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Corporate Governance and Organisational Health in Selected Deposit Money Banks in Lagos State, Nigeria

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Abstract: This study examined the relationship between corporate governance and organisational health in selected Deposit Money Banks (DMBs) in Lagos, Nigeria. Organisational health, reflected in employee morale, teamwork, innovation, and turnover, was crucial for sustainable growth. Effective corporate governance, including board composition, leadership structure, audit committees, CEO duality, and ownership structure, significantly influenced these factors. A survey research design targeted 3,776 employees from First Bank, United Bank for Africa, Guaranty Trust Bank, Access Bank, and Zenith Bank. A sample of 484 respondents was drawn using Yamane's formula, with proportionate sampling ensuring diversity. Principal Component Factor Analysis (PCFA) validated the constructs, and reliability was confirmed with a Cronbach's alpha of 0.948. Findings revealed that board size influenced staff awareness, board composition affected teamwork, and audit committees impacted employee turnover. CEO duality shaped innovation, while ownership structure influenced profitability. The study recommended continuous corporate governance training, stronger board oversight, enhanced risk management, and improved stakeholder engagement to foster transparency, trust, and long-term sustainability in Nigerian banks.

Keywords: *Corporate Governance, Organisational Health, Deposit Money Banks, Innovation in Banking, Stakeholder Engagement.*

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I. INTRODUCTION

In today's rapidly evolving business landscape, organisational health has become a key determinant of long-term success, profitability, and resilience. It encompasses employee engagement, innovation, teamwork, and governance, all of which enable firms to adapt and remain competitive. Nowhere is this more critical than in the banking sector, where institutions must navigate regulatory complexities, technological disruptions, and market uncertainties while maintaining operational efficiency.

Corporate governance serves as a cornerstone of organisational health in banks, shaping decision-making, resource allocation, and risk management. Strong governance frameworks, including board oversight, accountability, and ethical leadership, promote transparency, trust, and institutional stability. Conversely, governance failures have historically contributed to financial mismanagement, regulatory penalties, and reputational crises, as seen in global banking collapses. In Nigeria, the banking sector faces unique governance and organisational challenges, including weak internal controls, high employee turnover, and regulatory hurdles. While some banks have embraced digital transformation, balancing technological advancements with sound governance and employee engagement remains a pressing issue. The collapse of Skye Bank in 2018 and system failures in major financial institutions highlight the risks posed by governance lapses. This study explores the interplay between corporate governance and organisational health in Nigeria's deposit money banks. By examining key governance variables and their impact on organisational outcomes, it aims to provide insights for policymakers, banking executives, and HR practitioners striving to enhance workforce productivity and ensure sustainable success in emerging economies.

➢ *Statement of the Problem*

Several studies have examined corporate governance and organisational health, but research on their combined effect on Nigeria's banking industry remains scarce (Aaby et al., 2020; AlHamad et al., 2022; Bazhair, 2021). While previous research explored dimensions like board size, CEO duality, and staff awareness, they were often conducted individually or focused on different industries and regions (Rusydi et al., 2020; Karyatun et al., 2023).

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Additionally, studies on organisational health mainly revolved around health literacy rather than overall organisational effectiveness (Bazhair, 2021). Given the lack of comprehensive studies in Nigeria's banking sector, further research is needed to bridge this gap.

Board characteristics, particularly size and composition, have shown mixed results regarding their influence on organisational outcomes (Rouf & Hossan, 2021; Sharma et al., 2023). Large boards may enhance oversight but can hinder efficiency, while small boards might lack diversity and expertise. Similarly, weak governance structures, poor staff awareness, and ineffective teamwork negatively impact decision-making and firm performance (Farhan et al., 2020; Benvolio & Ironkwe, 2022). As most existing research focuses on Asia, Europe, and North America, an in-depth study within Nigeria's banking industry is necessary.

Another key concern is the role of audit committees, CEO duality, and ownership structures in determining firm profitability and innovation (Hsieh et al., 2024; Islam, 2023). CEO duality can stifle innovation by consolidating decision-making power, while ineffective audit committees may struggle with financial oversight and employee turnover (Nouri & Parker, 2020; Mubeen et al., 2021). Ownership structures also influence profitability, yet most studies have examined direct effects without considering mediating factors (Dakhli, 2021). Given these challenges, this study seeks to provide empirical insights into corporate governance and organisational health in Nigeria's banking sector.

Generally, this study seeks to explore the relationship between corporate governance and organisational health in selected deposit money banks in Lagos, Nigeria as its main objective. However, the specific objectives are:

- Investigate how board size affects staff.
- Assess the effect of board composition on teamwork.
- Determine how audit committees affect employee turnover.
- Examine the effects of CEO duality on innovation.
- Assess how ownership structures affect the firm profitability.

It is in the light of the above research questions, that this research work tested the following hypotheses:

- ✓ *H01:*

Board size has no significant effect on staff awareness in Nigerian banks. H02: Board composition has no significant effect on teamwork in Nigerian banks.

- ✓ *H03:*

Audit committee has no significant effect on employee turnover in the organisational health of Nigerian banks.

- ✓ *H04:*

CEO duality has no significant effect on innovation in Nigerian banks.

- ✓ *H05:*

Ownership structure has no significant effect on firm profitability in Nigerian banks.

II. LITERATURE REVIEW

➢ *Organisational Health*

Organisational health has been extensively examined in literature, with scholars defining it as the overall well-being and effectiveness of an organisation in achieving its strategic objectives while maintaining a supportive and productive work environment (Aaby et al., 2020; Kanyi, 2023). Key indicators include effective communication, a positive organisational culture, clear leadership, and an organisation's ability to adapt to change (AlHamad et al., 2022; Kružliaková et al., 2021). Several studies highlight that a healthy organisation not only functions efficiently but also fosters employee engagement, job satisfaction, and long-term sustainability (Negussie & Alemu, 2022; Toniasso et al., 2023). Furthermore, organisational health is interconnected with leadership effectiveness and decision-making processes, as strong leadership provides vision and direction while cultivating a culture of transparency and accountability (Tanko et al., 2021; Leslie et al., 2020). The role of a positive work culture in enhancing collaboration, innovation, and performance has been widely acknowledged (Elmer et al., 2021; Dadaczynski et al., 2021).

Beyond internal cohesion, organisational health has been linked to external outcomes such as customer satisfaction and market competitiveness (Leslie et al., 2020; Kemp et al., 2021). Scholars argue that organisations with high levels of employee satisfaction and engagement tend to deliver superior customer service and sustain competitive advantage (Okan et al., 2020; Aguilera et al., 2021). Moreover, McKinsey & Company emphasises that organisational health extends beyond employee engagement to include strategic alignment, operational efficiency, and resilience amid change (Vamos et al., 2020). Literature also suggests that achieving and sustaining organisational health requires an ongoing commitment to leadership development, continuous learning, and adaptive change management (Jan et al., 2021; Karwowski & Raulinajtys-Grzybek, 2021). Ultimately, research underscores that a strong foundation in organisational health equips businesses with the agility and capacity to navigate challenges, ensuring long-term sustainability and success (Obu, 2021; Gerged et al., 2023).

➢ *Corporate Governance*

Corporate governance refers to the system of rules, practices, and processes by which organisations are directed and controlled, ensuring accountability and ethical operations (Sun et al., 2023; Hsieh et al., 2024). Scholars highlight its dual framework: internal governance, which prioritises shareholder interests and board oversight of management (Boachie, 2023a), and external governance, which enforces accountability through regulatory mechanisms and market controls (Karwowski & Raulinajtys-Grzybek, 2021). Effective governance is essential for fostering organisational sustainability, mitigating managerial opportunism, and enhancing transparency in decision-making (Bugaje et al.,

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2022; Bui et al., 2020). Key governance mechanisms include board composition, audit committees, ownership structures, and CEO duality, all of which influence organisational effectiveness and strategic direction (Jan et al., 2021; Uyar et al., 2021). A well-structured board provides oversight and strategic guidance, while a strong audit committee ensures financial integrity (Chebbi & Ammer, 2022). However, governance challenges persist, such as conflicts of interest between management and shareholders, risks of insider trading, and regulatory burdens that may impose high compliance costs on corporations (Bazhair, 2021; Din et al., 2021).

Despite these challenges, corporate governance remains pivotal in shaping firm performance and investor confidence. Researchers argue that governance effectiveness depends on clear policies, ethical standards, and regulatory enforcement (Appiah et al., 2023; Farza et al., 2021). As such, governance structures must continuously evolve to balance managerial discretion with stakeholder protection, ensuring long-term organisational stability and value creation (Dmytriyev et al., 2021).

➤ *Review of Related Empirical Studies*

Generally studies on corporate governance and organisational health in Lagos-based banks have utilised diverse data analytical methods, including correlation analysis, to examine variables such as board size, board composition, audit commitment, CEO duality, and ownership structure. Researchers have adopted both qualitative and quantitative methodologies, with qualitative approaches providing deeper contextual insights, while quantitative methods offer statistical validation of governance practices. Primary data analysis has also been prevalent, with scholars employing probability and non-probability sampling techniques, though the limitations of convenience sampling in terms of generalisability and bias have been noted. The collective findings emphasise the critical role of governance in shaping organisational resilience and highlight the need for continuous research to enhance best practices in corporate governance. Empirical studies have examined the impact of corporate governance and organisational health, particularly in the banking sector. Research findings consistently indicate that corporate governance significantly influences profitability and firm value (Aaby et al., 2020; AlHamad et al., 2022; Bazhair, 2021). However, some studies, such as Bazhair (2021), challenge this notion by showing no statistically significant effect of corporate governance on Tobin’s Q, ROE, or ROA. Rusydi et al. (2020) highlighted that firms meeting key corporate governance conditions—such as ownership by the three largest shareholders and managerial ownership—tend to experience increased market value. Comparative analyses, like those by Rouf and Hossan (2021), reveal that board independence positively correlates with firm value in state-owned enterprises, while market capitalisation and return on assets drive firm value across both state and non-state-owned firms. Notably, AlHamad et al. (2022) caution against isolating corporate governance from other external factors influencing firm profitability and share prices, underscoring the complexity of these relationships across different economic contexts.

➤ *Board Size and Staff Awareness*

Research on board size and staff awareness remains inconclusive, with mixed findings. Some studies (Nery & Morales, 2022; Tapa & Mat, 2023; Khan et al., 2021) suggest a positive relationship, indicating that larger boards enhance staff awareness and organisational inclusion (Chen, 2016; Boshnak, 2023). However, others report only a weak correlation (Thompson & Adasi Manu, 2021) or argue that smaller boards are more effective (Ervin et al., 2021). Conversely, some scholars (Fouad et al., 2023; Guzman et al., 2020; Negussie & Alemu, 2022) claim board size has no real impact, with studies on SMEs and family firms even suggesting a negative correlation (Wandy et al., 2021; Abd Latib et al., 2022).

➤ *Board Composition and Teamwork*

Research on corporate governance, board composition, and teamwork reveals mixed findings. Karim et al. (2020) highlight that while management acknowledges productivity improvements, only a minority see a direct link between governance and teamwork. Edeti and Garg (2020) suggest that integrating staff cooperation into governance enhances teamwork and competitive advantage. However, Zia ur Rehman (2020) argues that management style, rather than board composition, influences employee efficiency. Ali and Shadrach (2023) establish a positive relationship between board composition and employee competency, linking motivation to the organisational reward system. Díez-Esteban et al. (2022) emphasise that without strong corporate governance, board composition and diversity may lack structure. Usuanlele (2021) further supports board composition as a strategic tool for fostering teamwork over time.

➤ *Audit Committee and Employee Turnover*

Studies highlight the significant role of audit committees in employee turnover and organisational health. Research by Antonacopoulou et al. (2023), Daga et al. (2020), and others found that audit committees positively influence employee turnover in financial institutions, reinforcing the need for firms to monitor turnover for competitiveness. Nouri and Parker (2020) confirmed a positive relationship between corporate governance and turnover, while Abubakar and Yusuf (2020) identified audit committee attributes such as independence and expertise as key factors in organisational health. Additionally, Daga et al. (2020) noted that audit committees partially substitute shareholder meetings and board roles, while Asaolu et al. (2022) emphasised the need to integrate governance mechanisms to strengthen teamwork.

➤ *CEO Duality and Innovation*

Studies on CEO duality reveal its impact on innovation, employee performance, and organisational productivity. Almashhadani and Almashhadani (2022) found that effective corporate governance systems enhance organisational health and performance. Bui et al. (2020) highlighted the risk of bias when board objectives are overshadowed by CEO influence. Hsieh et al. (2024) confirmed a significant effect of CEO duality on firm productivity in Kenya’s hospitality sector. Mirza et al. (2024) emphasised the necessity of integrating CEO duality into corporate governance for sustainable

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growth, while Sun et al. (2023) demonstrated that CEO duality moderates the relationship between corporate governance and innovation in commercial banks.

➢ *Ownership Structure and Firm Profitability*

Studies indicate that ownership structure plays a crucial role in firm performance and profitability. Rashid (2020) suggests that a well-established ownership structure enhances company profitability. Suharti and Murwaningsari (2024) found that corporate governance measures, including ownership structure and CEO duality, influence financial decisions and firm performance. Uyar et al. (2021) showed that corporate governance practices impact share prices and firm profitability in Indian and South Korean companies. Din et al. (2021) linked ownership structure to lower stock return variability, while Dicko (2020) found a significant relationship between ownership concentration and return on assets. Odum and Umejiaku (2023) concluded that increasing ownership concentration improves profitability, though institutional and foreign ownership had minimal impact.

➢ *Theoretical framework*

There are different theories of Corporate Governance on Organisational Health. This study focused on the key theories related to the research topic. The theories reviewed for this study included stewardship theory and agency theory, stakeholder theory.

➢ *Stewardship Theory*

Stewardship Theory, introduced by Donaldson and Davis (1991), posits that managers act as responsible stewards of organisational resources, prioritising the company's long-term success over personal gain. Unlike Agency Theory, which assumes potential conflicts between principals and agents, Stewardship Theory suggests that when individuals and organisations share common goals, cooperation and accountability naturally emerge (Rouault & Albertini, 2022). The theory highlights the role of trust, intrinsic motivation, and leadership in fostering stewardship behaviours (Harrison, 2018; Subramanian, 2018). Leaders play a crucial role in creating a supportive environment that promotes collaboration, open communication, and shared values (Bjurstrøm, 2020). Scholars such as Block (1993) and Murtaza et al. (2021) argue that corporate executives should prioritise long-term stakeholder value rather than short-term profits. However, critics from Agency Theory argue that Stewardship Theory overlooks conflicts of interest and information asymmetry (Chrisman, 2019). Resource Dependence Theory further challenges its assumptions by emphasising external influences on governance dynamics (Abdullah & Valentine, 2009). Others suggest it oversimplifies human behaviour by assuming an inherent inclination toward stewardship (Madison et al., 2016). Despite these criticisms, Stewardship Theory remains influential in discussions on corporate governance, leadership, and organisational culture.

➢ *Agency Theory*

Introduced by Jensen and Meckling (1976), Agency Theory explains the relationship between principals (owners) and agents (managers) in an organisation. It assumes that agents may not always act in the best interests of principals, necessitating mechanisms to align incentives and mitigate risks (Vitolla et al., 2019). In corporate governance, shareholders are the principals, while the board and executives act as agents (Davis, 2018). Effective governance structures, performance-based incentives, and transparency measures help ensure that managers prioritise shareholder value (Dumay et al., 2019). The theory highlights agency costs, which arise from conflicts of interest and information asymmetries. Monitoring mechanisms, performance- linked remuneration, and accountability frameworks help reduce these costs, leading to better organisational efficiency (Treiblmaier, 2018). Transparency and disclosure are also essential to prevent managerial opportunism (Teece, 2019).

Critics argue that Agency Theory oversimplifies principal-agent relationships by neglecting trust, loyalty, and social influences (Naciti, 2019). It also overlooks moral hazard, where agents take excessive risks unbeknownst to principals (Franco-Santos & Otley, 2018). Furthermore, the theory is criticised for its shareholder-centric approach, often disregarding broader stakeholder interests in corporate decision-making.

➢ *Stakeholder Theory*

Formulated by R. Edward Freeman (1984), Stakeholder Theory emphasises that organisations should consider the interests of all stakeholders—employees, customers, suppliers, shareholders, and the broader community—when making decisions (Freeman et al., 2021). Rather than focusing solely on shareholder value, businesses should create value for all stakeholders to ensure long-term success (Barney & Harrison, 2020). The theory asserts that stakeholders should be involved in decisions that affect them and should benefit from organisational success (Jones et al., 2018). This approach recognises organisations as part of broader societal systems, where their actions impact multiple groups. By addressing both financial and social concerns, businesses can enhance sustainability and ethical governance (Hörisch et al., 2020). Proponents argue that prioritising stakeholder interests fosters long-term prosperity and strengthens business relationships (Langrafe et al., 2020).

Based on the foregoing, the theoretical framework underpins the analytical approach adopted in this research. Given the emphasis on understanding relationships between key organisational variables, regression analysis is employed as the primary statistical method. This approach enables an examination of the extent to which one variable influences another, offering insights into the predictive power of independent variables on the dependent variable. Specifically, linear regression analysis is applied to assess these relationships while adhering to its fundamental assumptions, including the requirement of a linear relationship between the outcome variable and the independent variable.

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III. METHODOLOGY RESEARCH DESIGN

This study employed a survey research design to examine the relationship between corporate governance and organisational health in selected Lagos-based deposit money banks. This approach efficiently gathered quantitative data through structured questionnaires, ensuring consistency across respondents. Its cost-effectiveness and time efficiency further justified its use. The findings contributed to a deeper understanding of corporate governance's impact on organisational health in Nigeria's banking sector.

- *Population and Sample Size*

This study examined a population of 3,776 employees from five leading deposit money banks in Lagos State: First Bank of Lagos Plc, United Bank for Africa Plc, Guaranty Trust Bank Plc, Access Bank Plc, and Zenith Bank Plc. These banks, recognised for their significant influence on Nigeria's financial sector (Nigeria Deposit Insurance Corporation [NDIC], 2023), comprised middle and senior-level managers as the target respondents. Their expertise and decision-making roles justified their selection, as they directly shape corporate governance policies within their institutions. By engaging these employees, the study captured informed perspectives that reflect the operational realities of Nigeria's banking sector.

Table 1 Selected Deposit Money Banks in Lagos

S/N	Name of Bank	Number of Staff
1	First Bank Plc	828
2	United Bank for Africa Plc	721
3	Guaranty Trust Bank Plc	620
4	Access Bank Plc	834
5	Zenith Bank Plc	773
		3,776

The above consisted of a structured list of middle and senior-level managers within First Bank of Lagos Plc, United Bank for Africa Plc, Guaranty Trust Bank Plc, Access Bank Plc, and Zenith Bank Plc in Lagos State. The study adopted the random sampling technique in selecting the respondents for this study (Daryaei & Fattahi, 2020). The justification for using the random sampling technique was that it gave every employee of the organisation an equal chance to be selected as a participant in the study. This technique helped ensure that the results of the study were unbiased and representative of the whole population. Additionally, this technique minimized the chances of selection bias, which was a common problem with non-probability sampling techniques. This sampling technique has been used in similar studies conducted by different scholars (Mahmud et al., 2020; Senaweera et al., 2021).

This study applied Taro Yamane's (1973) formula to determine the sample size, ensuring statistical representativeness while accounting for cost and time efficiency. The formula used is expressed as:

$$n = \frac{N}{1+N\,(R)2}$$

Where n represents the sample size, N is the study population, and R is the margin of error, set at 5% (0.05). Given a study population of 5,750, the calculation proceeds as follows:

$$\frac{5750}{n = 1 + 5750\ (0.0025)}$$

$$n = 373.9$$

Based on this computation, the sample size was approximated to 361 respondents. To account for potential non-responses, an additional 30% of 361 was included, resulting in a final sample size of 484. The study employed a proportionate sampling method, which ensured that each bank's representation in the sample was proportionate to its share of the total population. This approach was chosen due to the common characteristics and diversity within the banking sector, thereby enhancing the reliability and generalisability of the findings.

- *Variables Specification and Measurements*

There are two basic variables used in this study. The independent and dependent variables, which are Corporate Governance (X) and Organisational Health (Y), respectively. The independent variable, Corporate Governance (X) is measured using the following dimensions: Board Size (BS), Board Composition (BC), Audit Committee (AC), CEO Duality (CD), and Ownership structure (OS), while Organisational Health (Y) is measured using Staff awareness (SA), Teamwork (TW), Employee Turnover (ET), Innovation (I) and Firm Profitability (FP)

- *Method of Data Collection and Data Analysis*

The data was analysed using both descriptive and inferential statistical methods. Descriptive statistics such as simple percentage value (%), mean, standard deviation and frequency distribution were considered appropriate for describing variables such as respondent status, category of age, gender, and position occupied in the organisation. Inferential statistical analysis was carried out using simple linear regression analysis, which was used to examine the effect of the independent variable on the dependent variable. The rationale for adopting simple linear regression analysis was that it showed the optimal result when the effect between the independent and dependent variables was nearly linear. A simple linear regression technique was carried out using the

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Statistical Package for the Social Sciences (SPSS) for this study.

➢ *Model Specification*

The study examines the relationship between corporate governance (CG) and organisational health (OH) using a multiple regression model. Corporate governance, the independent variable, is assessed through five key components: board size (BS), board composition (BC), audit committee (AC), CEO duality (CD), and ownership structure (OS). Organisational health, the dependent variable, is measured using staff awareness (SA), teamwork (T), employee turnover (ET), innovation (I), and firm profitability (FP). The study formulates regression equations to analyse the impact of each CG component on organisational health. The general model is represented as:

$$Y=\alpha 0+\beta 1BS+\beta 2BC+\beta 3AC+\beta 4CD+\beta 5OS+\mu$$

Where α0α_0α0 is the constant, βββ represents the coefficients of the independent variables, and μμμ denotes the error term. This model helps determine the extent to which corporate governance influences key organisational health indicators in the Nigerian banking sector.

As seen in Table 2, The study examined the impact of corporate governance on the organisational health of selected Deposit Money banks in Lagos state, Nigeria by testing five hypotheses. Using simple linear regression analysis, the findings confirmed that corporate governance strategies, including board size, board composition, audit committee, CEO duality, and ownership structure,significantly influence various aspects of organisational health, such as staff awareness, teamwork, employee turnover, innovation, and profitability. The rejection of all null hypotheses indicates a strong relationship between corporate governance and organisational health. R-squared values ranging from 0.33 to 0.47 suggest moderate explanatory power, while the significance of the F-statistics ($p < 0.05$) reinforces the reliability of the models. These results emphasise the critical role of corporate governance in improving organisational effectiveness and stability within Nigerian banks.

Table 2 Summary of Findings

S/N	**Hypothesis**	**Results**	**Remark**
1	Board size has no significant effect on staff awareness of banks in Nigeria.	$\beta = 0.900$, t = 19.364, R^2 = 0.47, p<0.05	Rejected
2	Board composition has no significant effect on teamwork in Nigerian banks.	$\beta = 0.413$, t = 14.653, R^2 = 0.33, p<0.05	Rejected
3	Audit committee has no significant effect on employee turnover in the organisational health of Nigerian banks.	$\beta = 0.545$, t = 16.685, R^2 = 0.39, p<0.05	Rejected
4	CEO duality has no significant effect on innovation in Nigerian banks.	$\beta = 0.629$, t = 16.695, R^2 = 0.39, p<0.05	Rejected
5	Ownership structure has no significant effect on firm profitability in Nigerian banks	$\beta = 0.673$, t = 19.485, R^2 = 0.47, p<0.05	Rejected

IV. CONCLUSION AND RECOMMENDATION

The study highlights the significant role of corporate governance in shaping the organisational health of deposit money banks in Lagos, Nigeria. It underscores top management's need to invest in continuous training on governance principles, ethical decision-making, and risk management to foster a culture of accountability and transparency. Additionally, embedding transparency and accountability as core values through regular audits and open communication channels is essential for building trust and ensuring long-term success. Strengthening board oversight by ensuring board members have the requisite skills, experience, and independence is also recommended. Furthermore, banks should adopt robust risk management frameworks to proactively identify and mitigate financial, operational, and reputational risks. Finally, effective stakeholder engagement, including open communication with customers, investors, and regulators, is crucial for maintaining organisational health, enhancing reputation, and ensuring sustainable growth.

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