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Executive Compensation and Corporate Governance as Determinants of Organizational Performance in Nigeria

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Abstract: In the literature, two (2) vital questions have been frequently posed; the first is if efficient corporate governance can increase organizational performance and second, if companies with good executive compensation would lead to improve organizational performance. While findings seems by all account to be mixed in the literature, a number of researchers have the conviction that corporate governance efficiency and good compensation for the executives or board would minimize the likelihood of companies going out on a limb (e.g. poor performance). Hence, this study examined the effect of executive compensation and corporate governance on organizational performance in Nigeria. The study was conducted on fifteen (15) companies drawn from healthcare, natural resources and construction/real estate from 2013–2022. *Ex-post facto* research design was used and secondary data (CEO pay, board gender diversity, board ownership structure and return on asset) were obtained from the yearly audited annual reports of the selected companies. In order to account for unobserved heterogeneity, endogeneity and serial correlation problems associated with panel data, generalized method of moments was employed in validating the hypotheses of the study. The study demonstrates that executive compensation and corporate governance negatively significantly influence the performance of healthcare, natural resources and construction/real estate companies. It is suggested that executives or the board's pay should be decreased to further enable companies have additional financial resource that can be invested in productive areas of the business, which in turn would improve the level of performance positively. This study contributes to the literature by offering empirical evidence of two imperative mechanisms underlying the improvement of organizational performance. The study not only considered executive compensation but also examined how ownership structure of the board and board gender diversity enhance organizational performance.

Keywords: Executive compensation; Corporate governance; Organizational performance; Board gender diversity; Board ownership structure; Healthcare.

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1. INTRODUCTION

Over the last decades, there has been enormous growth in empirical research on executive compensation with prime focus on compensation of chief executive officers (CEOs) and governance mechanisms. Much of these empirical researches were hinged on the question as to whether executive compensation and governance can be defensible in terms of their contributions to organizational performance (Al'azhary, Suherman & Buchdadi, 2022; Muzata & Marozva, 2022; Chen, Fan, Wang, Fan, Chen & Ren, 2023; Mohammed, Ibrahim & Maitala, 2023)

According to the agency and stewardship paradigms, CEOs often exhibit opportunistic behave at expense of shareholders' interests (Omamo, K'obonyo & Muindi, 2022). Thus, corporate boards are believed to incarcerate executive opportunisms and align interests of executives with that of shareholders by monitoring via efficient governance mechanisms and put in place, efficient pay that characteristically connect CEOs compensation with organizational performance (Wang & Ooi, 2023). .The objective of this study is to investigate whether organizational performance is influenced by executive compensation and governance, where CEOs in Nigeria are presumed to be more dominant than the board or controlling shareholders who are more probable to exploit the interests of the minority shareholders.

Specifically, this study investigated the role of executive compensation (CEO pay) and governance mechanisms (board ownership structure and board gender diversity) play in determining organizational performance. The Nigerian socio-economic and behavioral peculiarities and institutional frameworks are dissimilar from other developed nations and studies carried out in developed nations have partial implications for developing

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nations (Ibrahim & Ahmed, 2020). While there are robust empirical evidences linking executive compensation, corporate governance and organizational performance in other developed nations, the Nigerian context is peculiar for numerous of reasons.

First, less concentrated ownership is more widespread in Nigeria than for instance, in countries like China, Korea, Saudi Arabia and others. Similarly, while companies in these countries *inter-alia* have more board ownership concentration compared to Nigeria, the nature of ownership concentration is dissimilar such that the State often holds high stake in large-sized companies (Finley, Hall & Marino, 2022). On the other hand, concentrated ownership in Nigeria is often maintained by non-government shareholders, which makes privately-owned companies have dissimilar implication for CEOs compensation (Ibrahim & Ahmed, 2020).

Second, the legal and political landscape in Nigeria is weak and governance mechanisms put in place is relatively poor. In addition, there is more foreign influence on governance together with the fact that the Nigerian economy is plagued with corruption than many other developing nations. Third, executive compensation disclosure requirement is less strong in Nigeria (Mohammed, et al, 2023). Given the above, the Nigerian market offers an inimitable context to study how executive compensation and governance determine organizational performance.

This study contributes to the literature in numerous ways; first, as a response to call for further research in understanding how CEOs of developing companies are compensated.

Thus, by analyzing CEO compensation and corporate governance in a developing market like Nigeria, we provide vital contribution to global literature on executive compensation and corporate governance. Contrary to the propositions of the agency and stewardship paradigms, we find support that ownership structure is linked with increased executive compensation, thus signifying some forms of misappropriation of minority shareholders' interest (Bouteska & Mefteh-Wali, 2021).

Overall, we underline that all variables of corporate governance may not seem to affect organizational performance in the predictable direction as advocated by agency paradigm. Furthermore, most extant studies usually use fixed and random effects regression; these models as opined by Chen and Hassan (2021) may not control latent endogeneity problem linked with panel data. Hence, results based on panel data regression may be pruned to estimation problem. As a result, this study used a dissimilar methodological approach like Generalized Method of Moments (GMM) that may account for unobserved heterogeneity, endogeneity and serial correlation problems.

1.1 Research Hypotheses

The following research hypotheses were developed:

- Ho1: CEO pay has no significant impact on the level of performance of publicly quoted companies
- Ho2: Board ownership structure has no significant impact on the level of performance of publicly quoted companies
- Ho3: Board gender diversity has no significant impact on the level of performance of publicly quoted companies

2. REVIEW OF RELATED LITERATURE

2.1 Executive Compensation

Broadly, executive compensation is among the vial elements in strategic human resource management (SHRM) that centres on reward practices such as salaries, bonuses, wages, allowances and other forms of rewards (promotion, benefit in kind, etc). According to Appah, Tebepah and Awuji (2020), executive compensation entails both financial and non-financial reward received by executives for services rendered to an organization. Hence, Dias, Vieira and Figlioli (2020) see executive compensation as a combination of CEOs salaries, bonuses, shares or call options on companies' stock among others.

Similarly, Gan, Park and Suh (2020) defined executive compensation as remuneration offered to senior leaders in an organization. Thus, executive compensation differs from employees' remuneration in terms of scale and benefits. The reason for compensating executives is because they are tasked with efficiently balancing numerous corporate strategies, goals and initiatives (Hussam & Al-Shammari, 2021). The demise of corporate organizations has been partly linked with excessive/abnormal executive compensation; hence there has been growing interest on how executive officers are compensated (Rath, Kurniasari & Deo, 2020).

The growing interests on how executives are compensated as observed by Wu (2021), is not only limited to the academia environment but also to the general public. Numerous empirical studies (Rehman, *et al,* 2021; Sheikh, *et al,* 2019; and Sheikh, Shah & Akbar, 2018) contended that poor CEO pay is one of the prime elements leading to the under-performance of corporate boards. Notwithstanding the robust literature on CEO pay, there is still unanswered question as to whether it influences organizational performance in healthcare, natural resources and construction/real estate companies in Nigeria. Given the above, CEO pay was as a variable of executive compensation in ascertaining whether it may positively/negatively affect the level of performance of publicly quoted healthcare, natural resources and construction/real estate companies in Nigeria.

2.2 Corporate Governance

The role corporate governance plays in enhancing organizational performance has been a subject of debate in the literature in both developed and developing nations. According to Soesetio, Adiningsih and Rudiningtyas (2022), corporate governance aids organizations in aligning activities of management for the overall good of shareholders. Sobhan (2021) believed that corporate governance is a structure of rules/laws controlling organizations' activities. In the same vein, Rath, et al (2020) referred to corporate governance as the mechanisms put in place in directing the affairs of an organization towards achieving increased performance which brings enhancement in the value of shareholders.

Corporate governance guarantees credibility, accountability and transparency to maintain clear-cut disclosure of facts that would result to increased organizational performance (Nurul, Nor, Fazrul & Zuraidah, 2020). Hence, several measures of corporate governance have been identified in the literature to include but not limited to board ownership, age, member tenure, size, gender

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diversity, political connection, nationality, independence, etc. However, in this study, two (2) corporate governance variables were employed – board ownership structure and gender diversity.

Board Ownership Structure (BOWNS)

Board ownership structure (BOWNS) is the total shares of CEOs divided by total number of directors in a company. Basically, there are two (2) variants of BOWNS - CEO direct ownership (inside ownership) and CEO indirect ownership (outside ownership). CEO direct ownership are owners who manage an organization and possess restricted voting rights while CEO indirect ownership do not have much voting rights, however, both are entitled to dividends payment (Le-ThiKim, Duvernay & Le-Thanh, 2021). Yangzi (2022) opined that BOWNS plays an imperative role in improving organizational performance.

Most studies on BOWNS acknowledged that when the board own large stake in the shares of an organization, it would motivate them to work for advancement of the organization, hence performance and wealth maximization are improved and sustained (Yuli, Dyah & Aulia, 2023). On the contrary, a board that controls sizeable portion of an organization may have too much voting powers to secure their services at an enthralling salary (Appah, et al, 2020; and Rehman, *et al*, 2021). Thus, a board may react to opposing forces and the link between BOWNS and organizational performance may largely depend on governance structure. Hence, there is ample reason to investigate whether BOWNS would decrease agency conflicts and enhance organizational performance.

Board Gender Diversity (BGD)

In most part of the world, women representation on a board is an on-going; this is mainly evident in nations where share of women on a board is low (Chen & Hassan, 2021). The feminist conflict paradigm contends that females have been systematically oppressed by males due to control over resources enjoyed wholly by males. The paradigm suggests that power, status and wealth are resources which are scarce and because of the inherent nature of men, scarcity of these resources makes men to dominate or reduce the role of women in society.

In Nigeria for instance, cultural structure is different from those obtainable in the Western world in terms of women participation in the society and business. In recent times, opportunities for women are increasing as globalization shapes the perception of people towards the role of women on a board. In the literature, the variation between genders is adequately documented (Yuli, et al, 2023). The Higgs Derek Report (2003) as cited in Dias (2020) argued that board gender diversity (BGD) improves effectiveness of a board and performance. Hence, the report recommended that corporations can benefit from the presence of women on the board.

Supporting this view, Hidayah, et al (2021) found that women exerts rigorous monitoring of managerial actions and have greater/high percentage of attendance at board meetings compared to men. Prior studies revealed that the inclusion of women as board members could help in enhancing organizational performance (Hlaing & Stapleton, 2022; and Gan, Park & Suh, 2020). In addition, there are arguments and counter arguments about women exhibiting vital attributes necessary for effective governance and increased performance. Specifically, it has been contended that women are more meticulous in making decisions which could improved organizational performance (Hidayah, et al, 2021). Hence, there is ample reason to investigate whether BGD would decrease agency conflicts and enhance organizational performance.

Organizational Performance

Organizational performance refers to how well an organization is able to realize it goals in the most effective and efficient way. It can be ascertained through financial and non-financial measures (Ososuakpor & Okoro, 2023; Ahamed, 2022; Okoro & Ekwueme, 2020; Okoro & Ekwueme, 2018). In this study, organizational performance was measured as financial performance, expressing relationship between variables reported in annual statements (Okoro & Egbunike, 2017). According to Appah et al (2020), organizational performance is a core issue in strategic management as most strategic management studies employ the construct of business performance in an bid to examine various strategy content and processes.

In management literature, the import of organizational performance is vivid via the many prescriptions offered for financial performance enhancements (Chen, et al, 2023). Research indicates that organizational performance is largely dependent on financial-based measures (Hussam & Al-Shammari, 2021). Hence, studies either used financial-based or market-based measures. Financial-based measures are broadly seen as effective ways companies use in evaluating their performance (Mohammed, et al, 2023). In this study, one (1) financial-based measure was employed – return on assets (ROAs).

ROAs usually are computed as net incomes divided by total assets or ratios of operating income to total assets. Hence, this study included ROAs as organizational performance variable in order to resolve the puzzle in management literature where some prior studies find either negative or positive relationship between executive compensation, corporate governance and organizational performance (ROAs); also, model was conceptualized by the researcher as follows:

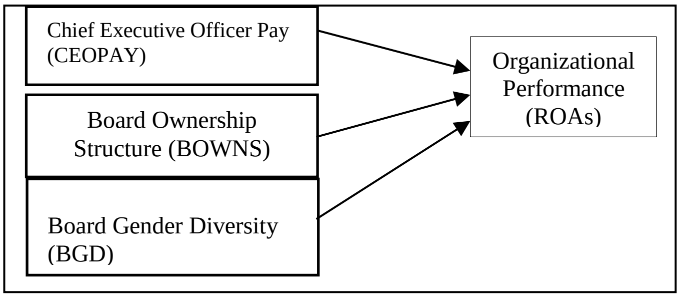

Fig. 2.1: Conceptual Model of the Study

Source: Conceptualized by the Researcher (2024)

2.3 Theoretical Framework

This study was hinged on the stewardship theory propounded by Donaldson and Davis. The theory is concerned with the notion that management should consider interests of the organization with high esteem before their interest as (Donaldson & Davis, 1991 cited in Habbash, 2010). The theory focuses on actions that are geared towards the benefit of a company by management. The theory does not permit the postulation that the boards or executives drive are dissimilar from those of owners of wealth. Hence, management has to align their interest to those of the company for the foreseeable future.

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Albrecht, Albrecht and Albrecht (2004) as cited in Nurul, et al (2020) opined that the theory showed that interests of companies' executives-stewards is linked with interests of the organization and its owners, unlike the agency theory. According to Habbash (2010) the theory is concerned with how to motivate managers instead of how to monitor and control them as opposed to agency theory. The theory indicates that the boards or executives are trustworthy and they can conduct themselves in good manners capable of protecting companies' resources under their care/control, thereby making it imperative to monitor (Donaldson & Davis, 1991 cited in Nurul, et al, 2020).

Stewardship taking an opposite viewpoint indicates that agents are trustworthy and good stewards of economic resources entrusted to them by the principal, which therefore makes monitoring mechanism not necessary (Davis, Schoorman, &Donaldson 1997 as cited in Nurul, et al, 2020). Since the boards or executives are not opportunistic, they should thus be given some level of autonomy anchored on trust which inextricably reduces monitoring costs.

Nurul, et al (2020) showed that the board or executive pursue their satisfaction together with the realization of organizational goals (organizational performance). The attainment of organizational goals also satisfies the personal goals of the stewards, thus stewards' decisions are influenced by financial motives such as increased pay, bonuses and other financial gratifications. According to the stewardship theory, corporate governance should be based on the notion that stewards on behalf of stakeholders are good stewards of companies which work diligently to improve corporate profits and shareholders returns and not that there is a conflict of interest or managerial opportunistic tendencies.

2.4 Empirical Review

Mohammed, Ibrahim and Maitala (2023) investigated the impact of CEO compensation on financial performance of listed non-financial companies in Nigeria. A correlational design was employed and data obtained were analyzed using the Generalized Methods Moments. Findings indicated that salary emoluments, stock-based and bonuses had negative significant impact on return on equity of non-financial companies in Nigeria. In the same vein, Yuli, Dyah and Aulia (2023) evaluated how implementation of corporate governance impacts on companies' performance in on the Indonesia Stock Exchange. The panel regression results revealed that implementation of corporate governance (board meeting and size) had a positive significant impact on companies' performance.

Chen, Fan, Wang, Fan, Chen and Ren (2023) evaluated the influence of managerial ability on organizational performance in China using fixed-effect model. The study found that managerial ability has positive and significant relationship with organizational performance. Wang and Ooi (2023) investigated how corporate governance mechanisms, organizational performance determine CEOs compensation among Chinese companies using fixed effects regression. Results showed that organizational performance was found not to determine CEOs compensation while corporate governance mechanism was found to determine CEOs compensation in China.

Rohaida, Kamarun and Hasnah (2022) examined if risk disclosure practices and corporate governance mechanisms are linked with performance of listed firms in Malaysia using the fixed and random effects regression. Finding showed that risk disclosure and corporate governance mechanisms had significant positive impact on performance. Ahamed (2022) studied the relationship between CEO compensation and commercial banks' performance in Malaysia using fixed and random effects regression. Findings indicated that CEO pay (CEO compensation measure) significantly positively influence the level of commercial banks' performance.

In South Africa, Muzata and Marozva (2022) examined if executive compensation schemes and corporate governance mechanisms accelerate organizational performance using fixed and random effects panel regression. The study revealed that executive compensation schemes and mechanisms of corporate governance significantly and positively affect organizational performance. Omamo, K'obonyo and Muindi (2022) investigated whether CEOs compensation determines performance, customer satisfaction and companies' internal processes, as mediated by firm size in Kenya. Fixed and random effects and structural equation modeling statistical methods were employed and findings showed that while CEOs compensation significantly affect performance and companies' internal processes, it was shown that CEOs compensation negatively affects customer satisfaction. On the other hand, it was found that firm size mediates the relationship between CEOs compensation, performance, internal processes and customer satisfaction.

Similarly, Hussam and Al-Shammari (2021) used agency and expectancy paradigms in examining the link between CEO compensation, risk-taking and companies' performance in the United States of America (USA). The fixed and random effects regression results showed a strong positive and significant relationship between CEOs compensation (option pay) and companies' risk-taking (research and development expenditures and income stream risk) and performance (stock returns). Osazevbaru and Tarurhor (2020) assessed the link between unobservable attributes of CEOs (board gender diversity, board size and board independence) and organizational performance (Tobin's Q, return on asset and share price) of 23 financial listed firms from 2006-2018. Non-linear GARCH result indicated that CEOs unobservable attributes significantly and positively influence organizational performance. On the other hand, Tobin's Q had an insignificant positive relationship with unobservable traits of CEOs.

3. RESEARCH METHODS

This study assessed the link between executive compensation, corporate governance and organizational performance in Nigeria. Hence, e*x-post facto* design was used because the study aimed at examining already existing events where the researcher does not have the opportunity to manipulate the data The population of the study comprised all publicly listed healthcare, natural resources and construction/real estate companies in Nigeria. In Nigerian Exchange Group, there are seven (7) healthcare publicly listed companies, nine(9) construction/real estate and nine (9) natural resources, totaling twenty-five(25) publicly listed healthcare, natural resources and construction/real estate companies as at 31st December, 2023(The Nigerian Exchange Group, 2024).

Given the nature of companies in the sectors under investigation, a sample of five (5) companies each were selected

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from each sector, hence totaling a sample size of fifteen (15) healthcare, natural resources and construction/real estate companies in Nigeria. The sampling technique was based on inclusion and exclusion criteria; criterion employed was hinged on companies with spontaneous CEOs pay and those without spontaneous CEOs pay. Secondary data comprising executive compensation (proxied by CEO pay), corporate governance mechanisms (gender diversity and ownership structure) and organizational performance variable (return on asset) were computed from the yearly published annual reports and accounts of the selected companies from 2013-2022.

The variables are similar to those used in studies of Ahamed (2022); Hussam and Al-Shammari (2021); and Osazevbaru and Tarurhor (2020). The dependent variable is organizational performance while the independent variables were executive compensation and corporate governance mechanisms. Given the dependent and independent variables of the study, the following empirical models were estimated as follows:

$$ROA = (CEOPAY) \quad \text{Eq.3.1a}$$
$$ROA_{it} = \alpha_0 + \beta_1 CEOPAY_{it} + \varepsilon_{it} \quad \text{Eq.3.1b}$$
$$ROA = (BOWNS) \quad \text{Eq.3.2a}$$
$$ROA_{it} = \alpha_0 + \beta_1 BOWNS_{it} + \varepsilon_{it} \quad \text{Eq.3.2b}$$
$$ROA = (BGD) \quad \text{Eq.3.3a}$$
$$ROA_{it} = \alpha_0 + \beta_1 BGD_{it} + \varepsilon_{it} \quad \text{Eq.3.3b}$$

Where: *ROA* is return on asset; *CEOPAY* is chief executive officer pay; *BOWNS* is board ownership structure; *BGD* is board gender diversity; α is regression constant; ε is error term*;* *i* is individual companies; *t* is time dimension. Furthermore, to validate the direction of causality and resolve the endogeneity problem associated with panel data, one lagged value was observed; the lag was observed on the right hand side of equations 3.1a-3.3b using and *Z* (a vector of company-level control factor) as follows:

$$ROA_{it} = \alpha_0 + \beta_1 CEOPAY_{it} - 1 + \gamma Z_{it} - 1 + \varepsilon_{it} \quad \text{Eq.3.4a}$$

$$ROA_{it} = \alpha_0 + \beta_1 BOWNS_{it} - 1 + \gamma Z_{it} - 1 + \varepsilon_{it} \quad \text{Eq.3.4b}$$

$$ROA_{it} = \alpha_0 + \beta_1 BGD_{it} - 1 + \gamma Z_{it} - 1 + \varepsilon_{it} \quad \text{Eq.3.4c}$$

Arising from the equations 3.4a-3.4c, the composite was represented as equations 3.5:

$$ROA_{it} = \alpha_0 + \beta_1 CEOPAY_{it} - 1 + \beta_2 BOWNS_{it} - 1 + \beta_3 BGD_{it} - 1 + \gamma Z_{it} - 1 + \varepsilon_{it} \quad \text{Eq.3.5}$$

Data obtained were analyzed using descriptive (such as mean, median, standard deviation, skewness, kurtosis and Pearson correlation); diagnostic (variance inflation factor, Breusch Pagan-Cook test, Ramsey RESET test) and inferential (Generalized Method of Moments - GMM). The analysis was carried out using STATA 13.0.

Table 1: Operationalization of Variables

Parameters	Operationalization
Return on Asset	Net Profit after Tax divided by Total Assets
CEO Pay	Natural logarithm of yearly pay given to CEOs
Board Ownership Structure	Total shares of CEOs divided by total number of directors in a company
Board Gender Diversity	Number of female directors on the board divided by the total number of directors on the board

Source: Compiled by the Researcher (2024)

4. RESULTS

Table 2: Summary of Descriptive Statistics

Statistics	ROA	CEOPAY	BOWNS	BGD
Mean	8.2489	1.5000	0.0064	17.3145
Median	5.4051	0.6573	0.0002	15.6400
Standard Deviation	8.2627	2.2613	0.0565	7.3636
Kurtosis	5.5071	8.3150	4.9489	2.9645
Skewness	1.0975	2.4299	11.938	0.5142
N	150	150	150	150

Source: Computed by the Researcher (2024)

Table 2 revealed that ROA has a mean of 8.2489 (8.2%); this indicates that the selected companies on the average have 8.2% returns generated by total assets. Besides, CEOPAY recorded a mean of 1.5000, indicating that CEOs received on the average, a pay rise of ₦1.5 yearly. Also, BOWNS and BGD recorded mean values of 0.0064 and 17.3145 respectively; this implies that the selected companies have approximately 0.64% CEO shareholdings compared to the total number of directors on the board while BGD (17.3%) indicates that the board had approximately 17.3% females compared to males on the board. The BGD is low and expected as most companies have more males than females on their board

The standard deviation revealed relative changes in the variables revolving around 0.0565-8.2627. The standard deviation for CEOPAY (2.2613) and BOWNS (0.0565) showed relatively low dispersion executive compensation and board ownership structure of the selected companies in Nigeria. The skewness values for ROA (1.0975), CEOPAY (2.4299), BOWNS (11.938), and BGD (0.5142) are positive; this suggests that in Nigeria CEO pay, board ownership structure, board gender diversity and return on asset moved in similar direction. More so, the kurtosis values for ROA (5.5071), CEOPAY (8.3150), and BOWNS (4.9489) were more than 3 (leptokurtic distribution), except BGD (2.9645) that is less than 3 (platykurtic distribution).

Table 3: Pearson Correlation

Parameters	ROA	CEOPAY	BOWNS	BGD
ROA	1.0000			
CEOPAY	-0.1454	1.0000		
BOWNS	-0.0213	-0.0375	1.0000	
BGD	-0.2574	-0.0089	-0.0418	1.0000

Source: Computed by the Researcher (2024)

Table 3 showed that CEOPAY, BOWNS and BGD are negatively correlated with ROA. This shows negative relationship between executive compensation (CEOPAY), corporate governance (BOWNS and BGD) and organizational performance (ROA) of the selected companies in Nigeria.

Table 4: Variance Inflation Factor (VIF)

Parameters	VIF	1/VIF
BOWNS	1.0000	0.9968
BGD	1.0000	0.9981

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CEOPAY	1.0000	0.9984
Mean VIF	1.0000	

Source: Computed by the Researcher (2024)

Table 4 showed that the mean VIF is 1.0, which is less than the VIF threshold of 10.0; this suggests that there is nonexistence of multicollinearity in the empirical model of executive compensation, corporate governance and organizational performance. this view and outcome is supported by Okoro and Egberi (2020).

Table 5: Breusch-Pagan/Cook-Weisberg Test for Heteroscedasticity

Chi1(1)	=	25.98
Prob. > chi2	=	0.0000

Source: Computed by the Researcher (2024)

The Breusch-Pagan/Cook-Weisberg result is 25.98 with Prob.>F of 0.0000, which is less than 0.05% significance level, indicating the nonexistence of heteroskedasticity problem in the empirical model; hence, the dataset do not contain unequal variance.

Table 6: Ramsey RESET test

F (3, 143)	=	5.22
Prob. > chi2	=	0.0019

Source: Computed by the Researcher (2024)

Table 6 revealed that F(3, 143) is 5.22 with Prob. > F of 0.0019; this indicates that there are no omitted variables in the model of executive compensation, corporate governance and organizational performance and the empirical model do not suffer from functional misspecification.

Table 7: Generalized Method of Moments Panel Estimation Results

Parameters	**Equation**
	ROA
L1	0.015***
	(13.47)
L2	0.048***
	(4.99)
CEOPAY	-0.271***
	(-7.41)
BOWNS	-0.022***
	(-6.83)
BGD	-0.074***
	(-7.41)
Constant	6.89***
	(-45.17)
Observations	150
R-Squared	0.76
P-Value	0.000

Source: Computed by the Researcher (2024) ***significant at 5%

Table 7 showed the GMM panel estimation results which was employed to ascertain the impact of executive compensation (CEOPAY) and corporate governance (BOWNS and BGD) on organizational performance (ROA). Table 7 demonstrates that the coefficients CEOPAY, BOWNS and BGD on ROA were negative; hence, there is negative significant impact of CEOPAY, BOWNS and BGD on ROA of the selected companies in Nigeria. In addition, it was found that CEOPAY, BOWNS and BGD jointly explained about 76% of the systematic variation in ROA. Also, a change in CEOPAY, BOWNS and BGD would result to 27.1%, 2.2% and 7.4% decrease in ROA. Given the t-value of -7.41, the null hypothesis was rejected while the alternate hypothesis was accepted;' this suggests that CEO pay has negative significant impacts on the level of performance of publicly quoted companies

Furthermore, using the t-value of -6.83, the null hypothesis was rejected while the alternate hypothesis was accepted;' this indicates that board ownership structure has negative significant impacts on the level of performance of publicly quoted companies. Also, using the t-value of -7.41, the null hypothesis was rejected while the alternate hypothesis was accepted;' this implies that board gender diversity has negative significant impacts on the level of performance of publicly quoted companies

5. DISCUSSION

Executive compensation and corporate governance mechanisms are suppose to influence the motivational levels of the board and hence affect organizational performance; a view that is well supported in the management literature (Yuli, et al, 2023; Chen, et al, 2023; Rohaida, et al, 2022). When CEOs or a board receives increased pay as a compensation for their expertise and managerial capability with corporate governance efficiency, such an organization would not face disaster. On the contrary, organizations that pay abnormal wages or bonuses to CEOs would decrease shareholders returns and may be unable to conform to appropriate corporate governance, which then negatively affects their level of performance (Mohammed, et al, 2023; Omamo, et al, 2022).

In the literature, there are two (2) conflicting views; one view revealed that executive compensation and corporate governance positively influence the level of organizational performance; the contrary view suggests that due to abnormal executive compensations and corporate governance inefficiency, organizational performance is negatively affected. In this study, we examined the extent to which executive compensation (CEO pay) and corporate governance mechanisms(board ownership structure and board gender diversity) influence the level of organizational performance (ROA).

Findings indicated that executive compensation (CEO pay) and corporate governance mechanisms (board ownership structure and board gender diversity) have significant negative influence on the level of organizational performance. The implication of the result is that organizational performance (ROA) is negatively and significantly associated with executive compensation and corporate governance because of excessive CEO pay and poor governance by listed healthcare, natural resources and construction/real estate companies in Nigeria.

The findings of our study corroborates with the results of Mohammed, et al, (2023); and Omamo, et al (2022) who showed that executive compensation and corporate governance significantly negatively affect organizational performance. On the other hand, the finding disagrees with the results of Yuli, et al, (2023); Chen, et al, (2023); Rohaida, et al, (2022) who found that

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executive compensation and corporate governance positively significantly affect organizational performance.

6. CONCLUSION AND RECOMMENDATIONS

This study investigated the effects of executive compensation on corporate governance on organizational performance. Two (2) vital questions have been frequently posed; the first is whether efficient corporate governance can increase organizational performance and the second is whether companies with increased executive compensation would result to increased organizational performance. While findings seems by all account to be mixed in the literature, some researchers have the conviction that corporate governance efficiency and good executive compensation would minimize the likelihood of a company going out on a limb (e.g. poor performance). The study demonstrates that executive compensation and corporate governance significantly and negatively affect the performance of healthcare, natural resources and construction/real estate companies in Nigeria. On the basis of the findings, the following recommendations were made:

- The study suggests that executives or the board's pay should be decreased in order to further enable companies have additional financial resource that can be invested in productive areas or operations of the business, which will then improve their performance level positively.
- Board ownership structure was found to negatively affect the performance level of organization; hence there is the need for companies to reduce shares of CEOs in such a way that it does not prevail over the total number of directors' shares. This would enable companies attract additional directors with more resources that can invest in the companies' growth, hence performance level will improve.
- Board gender diversity was found to negatively influence the performance level of organization; thus, companies should ensure that there is adequate balance in the number of female directors on the board

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