e-ISSN 3027-0537
p-ISSN 3027-0375

Business Management
Gph-International Journal
www.gphjournal.org

10.5281/zenodo.15805708 Vol. 08 Issue 06 June - 2025 Manuscript ID: #1996

Corporate Governance and Organizational Success of Manufacturing Firms in Nigeria

By

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ABSTRACT

This study examines the relationship between corporate governance and organizational success in manufacturing firms in Nigeria. Focusing on two dimensions of governance—accountability and transparency—the study evaluates their influence on two measures of organizational success—operational efficiency and customer satisfaction. Data were collected from 127 management staff across selected firms and analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The findings reveal that both accountability and transparency significantly and positively impact operational efficiency and customer satisfaction. The study concludes that strengthening governance structures can enhance firm performance and competitiveness. Recommendations are offered to help manufacturing firms that to enhance customer satisfaction, they should prioritize transparent communication with customers.

Keywords:

Corporate Governance, Accountability, Transparency, Operational Efficiency, Customer Satisfaction, Manufacturing Firms

How to cite: Akwaowo, R. R., & Onuoha, C. B. (2025). Corporate Governance and Organizational Success of Manufacturing Firms in Nigeria. *GPH-International Journal of Business Management*, 8(6), 40-53. https://doi.org/10.5281/zenodo.15805708

1.0 Introduction

In recent decades, corporate governance has become an increasingly important issue in organizational studies, particularly in developing economies like Nigeria. As organizations operate in more complex, competitive, and globalized environments, the quality of governance mechanisms plays a critical role in shaping their performance outcomes. Corporate governance refers to the structures and processes for the direction and control of companies, ensuring that firms are accountable to stakeholders, operate transparently, and act in accordance with ethical and regulatory standards (OECD, 2015). It encompasses principles such as accountability, transparency, board composition, stakeholder engagement, and risk management. These principles are essential in ensuring that companies operate in a manner that fosters sustainability, stakeholder trust, and long-term success (Adegbite, 2015).

In Nigeria, corporate governance has been a subject of increasing scrutiny following a series of financial scandals, firm collapses, and mismanagement cases in both private and public organizations (Uwuigbe et al., 2019). These incidents have heightened awareness about the need for strong governance frameworks, especially in sectors such as manufacturing, where efficiency, innovation, and quality control are crucial. Manufacturing firms serve as critical pillars of economic development, job creation, and value chain integration. As such, the implementation of sound governance mechanisms is not only important for internal operations but also for national economic stability (Olayiwola, 2018).

Organizational success, on the other hand, is a multi-dimensional construct encompassing financial performance, customer satisfaction, operational efficiency, employee engagement, and adaptability to change (Kaplan & Norton, 1996). For manufacturing firms, key indicators of success often include operational efficiency—measured by cost reduction, throughput time, and waste minimization—and customer satisfaction, which reflects the firm's ability to deliver quality products that meet or exceed client expectations (Kotler & Keller, 2016). These outcomes are heavily influenced by internal governance practices. When firms demonstrate high levels of accountability and transparency, they are more likely to align employee behavior with strategic goals, minimize risks, and improve both operational and customer-oriented performance (Etim et al., 2023).

Despite the recognized importance of corporate governance, many Nigerian manufacturing firms continue to struggle with issues such as unclear reporting structures, poor ethical compliance, opaque decision-making, and weak oversight mechanisms. These shortcomings not only hinder internal efficiency but also erode customer trust and satisfaction. Furthermore, research has shown that there is a limited empirical understanding of how specific governance variables—particularly accountability and transparency—impact organizational success in the manufacturing sector of Nigeria (Okafor & Ofoegbu, 2020).

Thus, this study investigates the relationship between corporate governance and organizational success, with a specific focus on the roles of accountability and transparency in influencing operational efficiency and customer satisfaction. The outcome of this research aims to contribute to policy, theory, and practice by providing insights that could enhance the strategic governance capabilities of manufacturing firms in Nigeria.

Statement of the Problem

Corporate governance failures remain a persistent challenge across many sectors in Nigeria, including manufacturing. Despite the introduction of various regulatory codes and governance reforms, issues such as managerial recklessness, weak oversight, and poor ethical practices continue to undermine organizational success. Manufacturing firms, in particular, face pressure to deliver high-quality products efficiently while simultaneously maintaining trust and transparency with customers, suppliers, regulators, and investors. However, many Nigerian manufacturing firms lack the governance infrastructure necessary to support these dual objectives (Okoye & Ofoegbu, 2021).

A critical examination of corporate governance practices in Nigeria reveals systemic lapses in accountability. Managers and employees often operate without clear performance metrics or consequence management structures, leading to inefficiencies, misallocation of resources, and operational delays (Eze & Okonkwo, 2019). These inefficiencies not only raise production costs but also reduce the firm's ability to meet market demands in a timely and consistent manner.Transparency, another cornerstone of effective governance, is frequently compromised due to non-disclosure of operational data, opaque procurement practices, and poor communication with stakeholders. This lack of openness breeds distrust and damages the firm's reputation among customers, many of whom seek reliable and ethically responsible manufacturers (Olowu & Ajayi, 2018). As a result, customer satisfaction diminishes, leading to lost market share, lower brand loyalty, and poor long-term performance.

Previous studies (Okoye & Ofoegbu, 2021; Olayiwola, 2018) have highlighted these issues, yet there is limited empirical evidence on how specific governance variables—like accountability and transparency—directly influence organizational success in the Nigerian manufacturing context. Hence, this study seeks to bridge these gaps by exploring the nexus between corporate governance and organizational success.

Research Objectives

The specific objectives are;

1. To examine the relationship between accountability and operational efficiency of manufacturing firms.
2. To examine the relationship between accountability and customer satisfaction of manufacturing firms.
3. To examine the relationship between transparency and operational efficiency of manufacturing firms.
4. To examine the relationship between transparency and customer satisfaction manufacturing firms.

Research Questions

The following research questions will serve as a guild in this study;

- What is the relationship between accountability and operational efficiency of manufacturing firms?
- What is the relationship between accountability and customer satisfaction of manufacturing firms?
- What is the relationship between transparency and operational efficiency of manufacturing firms?
- What is the relationship between transparency and customer satisfaction of manufacturing firms?

Research Hypotheses

The following null hypotheses served as a tentative answer to the research questions.

Ho_1: There is no significant relationship between accountability and operational efficiency of manufacturing firms.

Ho_2: There is no significant relationship between accountability and customer satisfaction of manufacturing firms.

Ho_3: There is no significant relationship between transparency and operational efficiency of manufacturing firms.

Ho_4: There is no significant relationship between transparency and customer satisfaction of manufacturing firms.

2.0 Review of Literature

This study is anchored on the Agency Theoryand Stakeholder Theory. Agency Theory postulates that managers (agents) may not always act in the best interest of shareholders (principals), necessitating governance mechanisms such as accountability and transparency (Jensen & Meckling, 1976). Stakeholder Theory extends beyond shareholders to include all parties affected by corporate actions, reinforcing the need for inclusive governance to enhance overall success (Freeman, 1984).

Conceptual Framework

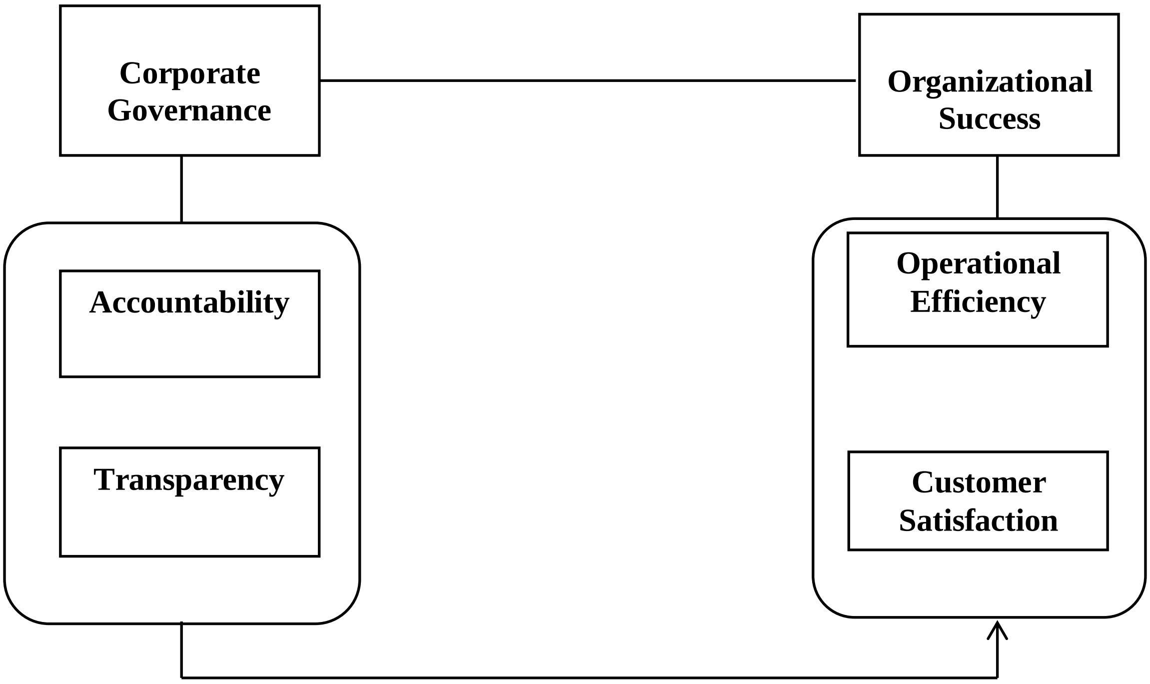

Figure 1: Conceptual Framework

Concept of Corporate Governance

Corporate governance refers to the systems, principles, and processes by which organizations are directed and controlled to ensure accountability, fairness, and transparency in their relationships with all stakeholders (OECD, 2015). It encompasses the mechanisms through which firms operate under oversight and control, ensuring that management acts in the best interests of shareholders and other stakeholders. In the Nigerian manufacturing sector, corporate governance has become a central concern due to increasing calls for transparency, ethical business practices, and global competitiveness (Adegbite, 2015).

Corporate governance in Nigeria is shaped by frameworks such as the Nigerian Code of Corporate Governance (NCCG, 2018), which emphasizes board composition, audit effectiveness, risk management, and stakeholder engagement. These elements aim to enhance trust and mitigate agency problems between owners and managers (Uwuigbe et al., 2019).

Accountability

Accountability involves holding individuals and teams responsible for their actions and ensuring they report on performance and decisions. In corporate settings, accountability mechanisms include financial reporting, audits, managerial evaluations, and performance reviews. It fosters discipline, ethical behavior, and improved efficiency (Adegbite, 2015).In manufacturing, accountability ensures that managers are held responsible for meeting production targets, maintaining quality, and minimizing resource wastage. According to Eze and Okonkwo (2019), firms that institutionalize accountability mechanisms report higher productivity and lower operational costs.

Transparency

Transparency is the extent to which stakeholders have access to accurate and timely information about company operations and decisions. It is central to trust-building and informed decision-making. Transparent organizations are more likely to attract investment, build brand loyalty, and prevent fraud (Olayiwola, 2018).In manufacturing, transparency in product labeling, pricing, inventory management, and customer communication can significantly enhance credibility and satisfaction. Ogunyemi and Adebayo (2022) found that transparent practices were associated with improved customer perceptions and repeat patronage.

Concept of Organizational Success

Organizational success refers to a company's ability to achieve strategic goals, generate profits, sustain operations, and satisfy stakeholders. In manufacturing, success is often measured by operational efficiency, product quality, customer loyalty, and adaptability to change (Solomon, 2020).Success is not a one-dimensional concept; it reflects the harmonious interaction between internal capabilities (e.g., governance and culture) and external outcomes (e.g., customer satisfaction and market share).In developing economies like Nigeria, organizational success is particularly tied to how firms manage internal capabilities, navigate regulatory environments, and respond to customer demands (Ibrahim & Daniel, 2019). A firm is considered successful when it is able to operate efficiently, innovate consistently, satisfy customers, and grow sustainably in competitive markets.organizational success is not only a function of profitability but also a result of strategic alignment, customer orientation, and continuous improvement (Ogunyemi & Adebayo, 2022).

Operational Efficiency

Operational efficiency involves optimizing resources to produce goods and services at the lowest possible cost while maintaining quality. It includes process improvements, waste reduction, inventory management, and lean production systems (Eze & Okonkwo, 2019).Governance structures play a crucial role in fostering operational efficiency. Accountability ensures that tasks are executed as planned, while transparency ensures clarity in workflows and reporting systems.

Customer Satisfaction

Customer satisfaction is a measure of how well a company's products or services meet or exceed customer expectations. Satisfied customers are more likely to return, recommend the brand, and contribute to business growth (Ogunyemi & Adebayo, 2022).Transparency in communication, billing, and product information enhances customer trust and satisfaction. Similarly, accountability in service delivery—such as prompt complaint resolution—reinforces a positive customer experience.

Empirical Review

Adegbite and Nakajima (2011) conducted a study on Nigerian manufacturing firms and found a strong correlation between accountability and operational efficiency. Firms with well-defined reporting lines and managerial evaluations demonstrated higher production output and lower downtime. Uchenna and Mordi (2020) discovered that accountability influences customer satisfaction. Customers appreciated firms that owned up to mistakes and took corrective action, enhancing loyalty.The effectiveness of governance in manufacturing firms contributes not only to financial performance but also to operational consistency and customer loyalty. Studies by Olayiwola (2018) and Okafor and Ofoegbu (2020) affirm that effective governance frameworks lead to better decision-making, improved accountability structures, and ultimately, organizational success. Thus, corporate governance serves as a cornerstone for sustainable business performance.

Okonkwo and Eze (2021) reported that manufacturing firms practicing transparent supply chain processes achieved better coordination, minimized procurement fraud, and improved operational speed. Olowu and Ajayi (2018) showed that transparency, especially in customer service and product delivery, significantly boosted satisfaction. Customers valued accurate labeling, clear billing, and prompt communication.Empirical evidence by Eneh (2017) also shows that Nigerian firms that invest in workforce development, strong corporate values, and quality control systems report higher organizational success rates.

3.0 Methodology

This study adopted a quantitative research approach and employed a descriptive survey design to examine the relationship between corporate governance variables (accountability and transparency) and organizational success (operational efficiency and customer satisfaction) in manufacturing firms in Nigeria. The population of the study comprised management staff of selected manufacturing firms registered with the Manufacturers Association of Nigeria (MAN) across major industrial zones in Nigeria. A stratified random sampling technique was used to ensure proportional representation based on firm size and location. 150 respondents were determined to provide reliable estimates. Questionnaires were administered to managers, supervisors, and senior executives directly involved in decision-making and operations.A structured questionnaire was developed based on previously validated scales from empirical literature.The data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) via SmartPLS 4.0 software.

Table 1: Reliability and Validity Test

Variables	**Fornell-Larcker Criterion**	**Average Variance Extracted (AVE)**	**Cronbach's Alpha**
Corporate Governance			
Accountability	0.773	0.597	0.821
Transparency	0.827	0.685	0.879
Organizational Success			
Operational Efficiency	0.771	0.594	0.823
Customer Satisfaction	0.752	0.565	0.807

Table 1 confirms that the study's variables exhibit strong reliability and validityThe Fornell-Larcker Criterion values, which range from 0.752 to 0.827, indicate acceptable discriminant validity, meaning that each variable is distinct and well-defined within the study. The AVE scores, all above 0.50, confirm that each construct captures a sufficient proportion of variance, reinforcing strong convergent validity.

The Cronbach's Alpha values, ranging from 0.807 to 0.879, demonstrate high internal consistency, meaning that the items measuring each variable reliably reflect the intended concept. Transparency shows the highest reliability, while Customer Satisfaction has the lowest but still acceptable reliability, suggesting that all constructs are stable and dependable for analysis.

4.0 Analysis and Discussion

Out of 150 questionnaires distributed, 127 were valid and usable, resulting in an84.7% response rate.PLS-SEM was used to test hypotheses on the relationship between global expansion strategy and organizational performance. 20 observable variableswere used. Each of the 20 observable variables is conceptually linked to one of four latent variables (accountability, transparency, operational efficiency, and customer satisfaction).

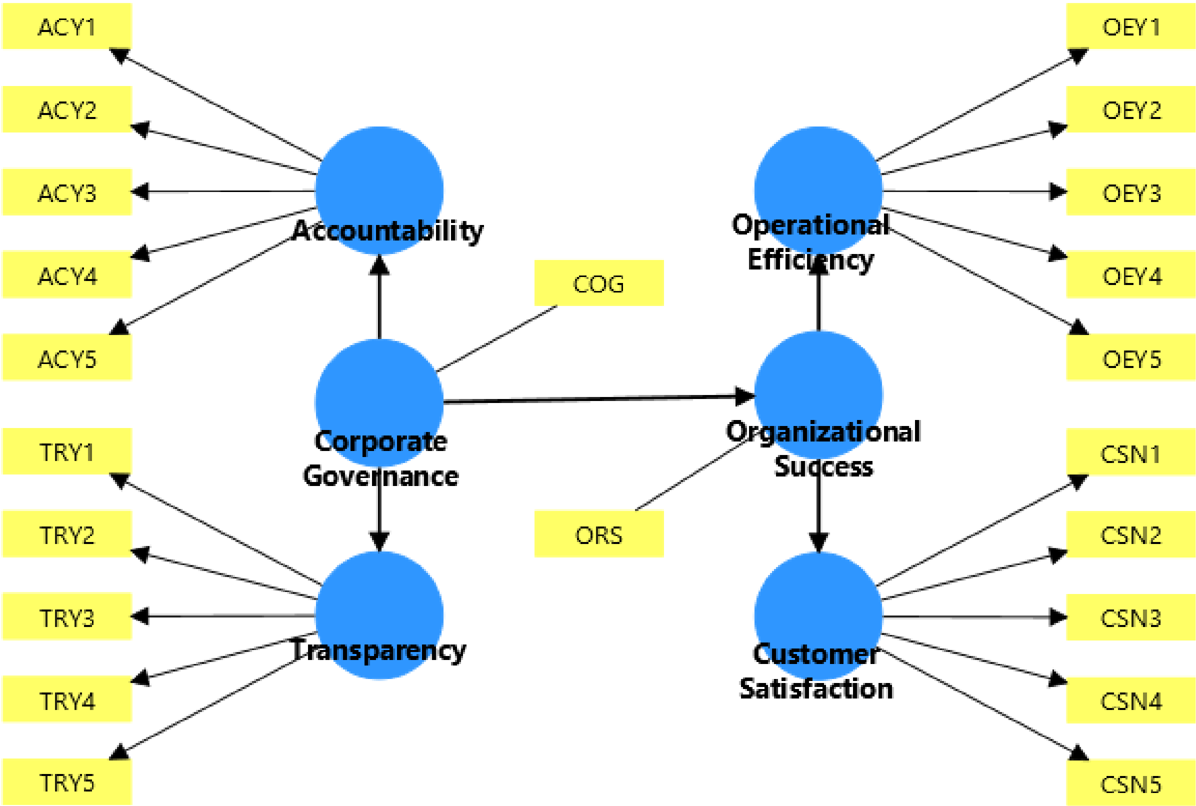

Figure 2: Research Model

Figure 2 shows the research model for the study.

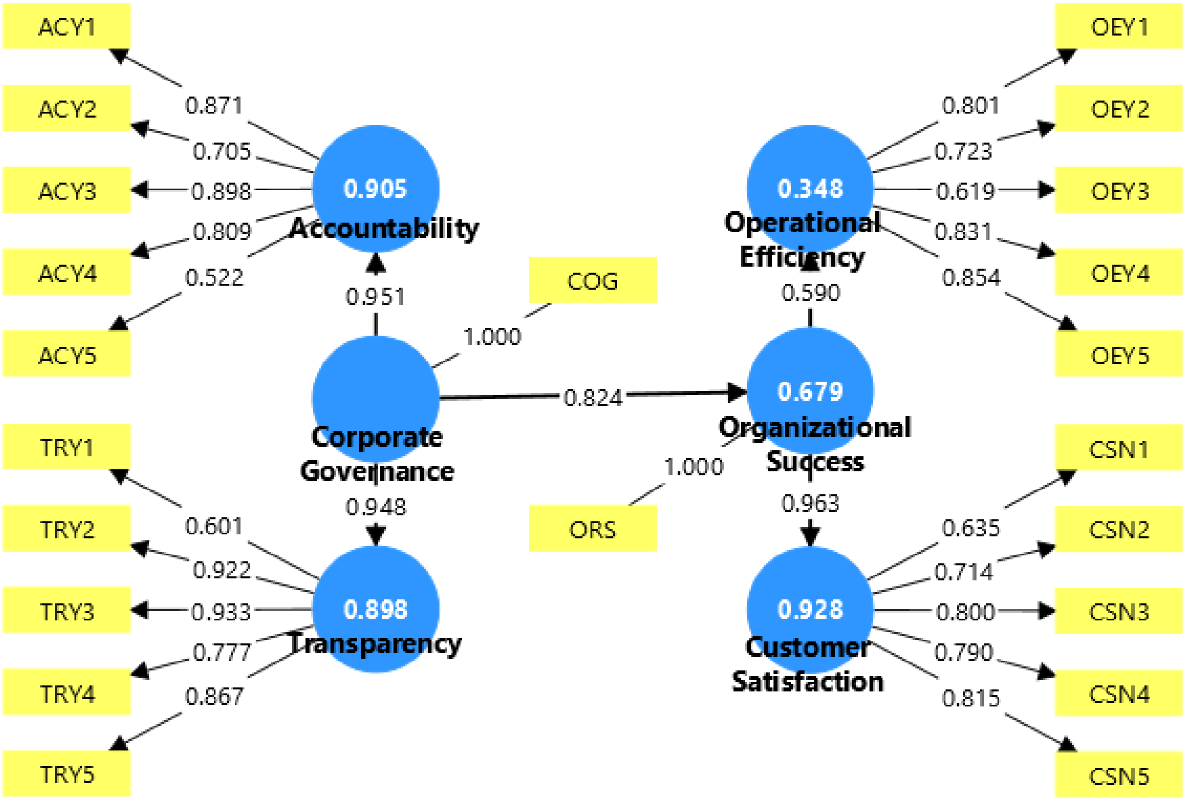

Figure 3: Output for Outer Loadings of Indicators

Figure 3 demonstrates that all response items for the constructs met the 70% threshold condition, and were therefore included in the analysis, except ACY5, TRY1, OEY3, and CSN1.

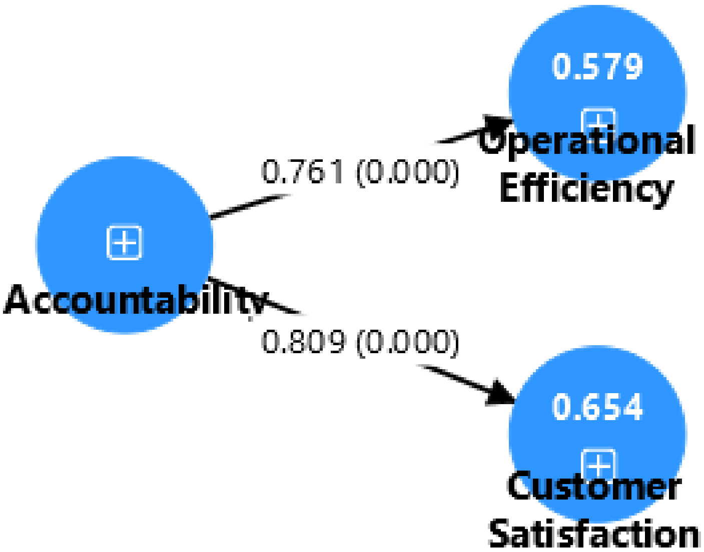

Figure 4: Hypotheses 1 and 2

For Ho_1, the path coefficient (0.761) indicates a strong positive relationship, while the significance value (0.000) confirms statistical significance. This suggests that accountability plays a crucial role in improving operational efficiency. As a result, the hypothesis is rejected, affirming that accountability positively influences operational efficiency.

For Ho_2, the path coefficient (0.809) also reflects a strong positive relationship, and the significance value (0.000) confirms statistical significance. This implies that greater accountability leads to higher customer satisfaction. Consequently, the hypothesis is rejected, establishing accountability as a key driver of customer satisfaction in manufacturing firms.

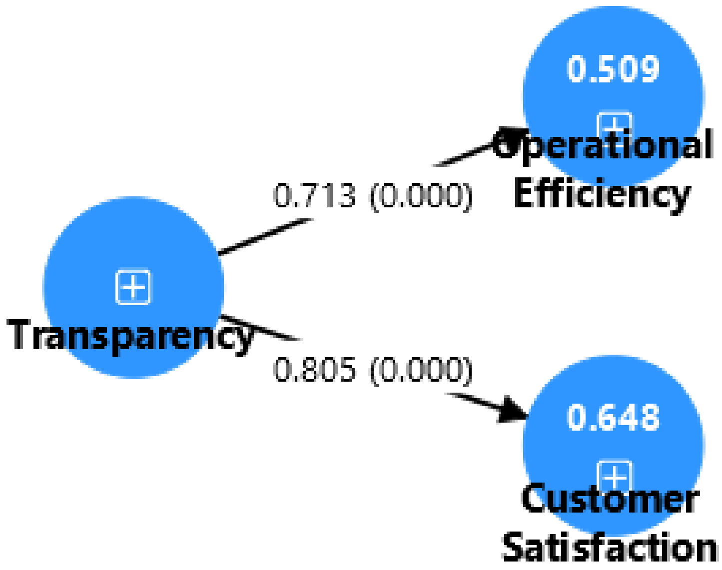

Figure 5: Hypotheses 3 and 4

For Ho_3, the path coefficient (0.713) indicates a strong positive relationship, while the significance value (0.000) confirms statistical significance. This suggests that greater transparency enhances operational efficiency. As a result, the hypothesis is rejected, affirming that transparency positively impacts operational efficiency.

For Ho_4, the path coefficient (0.805) reflects a strong positive relationship, with the significance value (0.000) supporting statistical significance. This implies that higher levels of transparency contribute to improved customer satisfaction. Consequently, the hypothesis is rejected, confirming that transparency is a crucial driver of customer satisfaction in manufacturing firms.

Discussion of Findings

Hypothesis 1: There is no significant relationship between accountability and operational efficiency of manufacturing firms in Nigeria.

The findings revealed a significant positive relationship between accountability and operational efficiency. This indicates that when employees and managers are held accountable for their actions and deliverables, it drives better resource utilization, process alignment, and operational performance. The result aligns with Eze and Okonkwo (2019), who found that accountability fosters better planning and execution, especially in resource-sensitive industries like manufacturing.

Hypothesis 2: There is no significant relationship between accountability and customer satisfaction of manufacturing firms in Nigeria.

This hypothesis was also rejected. The results show that accountability has a positive effect on customer satisfaction. Firms that take ownership of service delivery, accept responsibility for errors, and actively resolve issues tend to build customer trust and loyalty. Uchenna and Mordi (2020) support this, emphasizing that accountability enhances service recovery and improves public perception.

Hypothesis 3: There is no significant relationship between transparency and operational efficiency of manufacturing firms in Nigeria.

The analysis indicates that transparency significantly influences operational efficiency. Firms that maintain openness in internal processes, data sharing, and communication experience better coordination, reduced fraud, and faster decision-making. These findings support Okonkwo and Eze (2021), who showed that transparency reduces operational bottlenecks and improves production outcomes.

Hypothesis 4: There is no significant relationship between transparency and customer satisfaction of manufacturing firms in Nigeria.

The findings confirmed that transparency positively affects customer satisfaction. Open communication regarding product features, delivery timelines, and after-sales service builds trust and encourages repeat patronage. This aligns with Olowu and Ajayi (2018), who observed that transparent firms earned higher ratings from consumers and were perceived as more reliable.

5.0 Conclusion andRecommendations

This study investigated the impact of corporate governance practices—specifically accountability and transparency—on the organizational success of manufacturing firms in Nigeria, using operational efficiency and customer satisfaction as key performance indicators. The findings affirm that both accountability and transparency are critical to enhancing firm performance.The study concludes that Nigerian manufacturing firms can achieve significant improvements in efficiency and customer satisfaction by institutionalizing sound governance mechanisms. Furthermore, while the moderating role of organizational culture was not analyzed in this version, the foundational governance factors remain essential for organizational success. The following recommendations are proffered:

1. Manufacturing firms should strengthen internal accountability frameworks. This includes setting clear roles, implementing performance-based evaluations, and

ensuring periodic reporting. Doing so will improve operational efficiency and reduce inefficiencies.

2. Manufacturing firms should incorporate accountability in customer service operations. Ensuring frontline staff and managers are responsible for service failures and empowered to resolve complaints can enhance customer satisfaction and loyalty.
3. Transparency should be institutionalized in operational areas such as procurement, inventory control, and quality assurance. Clear documentation, real-time tracking, and open communication will increase process visibility and operational performance.
4. To enhance customer satisfaction, manufacturing firms must prioritize transparent communication with customers. This includes accurate labeling, truthful advertising, timely updates, and openness in pricing and billing structures.

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