05. Therefore the the null hypothesis was rejected.

Table 4: Correlations between the dimensions of CGS and Risk - Taking

			Risk – Taking
Kendall's tau_b	**Board Effectiveness**	Correlation Coefficient	.374*
		Sig. (2-tailed)	.000
		N	47
	Board Knowledge	Correlation Coefficient	.392**
		Sig. (2-tailed)	.000
		N	47
	Board Commitment	Correlation Coefficient	.407*
		Sig. (2-tailed)	.002
		N	47
	Board Involvement	Correlation Coefficient	-.812**
		Sig. (2-tailed)	.000
		N	47

Correlation is significant at the 0.05 level (2-tailed).**

Table shows the results of the correlation analysis between the indicators of CGS and risk-taking. The table reveals that board effectiveness, knowledge and commitment have moderate positive relationship with risk – taking, except board involvement which has a large and negative relationship (tau = -.812, P< 0.05) with risk – taking. The null hypothesis was rejected since all the dimensions have significant relationships with risk – taking.

Findings and Discussion

From the results, the following are the findings of the study:

(i) The boards of directors of Nigerian banks tend to be innovative and more proactive whenever boards are composed of more effective, knowledgeable and committed members who are deeply involved in decision control.

(ii) Boards of directors may take moderate risk when they are composed of members that are more effective, knowledgeable and committed.

(iii) The degree of risk-taking by boards of Nigerian banks may reduce as board members get excessively involved in decision making and control in the form of frequent interference in the day to day management of organizations.

Overall, much of the literature concerning CGS and EO centers on the effect of board size, board composition and ownership structure on some aspects of EO, but this study opens a new window of empirical investigation on the behavioural aspects of CGS and EO in the banking industry of developing nations. This positivistic enquiry has demonstrably proven that banks which have good CGS are likely to manifest entrepreneurial spirit. The first and second findings negate hypotheses one (H01) and two (H02) by clearly pointing out that banks may become more innovative in products and services, embrace new ideas, technologies and processes, and take proactive steps if their boards are highly effective, knowledgeable, committed and well involved in the decision making process. This is in accordance with the proposition of Daellenbach, McCarthy and Schoenecker (1999) that "a high level of commitment to innovation will be promoted or impeded in many organizations because of the predispositions of the CEO and the management team." Gabrielsson and Politis (2006) also found that process and organizational innovativeness can be perpetuated by a high degree of board involvement in decision making and control. Additionally, the findings support Fang, Yuli and Hongzhi's (2009) submission that formal management structures increase the organic nature of organizations, which in turn stimulate a significant measure of proactiveness. Moreover, Molokwu et al. (2013) concluded that the effectiveness, knowledge, commitment and involvement of board are critical determinants of greater levels of entrepreneurial orientation. This is not surprising as Nigerian banks are characterized by independent boards, comprising large numbers of knowledgeable and experienced external directors that effectively contribute to the formulation and implementation of programmes and policies which promote corporate performance. Implicitly, the absence of competent, knowledgeable and committed boards and managers - who have a strong grasp of environmental dynamics and vicissitudes – may result in wrong timing of proactive moves and which can douse the innovative potentials of the organizations.

The third finding suggests that CGS has a profound influence on EO. However, whereas board effectiveness, knowledge and commitment are moderately sympathetic to risk taking, it was found that banks increasingly become risk-averse with higher levels of board involvement. On the aspect of boards' knowledge, this finding is in agreement with Williams and Lee (2009) who found that there is a strong positive relationship between boards' internal knowledge and risk appetite in business ventures. Taillard (2012) emphasize that boards with high levels of financial intelligence easily identify risks that are potentially beneficial to owners and persuade managers to assume such risks. Moreover, Minton, Taillard and Williamson (2014) stated that "because of their understanding of more complex financial instruments and transactions, more financial experts among independent board members leads to more efficient risk-taking behavior in financial institutions. A more financially knowledgeable board has a better understanding of more complex investments and may encourage bank management to increase their risk taking". From the findings, the board of directors of Nigerian banks generally are risk takers, though to a moderate extent. This is as a result of their perceived effectiveness in the identification, evaluation and management of various forms of risk.

The inverse relationship between board involvement and managerial risk appetite may appear contrary to common logic and expectations. However, this finding reinforces Eling and Marek's (2011) submission that managers increasingly become risk-averse with higher levels of board involvement expressed through monitoring and regular meetings. Further, Ogbechie & Koufopoulos (2010) observed that there is a high percentage (about 64%) composition of external directors of Nigerian banks owing to the common notion that outside directors are reservoirs of experience and knowledge which may not be possessed by managers. They also stated that "boards of Nigerian banks significantly contribute to all stages of the strategic process from analysis to formulation and finally implementation. The boards' frequency of meetings is also an indication of their involvement in the emergent strategy development process that characterizes banks". This position is also resonates with McNulty, Florackis and Ormrod's (2013) submission that boards with maximalist orientation (Pettigrew & McNulty, 1995) in which non- executives are deeply involved in organizational processes (such as holding regular meetings to determine companies' vision, drive the mission, craft strategies and implement policies) lower the level of tolerance for financial risk.

5. CONCLUSION AND RECOMENDATIONS

The streams of literature on the relationship between CGS and aspects of EO illustrate the association or effect of CGS dimensions such as board structure, board size and tenure on EO. Whereas these dimensions are observable in companies' documents and end of year reports, stakeholders may have limited understanding of behavioral tendencies exhibited by boards, and the manner in which tasks are being executed. The findings in this study fill this lacuna by revealing how effectiveness, knowledge, commitment and involvement of boards of banks in developing economies correlate with EO. What ignites curiosity in the findings is that: though, a virile CGS perpetuates entrepreneurial culture, the degree of association between the dimensions of CGS and measures of EO differ significantly. For instance, CGS has a strong positive correlation with proactiveness but a moderate one with innovativeness. Moreover, the association between the first three hypothesized dimensions of CGS and managerial risk-taking is positive and moderately significant, whereas boards' involvement correlates with risk-taking in strong negative terms. It can therefore be stated that the level of risk-taking by the management teams of Nigerian banks depends on the degree of boards' involvement in decision-making and control which, perhaps, causes average levels of innovativeness. This assertion seems plausible because several studies (e.g. March & Shapira, 1987; Ling, Simsek, Lubatkin & Veiga, 2008; Craig, Pohjola, Kraus&Jensen, 2014) confirm that it takes a great amount of risk-taking for organizations to be innovative. Specifically, Llopis, Garcia-Granero, Fernández-Mesa and Alegre (2013) noted that "managers characterized by risk taking behavior do not constrain their actions by the unpredictable consequences of innovation decisions. When deciding whether to allocate resources or to direct processes towards the development of new products and processes, risk taking prone managers are more willing to do so". This scenario plays out in reverse form wherein risk-taking propensity is lowered in Nigerian banks owing to the adoption of a maximalist CGS characterized by high effort norms among outside directors.

In the light of the above, directors should exercise less control and supervision, but rather play more advisory role without compromising the tenets of corporate governance, as this will enable managers to take reasonable risk. Second, the existing corporate governance structures should be tailored in a way that will support innovativeness through the promotion of flexible business culture and processes. Third, external directors should foster a creative climate whereby both managers and board could experiment and integrate traditional management practices with the elements of risk taking and innovation. Also, policymakers and regulators need to give more consideration on the effectiveness, knowledge, commitment and involvement aspects of CGS, as well as the three chosen measures of EO, when designing and implementing banking policies.

5.1 Limitations and suggestion for future studies

This study has contributed to the growing literature on CGS and EO by providing insights into how management and decision makers of banks could foster a culture of innovativeness, proactiveness and risk-taking via board effectiveness, knowledge, commitment and involvement. However, the study has its share of methodological shortcomings. The application of cross-sectional survey does not permit the establishment of causal relationship about the hypothesized indicators. Therefore, an extension of this research should incorporate longitudinal design in order to provide more understanding of the dynamic aspects of CGS and EO. Besides, the reliance on single-informant data about the constructs rather than multiple-informants exposes the data to common method bias (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003).Another noteworthy limitation is that the research was carried out in the banking sector. It is possible that the outcome may be different if carried out in other sectors. Therefore, it is suggested that the study should be conducted in other sectors to find out the congruency of the results. Furthermore, there are other variables kept outside the blackbox which are capable of mediating the relationship between CGS and EO. Future research could gain more understanding by investigating the moderating role of other variables such as CEO tenure, leadership style, perceived organizational support, managerial intention to stay, knowledge management and job satisfaction.

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