Does Corporate Leadership Matter? Evidence from Nigeria

By

Olatundun Janet Adelegan
Department of Economics
University of Ibadan
Nigeria

AERC Research Paper 189
African Economic Research Consortium, Nairobi
September 2009

THIS RESEARCH STUDY was supported by a grant from the African Economic Research Consortium. The findings, opinions and recommendations are those of the author, however, and do not necessarily reflect the views of the Consortium, its individual members or the AERC Secretariat.

Published by: The African Economic Research Consortium
P.O. Box 62882 - City Square
Nairobi 00200, Kenya

Printed by: Modern Lithographic (K) Ltd
P.O. Box 52810 - City Square
Nairobi 00200, Kenya

ISBN 9966-778-45-4

Contents

List of tables

Abstract

This study examines the impact of top management changes on stock returns in Nigeria from 1997 to 2005. The study also reflects on the impact of board composition and politics on shareholders' wealth.

The test of shareholder wealth effects around the time of top management changes is structured as an event study. Data were obtained principally from the Lagos and Ibadan branches of the Nigerian Stock Exchange (NSE) and the Securities and Exchange Commission (SEC).

The study concludes that change in top management, including the composition of the board of directors, matters because announcements of board changes contribute to shareholder wealth, while corporate leaders affect the performance of the organization. In Nigeria, the announcement of the appointment of politically connected top managers produces positive information content and positive investor reaction, while the announcement of top management changes without political connections results in negative shareholder wealth. The findings are consistent with hypothesized benefits from internal mechanisms of corporate control in management change.

Acknowledgements

I am grateful to the African Economic Research Consortium for sponsoring the study under its thematic research grant scheme, and to its staff for the very efficient way they facilitated the research.

Earlier drafts of the study benefited from comments and suggestions made during the AERC's biannual research seminars. I want to thank the participants of the newly created Group E – Political Economy and Sectoral Policy Issues at the December 2005, May 2006 and December 2006 biannual research workshops. The deliberations in Group E were very helpful and illuminating for improving the research. In this regard, I am particularly grateful to Paul Collier, Melvin Ayogu and Robert Bates. The findings, interpretations, views, conclusions and policy suggestions are mine and any flaws in the study remain my express responsibility.

1. Introduction

Board of directors have a critical role in corporate governance in Nigeria and all around the world. Theoretically, the ultimate responsibility for ensuring that firms are properly managed rests with shareholders. With the separation of ownership from control in most major business enterprises, however, the responsibility for strategic decisions and ensuring that top managers discharge their day-to-day duties effectively and efficiently is entrusted to the board of directors (Fox and Opong, 1999; Adelegan, 2007).

Board members possess power and influence over firms' strategy, policy and decision making authority, and therefore a potentially significant event in any firm is a change in the composition of the board, either with the appointment of a new member of the board or an existing member ceasing to remain on the board. The degree of board effectiveness and independence is also closely related to its composition. The board is presumed to be more independent as the number of outside directors increases proportionately (John and Senbet, 1998; Hermalin and Weisbach, 1988). The effect of changes in board composition involving outside directors is an important event affecting shareholder wealth.

The board of directors is central to the corporate governance mechanism in market economies. The board is one of the most important and possibly beneficial internal mechanisms of corporate control (Manne, 1965; Alchian and Demetz, 1972; Bonnier and Bruner, 1989). The importance of internal control mechanisms has arguably increased following legal and regulatory developments that curtailed activity in the external market for corporate control (Jensen, 1991; Denis and Denis, 1995). The board is viewed as a primary means for shareholders to exercise control over top management, along with external markets for corporate control and institutional and concentrated shareholding. Weak corporate governance makes it too costly to raise external capital and distort investment decisions away from value maximization (John and Senbet, 1998).

The performance of a firm's share price could be used as an indirect measure of the information contained in the change in the composition of a company board, since the potential contribution of an individual member to the board cannot be observed directly.

A change in the composition of a firm's board can take the form of a new appointment or some form of removal from the board: new appointment, resignation, retirement, death and joint occurrence of departure (in the form of either resignation, retirement or removal and new appointment). Each of these changes may or may not be considered significant by the market. Change can also take the form of an increase or decrease in the proportion of outside directors to inside directors.

This study focuses on the internal mechanism of corporate governance, while paying attention to the information and real effects of board changes.

2. Statement of the research problem and objectives

Corporate failure stemming from weak corporate governance, especially the internal mechanism, has been experienced in Nigeria in both manufacturing and services sectors.[1] In response to the need for better corporate governance practices in Nigeria, the Securities and Exchange Commission (SEC) and Corporate Affairs Commission (CAC) aligned corporate governance in Nigeria with international corporate governance best practices, spelt out the code of best practices on corporate governance in Nigeria in 2003 for firms that are incorporated and or listed in Nigeria, and underscored the importance of board structure and compositions. Subsequently, the Central Bank of Nigeria (CBN) introduced in 2006 a corporate governance code of best practice for Nigerian banks in the post consolidation era.[2]

Board change is one of the most important and beneficial internal mechanisms of corporate controls. Even so, empirical research gives conflicting results about the possible benefits of such internal control that make interpretation difficult. Warner et al. (1988) find a significant association between poor stock performance and the frequency of management turnover, but find no significant excess returns to shareholders at the announcement of management change. Reinganum (1985) and Borstadt (1985) also find no significant excess returns at the announcement of management change except in specific circumstances related to executive title, firm size and origin of successor. Beatty and Zajac (1987) find an insignificant negative return at management change announcements. Furtado and Rozeff (1987), Weisbach (1988), Bonnier and Bruner (1989), Worrell et al. (1993), and Denis and Denis (1995) report significant positive returns at the announcement of management change. According to Weisbach (1988), this relation is stronger for firms with a greater fraction of independent outsiders on the board of directors.

Board changes are expected to convey information to the securities market. A new appointment could signal that the new appointee can bring innovation, extensive wealth of experience and knowledge to the operations of the firm. The removal of an ineffective executive board member may send a signal to the securities market that the firm is initiating a process that will increase efficiency and firm performance. Each type of board change may even send more than one signal. The resignation of a board member may have a positive impact if the market considers that the change will result in a new, or better, appointment as the replacement for the vacancy on the board. If the market considers that the resignation is not good enough for the company, however, the impact on shareholders' wealth may be negative (Fox and Opong, 1999; Bonnier and Bruner, 1989).

Composition of the board with respect to the number of insider and outside directors determines board independence and effectiveness (John and Senbet, 1998). Increase or decrease in the number of outside directors is expected to impact on shareholders' wealth and the discipline of chief executive officers (CEOs), with an increase in the proportion of outside directors conveying a positive signal of board independence and efficiency and a decrease conveying a contrary signal.

The abnormal return at the announcement of a change in board or management is the information effect and a real effect. The information effect is expected to be positive if the change suggests that the firm's performance was better than the market realized. The real effect is expected to be positive if the change is in shareholders' interest (Fox and Opong, 1999; Bonnier and Bruner, 1989).

Nevertheless, there is no study known to the researcher to date that has investigated the financial impact of corporate board changes in general and top management turnover and succession, in particular in Nigeria. This study provides some evidence from Nigerian listed firms of the impact on shareholder wealth of changes in the composition of the board of directors. This study also extends the investigation of financial consequences of turnover and succession for four types of key executives: board chairs, vice chairs, chief executive officers and managing directors. There is also the need for triangulation in research using a different setting such as Nigeria. It therefore provides a basis for comparison with similar studies from the developed countries and promotes further interest in the Nigerian capital market.

The paper seeks to answer a number of questions: Does change in top management matter? Do changes in top management affect shareholders' wealth? Does board composition affect shareholders' wealth? Does the market discriminate among listed firms with overt government representation on the board? The following objectives are aimed at giving answers to these questions.

The overall objective of the study is broken down into the following specific objectives:

- To investigate the impact of top management changes on shareholders' wealth.
- To examine the effect of board composition on shareholders' wealth.
- To examine the impact of politics on the corporate governance of firms to whose boards the government possesses the power to make appointments.

3. Study background

Sixteen years after the Lagos Stock Exchange commenced operations in 1961 it was redesignated the Nigerian Stock Exchange (NSE) – in 1977. Branches were established in eight locations – Lagos, Kaduna, Port Harcourt, Kano, Ibadan, Onitsha, Abuja and Benin.[3]

The Securities and Exchange Commission (SEC) was established to protect investors and promote capital market growth and development in the country. It is the apex regulatory organ of the Nigerian Capital Market. Formerly called the Capital Issue Committee (1961), and later the Capital Issues Commission (Capital Issue Decree No. 14 of 1973, SEC was established under the SEC Decree No. 71 of 1979 amended in 1988 and 1999.

Operations and performance of the Nigerian capital market

The total number of listed securities (comprising government stock, industrial loans and equities) increased from 9 in 1961 to 52 in 1971 and 71 in 1978. It also increased from 157 in 1980 to 276 in 1994, but declined to 260 in 2000 then increased again to 277 in 2004, with an average annual growth rate of 17% for the entire period (Ariyo and Adelegan, 2005). The total number of listed firms stood at 214 in 2005.[4]

The current operational highlight of the Nigerian Stock Market is presented in Appendix A. The value of shares traded was ₦262.94 billion (US$2.023 billion),[5] the value of new issues approved was ₦282.3 billion (US$2.172 billion) in 2005 and market capitalization in 2004 was ₦2,900 billion (US$22.308 billion). New issue as a proportion of GDP at current market prices was 5% on average between 1996 and 2005. This represents the size of funds mobilized by the stock market in relation to GDP.

The determination of share prices is not exclusively left to the forces of demand and supply. Both NSE and SEC, as market regulators, can – and sometimes do – impose a cap on share price movement. NSE has widened the price cap on share price movements from 20 kobo in 1996 to 5% since 1997 (see Appendix A). This does not affect the efficiency of the market and its pricing policy, however, as prices reflect available information (see Olowe, 1998; Oludoyi, 1999; Adelegan, 2003).

NSE has continued to undertake policies to reduce information asymmetry and transaction costs to facilitate the use of the market by the private sector to raise funds. For example on 27 April 1999, NSE transited from the call-over trading system to the automated trading system (ATS).

An electronic-business (e-business) platform was commissioned in July 2003. The approach makes it possible for investors in the Nigerian stock market to access the Central Securities Clearing System (CSCS) database from the website for the purpose

of monitoring movements in their stock accounts. This opportunity for on line, real time monitoring of stock accounts in the central depository enhanced transparency in the market.

A recent development in the Nigerian securities market is the trade alert information system launched in 2005. The alert system provides a text message on mobile phone to alert stockholders of any transaction in their stock within 24 hours. This is focused on ensuring transparency and curbing unethical practices in the Nigerian securities market.

Nigeria's capital market is still underdeveloped and emerging. A number of research study have been undertaken to identify the level of efficiency and the problems hindering the development of the market for effective policy formulation (Adelegan, 2003, 2004, 2006a and b; Oludoyi, 1999; Omole, 1997). Analyses of market reactions to information in the Nigerian capital market are scanty, but include Ayadi (1984) and Inanga and Asekome (1992). Event studies on the reactions of stock prices to publicly available information of stock split, earnings and dividend announcements, initiations, and omissions of dividend reveal that the financial markets in Nigeria respond by changes in firm values to publicly information of stock split, earnings and dividend announcements, initiations and omissions of dividend (Olowe, 1998; Oludoyi, 1999; Adelegan, 2003, 2006a and b).

Characteristics and selection process of board of directors in Nigeria

Directors of companies in Nigeria are persons duly appointed by the company to direct and manage the business of the company. The numbers and names of the first directors are determined in writing by the subscribers of the memorandum of association or the directors may be named in the articles.

At the annual general meeting the members have power to re-elect or reject directors and appoint new ones. The boards of directors have power to appoint new directors to fill any casual vacancy arising out of death, resignation, retirement or removal. Where a casual vacancy is filled by the directors, the persons may be approved at the next annual general meeting, and if not approved, cease to be a director.

The directors may increase the number of directors as long as it does not exceed the maximum allowed by the articles. The general meeting, on the other hand, has power to increase or reduce the number of directors generally and may determine in what rotation directors retire (part IX, section 244-292, Companies and Allied Matters Act, 1990).

The functions of the board of directors of Nigerian firms include but are not limited to strategic planning; selection, performance appraisal and compensation of senior executives; succession planning; communication with shareholders; ensuring the integrity of financial control reports; and ensuring that ethical standards are maintained and that companies comply with the laws of Nigeria (SEC and CAC, 2003).

The composition of the board is a mix of executive and non-executive directors headed by a chair who is a different person from the chief executive officer. The board of directors should not exceed 15 persons or be fewer than five persons in total. In exceptional cases where the position of chair and CEO are combined in one individual, there should be a strong non-executive independent director as vice-chair of the board. The primary responsibility of the CEO and the management team is to manage the day-to-day operations of the company (SEC and CAC, 2003).

The remuneration of executive directors is fixed by the board and not in shareholders' meetings. The remuneration committee, wholly composed of non-executive directors, recommends the remuneration of executive directors (SEC and CAC, 2003).

4. Theoretical framework and review of selected literatures

Both efficient market theory and an agency perspective are used in this study to in analyse the issues and principles underlying corporate governance and securities market response to changes in board composition and top management changes. The study uses share price performance around the announcement of board changes as a measure of the information conveyed by the change in the composition of the board.

Efficient market hypothesis and the Nigerian capital market

In theory, for a market to be efficient, security prices must fully reflect all available information. A precondition for this version of the efficient market hypothesis (EMH) is that information and trading costs are always zero. A weaker and more economical version of the EMH says that prices reflect information to the point that the marginal benefit of acting on the information does not exceed the marginal cost. There are three forms of market efficiency. The first category covers tests of return predictability, the second covers event studies of adjustment of prices to public announcements, and the third category covers tests for private information (Fama, 1991).

In developed markets of industrialized countries, the EMH has been the subject of considerable research by economists. There is a strong measure of consensus among these researchers on the validity of return predictability and event studies for the major developed countries (Fama, 1991). Some EMH debate has also been carried into the emerging markets with mixed conclusions on the validity of return predictability (Gandhi et al., 1980; Cooper, 1982, Parkinson, 1987; Ayadi, 1984; Dickinson and Muragu, 1994; Omole, 1997; Matome, 1998; Osei, 1998; Adelegan, 2004), but strong consensus of efficiency from event studies of adjustment of prices to public announcements (Olowe, 1998; Oludoyi, 1999; Adelegan, 2003).

Studies of market efficiency in the Nigerian capital market are scanty and many of these are tests of return predictability and event studies. In summary, most results support the return predictability of forecasting power of past returns. Evidence from Nigeria shows that share prices adjust to public announcements of stock splits, earnings and dividend announcements (Olowe, 1998; Oludoyi, 1999; Adelegan, 2003, 2006a and b). Similarly, information effects are associated with the announcements of stock splits, earnings and dividends in Nigeria. The present study focuses on the internal mechanism of corporate governance, while paying attention to the information and real effects of board changes.

Corporate governance and agency problems

Agency relationship arises in any situation involving cooperative effort by two or more people. The relationship between the stakeholders, who are the owners of the company, and the management and board of directors, is a pure agency relationship. Separation between ownership and control is intimately associated with the general agency problem. The problem of inducing an "agent" to behave as if he is maximizing the "principal's" welfare exists in all organizations (Jensen and Meckling, 1976).

The main contributions to agency theory are given by Hart (1995), Fama and Miller (1972), Jensen and Meckling (1976), and Harris and Raviv (1991). According to Jensen and Meckling, if both parties are utility maximizers, the agent may not always act in the best interests of the principal. The principal can therefore limit divergences from own interest by establishing appropriate incentives for the agent and by incurring monitoring costs designed to limit the aberrant activities of the agent.

Moreover, Jensen and Meckling assert that in some situations, it would pay agents to expend resources in the form of bonding costs, to guarantee that they will not take certain actions that would harm the principal, or to ensure that the principal will be compensated in the event of such actions being taken. It is believed that it is generally impossible for the principal or the agent to ensure that the agent will make optimal decisions from the viewpoint of the principal at zero cost. In most principal–agent relationships, the principal and the agent will incur positive monitoring and bonding costs, which may be pecuniary or non-pecuniary. In addition, there will still be some divergence between the agent's decisions and those decisions that could maximize the welfare of the principal. The monetary equivalent of the reduction in the welfare of the principal resulting from this divergence is the residual cost, which is also a cost to the agency relationship. Agency cost is the sum of the monitoring costs by the principal, the bonding expenditure by the agent and the residual loss.

The existence of agency problems will affect macroeconomic growth and securities market performance in general and valuation of firms at the micro level. A firm can be viewed as a nexus of contracts, implicit and explicit, among various parties or stakeholders, such as shareholders, bondholders, employees and the society at large (Jensen and Meckling, 1976; John and Senbet, 1998). The payoff structure of the claims of different classes is different. The degree of alignment of interests with those of the agents in the firm who control the major decisions in the firm are also different. This gives rise to potential conflicts among the stakeholders, which is the principal–agency problem. If left alone, each class of stakeholders pursues its own interest which may be at the expense of other stakeholders (Jensen and Meckling, 1976).

John and Senbet, 1998 focus on the private agency perspective of corporate governance of managerialism. Managerialism refers to self-serving behaviour of managers. Ownership of modern corporations is widely diffused, with most large companies being owned by shareholders. Under separation of ownership from control, the actual operations of the firm are conducted by managers who typically lack ownership positions of stock. The potential conflict arising from managers and stockholders manifests itself in many ways. The management–stockholder conflict leads to managerial propensity for expanding a span of control in the form of empire building at the expense of capital contributors or

owners, and for unduly conservative investments in the form of safe but inferior projects to maintain the safety of wage compensation and their own tenure (John and Senbet, 1998).

Thus the existence of agency problems is potentially harmful to the owners of the firm and may lead to inefficiency and wealth destruction in an economy. It is in the best interest of owners to resort to control mechanisms that move the operation of the firm toward full efficiency of the Fisherian separation principle (Fisher, 1966). The channels for efficiency gain are improved managerial performance and reduced cost of external capital resulting from appropriate control mechanism. These controls should be built into the corporate governance system, contractual mechanisms, and market for corporate control and takeovers. The board of directors is an internal mechanism of corporate governance. It is viewed as the primary means through which the shareholders exercise control on top management.

Board changes and shareholders wealth: A review of empirical evidences

Studies on the effects of board changes on shareholders wealth report mixed results. Some studies report significant positive abnormal returns around the time of management change (Bonnier and Bruner, 1989; Furtado, 1986; Furtado and Rozeff, 1987; Rosentein and Wyatt, 1990; Worrell et al., 1993; Denis and Denis, 1993; Fox and Opong, 1999).

Furtado (1986) and Furtado and Rozeff (1987), using data from the United States, report a significant abnormal performance around management change. Fox and Opong (1999) also provide some evidence on shareholder wealth effects on management board changes using data in the United Kingdom. The study distinguishes the wealth effects of different types of management board changes. The result of their study indicates that small but positive wealth effects are experienced on the day of the announcement of management change with the exception of resignations from the management board, which are associated with negative wealth effects. The results also indicate that the securities market discount information about board changes.

Bonnier and Bruner (1989) analyse excess returns to shareholders at the announcement of a change in senior management of a distressed firm. Excess returns are significantly positive which is consistent with internal corporate control hypothesis that management change following poor performance is associated with gains to shareholders. Cross sectional tests of the effects reveal a significant title effect and significant interactions between title and appointment of an outside successor and title and firm size.

Using financial data and announcements of outside board appointments from the *Wall Street Journal*, Rosenstein and Wyatt (1990) measure the wealth effects of these announcements for the period 1980–1985 with event study methodology. They find significant positive excess returns around the days of announcements. Thus, announcements of the appointment of an outside director are associated with an increase in shareholders' wealth. Brickley et al. (1994) examine whether outside directors promote shareholders interest by looking at a sample of 247 firms adopting poison pills over the period 1984–1986. They find a statistically significant, positive relationship between stock

market reactions to the adoption of poison pills and the fraction of outside directors. This is consistent with the view that outside directors represent shareholder interests.

Denis and Denis (1995) document that the forced resignation of top managers is preceded by large and significant declines in operating performance and followed by large improvements in performance. Normal retirements are followed by small increases in operating income and also subject to a slightly higher than normal incidence of post turnover corporate activity.

In Worrell et al. (1993), investors' reactions to announcements of the firing of key executives are investigated for the period 1963 to 1987. The study finds announcements containing information about permanent placements to be associated with positive market reactions, whereas other types of firing announcements resulted in no market response. Outside appointments are perceived as beneficial immediately, while insider appointments elicited a wait-and-see reaction.

A random sample of 200 firms listed continually from 1979 through 1983 formed the basis of Fosberg's (1989) paired sample methodology test of the relationship between the proportion of outside directorship (POD) and various measures that gauge firm performance. He argued that if outside directors are useful in disciplining management, there should be differences among the cash flows of companies where the monitoring of outside directors is strong and those where it is weak. Firms whose outside directors effectively monitor the performance of management should have higher sales levels, lower selling, general and administrative expenses, fewer employees, and a higher return on equity. Fosberg is not able to confirm the hypothesis that the presence of outside directorship enhances firm performance. No relationship is found between the POD in the board and the various variables used to gauge firm performance. The reason advanced by Fosberg for these puzzling findings is that management may succeed in getting outside directors elected to the board who are either incapable or unwilling to properly discipline management. In this case, outside directors will not be providing the monitoring services contracted for the shareholders. On the other hand, the external mechanism for corporate controls, such as take-over market, effectively discipline management, thereby leaving little room for the role of outside directors.

Hermalin and Weisbach (1991) attempt to analyse differences in firm performance caused by board composition and ownership structure in order to measure the direct incentives and monitoring faced by top management. They view the board as one of the alternative control devices that limit agency problems between top management and shareholders. Their main conclusion is that there is no relationship between board composition and performance, while there is a strong relationship between ownership structure and performance. Offering a couple of explanations for their puzzling findings on the relationship between board composition and performance, the authors argue that inside and outside directors have their respective advantages and disadvantages. If each board is optimally weighted between insiders and outsiders, there would be no cross-sectional relation between board composition and performance in equilibrium. They also argue that firms reduce their agency problems to the same levels. Since residual agency problems are what matter for performance, variation in performance will not be correlated with mechanisms used (such as board composition) to reduce the underlying agency problem.

Studies that report no significant abnormal performances on the announcement of management change include Borstadt (1985), Klein et al. (1985), and Reinganum (1985). Mahajan and Lummer (1993) also find no significant abnormal performance on the announcement of management change.

According to Bhagat and Black (1996), there is inconsistent evidence on the effect of board composition on performance in a long-horizon study. They use the evidence to suggest that the current push for board independence is unwarranted. However, the issue is unsettled.

Generally, there is paucity of work in the area of political connections (Krueger, 1974; Roberts, 1990; Fisman, 2001; Goldman, et al., 2007; Bunkanwanicha and Wiwattanakantang, 2007). Krueger (1974) focused on rent seeking behaviour and efficiency losses resulting from restrictive trade policies. Her paper finds economic rents to be a substantial percentage of total GDP. Her study deals with aggregate political rents and is unable to say anything directly about rents obtained by individual firms.

Examining the valuation of political connections, Roberts (1990) studied the effect of Senator Henry Jackson's unexpected death on various constituent interests and on the constituents' interest of his successor on the Senate Armed Services Committee. His study showed that share prices of companies with ties to Senator Jackson declined in reaction to the news of his death, whereas the prices of companies affiliated with his successor increased.

Fisman (2001) concentrated on the valuation of political rents for Indonesian firms that are connected with former Indonesian president Suharto. He compared the returns of firms with differing degrees of political exposure with string of rumour about President Suharto's health during his final year in office. He found that returns of shares of politically dependent firms were considerably lower than the returns of less dependent firms. His results suggest that a large percentage of well connected firm's value may be derived from political connections.

Goldman et al. (2007) analysed the value of political connectedness and concluded that political connected firms derive benefits from those connections. Bunkanwanicha and Wiwattanakantang (2007) examined the link between ownership of big businesses and the economic incentives for holding public office. The study found that wealthy business men run for public offices and earn political rents.

Generally, studies on corporate governance in Nigeria are scanty and just evolving. Attention of scholars in Nigeria in the area of corporate governance has been concentrated on investigation of the ownership and control structure of business enterprises (Teriba et al., 1977), analysis of pattern of share ownership (Ekpenyong, 1992) and a gender analysis of the chairs, chief executives and directors of quoted companies in Nigeria to document the level of involvement of women in leadership of corporate firms (Adelegan, 2001).

Taking an empirical approach, Adenikinju and Ayonrinde (2001) investigate whether ownership mix and concentration explain observed variation in corporate performance of publicly listed firms in Nigeria. The study finds that Nigerian firms are highly concentrated and there is significant presence of foreign ownership. Foreign institutions were more prominent that foreign individuals, however, a finding that was attributed to weak property rights in the country. The study also finds that ownership structure has no impact on corporate performance in Nigeria.

Adenikinju (2005) examines governance structure of Nigerian firms and managerial characteristics and also investigate the extent to which the governance structure and managerial characteristics influence performance. The study used a panel data of firms quoted on the first-tier segment of the Nigerian stock market from 1993 to 2002. The findings show that managerial characteristics and corporate governance have implications for performance. Qualitative direction and quantitative importance of indicators of corporate governance and managerial characteristics on performance vary for low and high growth firms.

Sanda et al. (2005) analysed the impact of corporate governance mechanism on the performance of firms in Nigeria. The sample covers 93 firms quoted on the Nigerian stock market between 1996 through 1999. The study concludes that firm performance was significantly and positively linked with governance variables, especially ownership concentration and director shareholding. Debt turned out to be significantly and positively associated with firm performance.

An examination of the relationship between internal and external governance mechanism employed by Nigerian banking companies was the subject for Adelegan (2005), who found a higher portion of non-executive directors and a greater likelihood of separating the role of company chair and CEO in banks. The proportion of non-executive directors who are former executives is low. These suggest those banks are more likely to employ non-executives for monitoring. Banks in Nigeria have utilized audit committees since 1991 and the audit committees comprise a great proportion of non-executive directors. Adelegan (2007) reviews and empirically analyses corporate governance regulations and practices in Nigeria. The study finds that the external mechanisms of corporate governance – which includes the market for corporate control (the takeover market) is very weak in Nigeria.

The few studies on corporate governance in Nigeria are nevertheless silent on the questions: Does corporate leadership matter? Do changes in composition of board of directors affect shareholders' wealth? Do top management changes lead to improved firm performance? Does board composition matter? What is the impact of politics on corporate governance of firms to whose board governments possess appointment powers? This study provides meaningful answers to these questions.

5. Research methodology

The test of shareholder wealth effects around the time of top management changes of board changes is structured here as an event study. The study examines the excess daily and cumulative returns that accrue to shareholders around the announcement of the top management or board change.

The returns-generating model

The methodology employed is essentially a variance methodology, which has been used in a number of previous studies (e.g., Beaver, 1968; May, 1971; Patell, 1976; Bonnier and Bruner, 1989; Fox and Opong, 1999). The main thrust of the methodology is that if board changes contain information that alters expectations concerning future cash flows, the release of such information will cause a change in investors' estimates of the probability distribution of the firms' future share price and this may result in a change in the current price.

The methodology compares abnormal returns in the test period with those of the estimation period when no board changes are made. Each firm is analysed in two time periods: a non-board change, or estimation period, followed by a board change, or test period. The non-report period covers a period from 150 trading days before to 17 days before the board change. The test period starts from 16 days before the announcement of management change through to 40 days subsequent to the change. The choice of 16 days before and 40 days after announcement (a 56-day event window) of board changes is to identify the point when the irrational bubble ends. The choice of event window is influenced by previous event studies on the developed economies and Nigerian stock market. Market reactions to board changes are within day 0 to 3 days after announcements of board changes (Fox and Opong, 1999; Bonnier and Bruner, 1989). Event studies on price reactions to earnings and dividend announcements revealed that share prices still drift 10 weeks and 25 days after earnings and dividend announcements, respectively, in Nigeria.

Time period zero is the day of the announcement of the management change. Normal daily returns are generated using the market model. The market model is given by:

$$R_{it} = \alpha + \beta(R_{mt}) + e_{it} \quad (1)$$

where: R_{it} is the daily return to shareholders of firm i at time period t and R_{mt} is daily

where: R_{it} is the daily return to shareholders of firm *i* at time period *t* and R_{mt} is daily returns on share price index at period *t*, e_{it} is the abnormal return of firm *i* in time period *t*, which is assumed to have a zero expectation, and *a* and *b* are market model parameters. R_{it} is computed from data on daily closing price and dividend. R_{mt} is measured as return on the Nigerian Stock Exchange (NSE) all share index, which is value-relative. All the common stocks (ordinary shares) are weighted and included in the computation of the index portfolio. This value relative NSE all-share index is adjusted for dividend, changes in price quotations and capital changes by the NSE. This is used in this study as a proxy for returns on an equally weighted market portfolio.

Empirical studies from developed stock markets have shown that the equal weighted market index is more acceptable, however, because it will help to minimize the bias from compounding daily returns, especially when excess returns are calculated for a period greater than one month (Michaely et al., 1995; Blume and Stambaugh, 1983; Roll, 1983). The NSE value relative all-share index is appropriate as a benchmark for the Nigerian stock market for two reasons. First, the Nigerian stock market is concentrated around few firms, therefore it is value and size driven. The 20 most capitalized companies, with market capitalization of 1.5076 trillion accounts for 71.38% of the total market capitalization in Nigeria (Adelegan, 2007). Second, the NSE value-relative all share index is readily available and most easily replicable.

Equation 1 is estimated by ordinary least square regression and estimates for α and β (the market model parameters) in the estimation period are generated using the 134 price observations (from day -150 to day -17) before the release of the news about the management change. Actual returns are subtracted from the corresponding normal returns according to obtain excess returns (the residuals). The excess returns, e_{it}, were computed for each day *t* of the report period for each of the announcement of top management changes according to the following:

$$e_{it} = R_{it} - \left[a + \beta(R_{mt})\right] \tag{2}$$

where R_{it}, R_{mt} and α and β are as defined above.

Following Bonnier and Bruner (1989) and Fox and Opong (1999), the study defines the daily excess returns, which are averaged across the observations, as:

$$AR_t = \frac{1}{N}\sum_{i=1}^{N} e_{it} \tag{3}$$

where: AR_t is the average across observations for a particular day *t* and e_{it} is the excess returns for firm *i* for day *t*. These averaged daily excess returns are tested for significance according to:

$$t_{AR} = \frac{AR_t}{Se_{it}} \tag{4}$$

where, $Se_{it} = [\ Var\ (AR_t)\ ]^{1/2}$ with *var* estimated over the 503 trading days (day -523 to day -17). The average values for the excess returns are cumulated over the test period days in order to observe the behaviour of excess returns over the test period from day *K* to day *L* given by:

$$CER_{k,l} = \sum_{t=k}^{l} AR_i ; k = -16, l = 40 \tag{5}$$

where CER_t is the cumulative excess return on announcement day *t* and AR_t is as defined previously. These CERs are tested for statistical significance using the following:

$$tCER_t = \frac{CER_t}{S(CER_t)} \tag{6}$$

where:

$$S(CER_t) = \left[T^* \text{ var}(AR_t) + 2(T-1)\text{cov}(AR_t, AR_{t-1})\right] \tag{7}$$

With variance estimated over the 134 days (day -150 to day -17), and

$$T = L - K + 1 \tag{8}$$

To investigate whether changes in top management matter, the study tests whether the cumulative excess returns (CER) around the event window are statistically significant. The null hypothesis 1 is that top management changes have no information content reflected in share price behaviour because excess returns equal zero around the period of top management changes; therefore top management changes does not matter. The effect is captured by the CER around the announcements of changes in top management. Statistically significant CER around the announcements of changes in top management would reject the null hypothesis 1 that top management change does not matter.

Often there are news leakages prior to the date (timing) of the announcement of board changes that are likely to induce market reactions and result in changes in share prices. The study takes this into account in the analysis by calculating the CER prior to the announcement of board changes.

Considering the fact that there may be a delay in price reactions to board changes in Nigeria, the study also calculates the CER after the date of announcements. This provides information about potential delayed reaction to the news. The study calculates the average and cumulative abnormal returns for all top management changes, appointments, retirement, resignations, death, joint occurrence of departure and appointments, change in proportion of outside directors and political connections.

The study reflects on the impact of change in proportion of outside directors on corporate governance. Previous studies have suggested that an increase in the proportion of outside directors (POD) on the board is expected to have a positive effect on performance because it signals board effectiveness and independence (John and Senbet,

1998). The null hypothesis 2 states that change in proportion of outside directors is not associated with increase in shareholders' wealth. The study partitions the sample by whether or not there is change in outside or inside directors. The effect is captured by statistically significant CER around the announcement of changes in POD. Statistically significant CER around the day of announcement of positive change in POD would lead to a rejection of the null hypothesis that change in proportion of outside directors is not associated with increase in shareholders' wealth.

The study also assesses whether the stock market reacts differently to changes in proportion of outside directors (POD) and proportion of inside directors (PID) by testing for differences in mean excess returns (AR) around changes in outside or inside directors respectively. The null hypothesis 3 states that there is no difference in average excess returns of firms with change in proportion of outside or inside directors. The study captures this hypothesis by a t-test of the mean excess return around announcements of change in outside and inside directors. Statistically significant difference between the mean excess returns for the POD and PID sub samples would reject the null hypothesis that there is no difference in average excess returns of firms with change in proportion of outside or inside directors.

The study also reflects on the impact of politics on corporate governance. Political connections or affiliation is determined by holding or having held political appointments, and retired or high rank military officers or blood relationship with the head of state or state governor. Political connection or representation is important in explaining a firm's performance after top management change. Fisman (2001) argued that politically connected firms earn tremendous political rents, but they also devote resources to rent-seeking activities. Top management change of firms that are politically connected is expected to affect performance. The null hypothesis 4 states that there is no difference in mean excess returns between firms to whose boards governments possess appointment powers and otherwise. The study partitions the sample by whether or not the firm is politically connected. The study captures this hypothesis by a t-test of the mean excess return (AR) around announcements of change in top management or board of politically connected and non-politically connected firms. Statistically significance difference between the mean excess returns (AR) for the politically connected and non-politically connected subsamples would reject the null hypothesis that there is no difference in mean excess returns between firms to whose boards governments possess appointment powers and otherwise.

Measurement of performance changes of firms

Going beyond the event study to corporate governance, the study reviews accounting records and examines firm performance around the announcement time of top management changes to corroborate the implied signal in the market. Denis and Denis (1993) examined performance changes following top management dismissals and observed increases in book value of total assets and reductions in employment levels and capital expenditures in the short run. Previous studies have documented significant corporate downsizing following other organizational changes.[6] Data on changes in operating income

five years centred around the period of top management changes (2 years before and after the announcements of appointments, resignation, retirement and death of top board members as well around the period of increase or decrease in the proportion of outside directors).

Firm performance is measured by:

$$FP_t = \frac{OIBD_t}{TA_t} \tag{9}$$

where: FP is firm performance,

$$OIBD_t = (SA_t - COGS_t - SE_t - GE_t - AE_t) \tag{10}$$

where: $OIBD_t$ is operating income before depreciation, $COGS_t$ is cost of goods sold, SA_t is sales, SE_t is selling expenses, GE_t is general expenses and AE_t is administrative expenses. TA_t is the book value of total assets which is used to scale operating income to control for differences in size across firms and for changes in asset base within firms across years.

Change in firms' performance is measured as:

$$\Delta FP = \frac{OIBD_t}{TA_t} - \frac{OIBD_{t-1}}{TA_{t-1}} \tag{11}$$

where: $OIBD_{t-1}$ and TA_{t-1} are lags of operating income and total assets.

In measuring accounting performance changes, the study consolidates multiple events for a given firm in a given fiscal year. If a firm experiences two or more changes in a fiscal year, only one observation is recorded. The study calculates the change in firms' performance for five years (year -2 to year +2) using equations 9 to 11.

Significance of median and mean changes are measured using a two-tailed Wilcoxon signed rank test and a standard two-tailed t-test respectively.

To measure the pre-and post corporate control activity of top management changes, the study calculates changes in book value of total assets, capital expenditures and sales. Change in total assets is measured as:

$$\Delta TA = \frac{TA_t - TA_{t-1}}{TA_{t-1}} \tag{12}$$

where: ΔTA is change in total assets and TA_t and TA_{t-1} are book values of total assets at time *t* and *t-1* (the preceding year), respectively.

Change in capital expenditure is measured as:

$$\Delta CE = \frac{CE_t - CE_{t-1}}{CE_{t-1}} \tag{13}$$

where: ΔCE is change in capital expenditures and CE_t and CE_{t-1} are capital expenditures at time *t* and *t-1* (the preceding year), respectively.

Change in sales or turnover is measured as:

$$\Delta SA = \frac{SA_t - SA_{t=1}}{SA_{t-1}} \tag{14}$$

where: ΔSA is change in sales and SA_t and SA_{t-1} are sales or turnover at time *t* and *t-1* (the preceding year), respectively.

Sample selection, scope and sources of data

The study provides some evidence for Nigerian listed firms of the impact of announcements of top management changes on shareholders wealth. Data for the study cover a nine-year period. All changes in the composition of the management board for firms that meet the following criteria were collected. First, the company must be listed on the NSE. The reason is because of the ease with which stock prices and financial statement items can be obtained for NSE listed firms relative to firms that are not listed. Second, the date of board change must be available. Third, there must not be any other major news announcement in the two-week period surrounding the board change – major news announcements, mergers and major contracts, among others. This criterion was to ensure that other variables that could affect price around the period of management change are eliminated. This is also an attempt to minimize joint effect from any ambiguity associated with an observed reaction in the week of the announcement of top management changes. Fourth, the price data necessary in the examination of shareholders wealth effects must be available.

Data were obtained principally from the Lagos and Ibadan branches of the NSE and the SEC. Information about change in board compositions and year of change is obtained from the NSE Fact Books from 1997 to 2005. Dates of board changes are obtained from the various local newspapers and the annual reports and accounts of all the companies quoted on the NSE.[7]

Data on firms' share prices as well as price index, dividend per share, and trading day are obtained from daily official price lists of NSE from 1997 to 2005. The study covers all companies drawn from all sectors of the Nigerian capital market quoted on the first and second tier securities market that made changes in their board compositions during the study period. Data on changes in operating income before depreciation, total assets, capital expenditures, cash flow and turnover are obtained from annual reports of companies and NSE fact books.

6. Results

On average, the board size of quoted companies in Nigeria between 1997 and 2005 is nine. This is close to the optimum board size of ten persons for Nigerian firms obtained by Sanda et al. (2005). Breweries, emerging firms, and food, beverage and tobacco have an average of 11 board members (see Appendix B, Table B1).

The characteristics of boards of directors of quoted firms in Nigeria from 1997 to 2005 are presented in Appendix B, Table B2. Most (92%) of the boards of directors of quoted firms in Nigeria have a different chair from the CEO. More than a quarter (26%) of board members are women, while 2% of quoted firms in Nigeria have women as chairs. In addition, 21% of members of the board of directors are insider directors (executive members), while 79% are outsiders. This shows the level of board independence and implies that outside shareholders are adequately represented on the board in compliance with the Cadbury report and the code of corporate governance in Nigeria (SEC and CAC, 2003).

Foreigners on the average own 26% of the shares of quoted firms in Nigeria from 1997 to 2005. On the average during the period of study, 2% of board members were foreigners. Twelve per cent of members of boards of directors have political affiliations, while 3% have chairs with political affiliations. The average number of employees of quoted firms in Nigeria from 1997 to 2005 is 1,358.

Appendix B, Table B3, shows board changes of quoted firms in Nigeria from 1997 to 2005. The total numbers of board changes available for the study are 725. Of these, about 47% are new appointments, 23% were resignations and 11% are retirements. Only 3%, a total of 19 observations, concerned death. Joint occurrence of new appointment, resignation and retirement accounts for 17% of the events. There is a spike in the number of resignations in 1999 and new appointments in 2000. New appointments account for almost half of the type of board changes.

Board changes are analysed into top management changes and change of other directors. Top management change refers to change of chair, vice chair, CEO, managing directors and general managers (see Appendix B, Table B4). The study analysed the events according to change in top executive or other directors. The study classified any board change that involves top management and other directors on the same date as concurrent events. Any board changes leading to appointment, resignation or retirement of more than one director on the same date is treated as a single event. Top executive changes account for 35% of the total events. Changes of other directors represent 61% of the total events, and 22 concurrent events represent 4% of the final sample.

Returns to shareholders around announcements of top management changes

In order to achieve objective 1, the study analysed stock returns around announcement of changes in top management. Table 1 shows the cumulative excess returns (CER) around the announcements of changes in top management for the sample of 725 cases. The sample consists of all management change announcements irrespective of the type. Column 1 represents the day in the test period. The excess return around the announcement day (day -1 to 0) for all board changes is positive and statistically significant at 5%. On day -1 the average excess return is 0.33% (median =0.36%). The average return for day 0 is 0.64% (median=0.25%). The 5-day CER around announcements of change in top management are positive and statistically significant for days -15 to -11 and -5 to -1 days before the announcements.

Column 4 of Table 1 presents the excess returns over the 56-day event window for the announcement of board resignations. It is noteworthy that the excess returns around the day of announcement of board resignations are negative and statistically significant as expected. On day -1 the average excess return is 1.94% (median =0.32%) with a t-statistics of -3.29. The average return for day 0 is 2.29% (median=0.08%) with a t-statistics of -3.87. The negative wealth effect around resignations of top board members is also explained by the fact that the market believes that board members have privileged information about the present value of the firm. Resignation by top executive members of the board can send to the market a signal of impending failure of the firm and this drives down the market prices and the portfolio returns around the day of announcements. The resignation of board members, especially chairs, CEOs and managing directors, has negative impact on shareholder wealth. This implies that the market considers that the resignation of top executive members is not a good event for a firm. This is consistent with negative statistically significant excess returns in Bonnier and Bruner (1989)) and Fox and Opong (1999).

Table 1 column 6 also reports the excess returns around the day of announcement of new appointments of top management for the 56-day event window. The excess returns are mainly positive and statistically insignificant for the period before and after the announcement of new appointees on the board. On day -1 the mean excess return is 0.24% (median =0.20%) with a t-statistics of 0.41. The average return for day 0 is 0.73% (median=0.09%) with a t-statistics of 1.23. This is contrary to the positive statistically significant excess returns reported in Bonnier and Bruner (1989) and Fox and Opong (1999).

The results of board retirements in column 8 of Table 1 shows that significant positive abnormal returns are experienced for the 56-day event window surrounding board retirements. The positive wealth effect arises because the market has anticipated the formal announcement and therefore responds by positive price adjustment. This is because the market anticipates that a new hand appointed to replace the retiring member will bring a fresh and dynamic approach to the firm's operations. The fact that significant excess returns are earned before the day of announcements of retirement shows that the market has discounted the informational effects. This is not surprising, because retirements are usually announced well in advance.

Table 1: Cumulative excess returns around period of change in top management

Returns	All top mgt change	t-stat	Resig-nation	t-stat	Appoint-ment	t-stat	Retire-ment	t-stat	Joint	t-stat	Death	t-stat
Period	**CER**		**CER**		**CER**		**CER**		**CER**		**CER**	
-15 to -11	0.0127	3.26*	-0.0978	-4.14*	0.0041	0.34	0.1990	4.21*	0.3489	7.38*	0.2128	4.50*
-10 to-6	0.0001	0.04	-0.0987	-4.18*	-0.0174	-1.48	0.2515	5.32*	0.3493	7.39*	0.2126	4.50*
-5 to-1	0.0244	6.27*	-0.0890	-3.77*	0.0160	1.35	0.2456	5.20*	0.3561	7.54*	0.2127	4.50*
-1 to 0	0.0097	2.48**	-0.0423	-1.79***	0.0097	0.82	0.0874	1.85***	0.1377	2.92*	0.0851	1.80***
-1	0.0033	0.55	-0.0194	-3.29*	0.0024	0.409	0.0460	7.79*	0.0624	5.28*	0.0426	7.2*
0	0.0064	1.08	-0.0229	-3.87*	0.0073	1.231	0.0414	7.01*	0.0754	6.28*	0.0425	7.21*
1 to 5	0.0103	2.63*	-0.0876	-3.71*	-0.0060	-0.50	0.2307	4.88*	0.3583	7.59*	0.2127	4.50*
6 to 10	0.0176	4.52*	-0.0986	-4.18*	0.0120	1.02	0.1958	4.15*	0.3494	7.40*	0.2127	4.50*
11 to 15	-0.0030	-0.77	-0.1183	-5.01*	-0.0087	-0.74	0.1916	4.06*	0.3164	6.70*	0.2126	4.50*
16 to 20	0.0128	3.28*	-0.0868	-3.68*	0.0022	0.19	0.2553	5.40*	0.3068	6.49*	0.2125	4.50*
21 to 25	0.0194	4.97*	-0.0412	-1.75***	-0.0053	-0.45	0.1969	4.17*	0.3388	7.17*	0.2128	4.50*
26 to 30	0.0184	4.72*	-0.0404	-1.71***	-0.0025	-0.21	0.1837	3.89*	0.3031	6.42*	0.2043	4.33*
31 to 35	0.0313	8.03*	-0.0051	-0.22	0.0032	0.27	0.1595	3.38*	0.3243	6.86*	0.2089	4.42*
36 to 40	0.0314	8.05*	-0.0156	-0.66	0.0035	0.30	0.2048	4.33*	0.3385	7.17*	0.2091	4.43*

*,** and *** represent significance at 0.01, 0.05 and 0.1 level of significance, respectively. The standard deviation used for the five-day return was 0.00195. For the two-day return it was 0.01181.

The result here is consistent with findings in Fox and Opong (1999). On day -1 the mean excess return is 4.6% (median = 1.50%) with a t-statistics of 7.79. The average return for day 0 is 4.14% (median = 3.4%) with a t-statistics of 7.01.

Column 10 of Table 1 summarizes results of the joint events. The column indicates that the concurrent announcement of resignation and appointment or retirement and appointment have positive wealth effect on the shareholders. There are positive excess returns around the 56-day event windows and they are all statistically significant at 1%. On day -1 the mean excess return is 6.24% (median = 1.60%) with a t-statistics of 5.28. The average return for day 0 is 7.54% (median = 5.2%) with a t-statistics of 6.28. This shows that the impact of this combined change is determined by the type of change that the market considers to be dominant. The market considers a new appointment as more pronounced than resignation or retirement, thus a positive signal is sent that results in a positive effect on shareholder wealth.

Results of an announcement of death of a board member are given in Table 1 column 12, which shows that significant positive excess returns are experienced for the 56-day event window surrounding death of board members as expected. On day -1 the excess return is 4.25% (median = 4.3%) with a t-statistics of 7.20. The average return for day 0 is 4.25% (median = 4.2%) with a t-statistics of 7.21. This is because death of a top executive member of board will lead to the appointment of a fresh and dynamic top executive into the firm's operations.

The CER for day -5 to -1 is relatively large and significant (2.44%, $t = 6.27$). This is consistent with the positive and significant CER for days -4 through 0 reported in Bonnier and Bruner (1989). Resignation shows a preponderance of statistically significant negative CERs, while announcements of appointment, retirements, joint events and death of top management give a preponderance of positive CER.

Null hypothesis 1 states that board changes have no information content reflected in share price behaviour, therefore board change does not matter. The study rejects the null hypothesis 1 and accepts the alternative hypothesis because share prices on the Nigerian stock market react to announcements of board changes . This provides evidence that board changes matters in Nigeria.

Review of accounting records and firm performance around the announcement time of top management changes

The study reviewed accounting records and examined firm performance around the announcement time of top management changes. The results are presented in Table 2. Firm performance was 12.19% after the announcement of changes in top management. Specifically, with new appointments and retirements, firm performance was 13.22% and 11.85%, respectively, a year after the announcements.

Firm performance improved by an average of 1.50% and 4.22% for all announcements of change in top management and announcement of resignation, respectively. Firm performance also increased marginally by 0.92%, 0.34%, 1.07% and 0.93% a year after announcements of top management changes for new appointments, retirements, joint events and death, respectively.

Table 2: Accounting records and firm performance around announcements of top management changes

Panel A: Firm Performance %

Period	All	Resignation	Appointments	Retirement	Joint	Death
-2	8.44	13.80	11.80	8.82	12.25	-4.45
-1	11.83	12.84	12.68	11.49	11.35	10.80
0	10.69	7.63	12.30	13.29	10.53	9.71
1	12.19	11.85	13.22	13.63	11.60	10.64
2	11.81	12.04	12.95	13.39	11.08	9.58

Panel B: Change in Firm Performance %

Period	All	Resignation	Appointments	Retirement	Joint	Death
-2						
-1	3.39	-0.96	0.88	2.68	-0.90	15.25
0	-1.14	-5.21	-0.38	1.80	-0.82	-1.09
1	1.50	4.22	0.92	0.34	1.07	0.93
2	-0.38	0.19	-0.27	-0.24	-0.52	-1.06

Panel C: Change in Total Assets %

Period	All	Resignation	Appointments	Retirement	Joint	Death
-2						
-1	16.17	40.60	22.86	29.14	1.08	-12.84
0	11.99	14.64	10.12	30.40	-0.03	4.85
1	9.69	9.42	0.41	35.49	0.00	3.13
2	6.45	1.94	0.92	30.57	0.21	-1.37

Panel D: Change in Capital Expenditure %

Period	All	Resignation	Appointments	Retirement	Joint	Death
-2						
-1	17.75	15.82	21.09	16.35	-10.45	-12.84
0	13.67	20.08	7.54	13.39	-12.42	4.85
1	8.21	9.90	1.68	13.06	-4.78	3.13
2	22.85	34.82	1.45	32.28	-12.79	-1.37

Panel E: Change in Sales %

Period	All	Resignation	Appointments	Retirement	Joint	Death
-2						
-1	13.97	12.70	15.20	21.76	17.94	2.24
0	22.68	7.50	19.04	28.20	14.78	43.86
1	18.34	11.78	12.82	24.94	18.21	23.94
2	12.41	11.92	17.66	9.83	8.67	13.99

Sources: Computed by the Author from data obtained from annual report of various firms and the NSE Fact books 1997 to 2005.

Change in total assets for all announcements of top management change a year after the announcement is 9.69%, 9.42% and 35.49% for all change, resignation and retirements, respectively.

Change in capital expenditures for all announcements of top management change a year after the announcement is 8.21%, 9.90%, 1.68%, 13.06% and 3.13% for all change, resignations, new appointments, retirements and death, respectively.

Sales or turnover improved by 18.34% on average a year after the change in top management. Announcements of resignation, new appointments, retirements, joint events and death led to improved sales by 11.78%, 12.82%, 24.94%, 18.21% and 23.94%, respectively.

The results of the review of firm performance around turnover and succession of top management shows improvements in the firm performance, positive changes in total assets, turnover and capital expenditure. Table 3 presents the mean and the median changes for all the events around top management changes and for changes in top management according to type.

Table 3: Changes in operating income surrounding top management change

Year		All top mgt changes	Resig-nation	Appoint-ment	Retire-ment	Joint	Death
-1 to 0	Mean	0.106	0.4043	0.2089	-0.669	0.1621	-0.923
		(-1.51)	(-0.68)	(-0.10)	(-2.17)**	(-1.06)	(-0.99)
	Median	-0.923	-1.826***	0.73	-1.671***	-1.841***	-0.73
-1 to +1	Mean	0.4527	1.552	0.275	-0.356	0.524	-0.74
		(-0.64)	(-0.77)	(-11.14)*	(-0.76)	(-0.85)	(-0.32)
	Median	-0.928	-1.826***	-0.73	-1.671***	-1.826***	-0.73
0 to +2	Mean	0.5491	1.495	0.218	0.773	0.497	0.022
		(-1.5128)	(-0.68)	(-0.104)	(-2.17)**	(-1.06)	(-0.987)
	Median	-0.73	-1.826***	-0.73	-1.826***	-1.841***	-0.73

Note: Operating income is measured as the ratio of operating income to total assets (OI/TA). Means are presented above the median. Significance of mean and median changes are measured using a standard two-tailed t-test and a two-tailed Wilcoxon signed rank test, respectively. t-statistic are in parentheses. *, ** and *** represent significance at 0.01, 0.05 and 0.1 level of significance, respectively.

The results presented in Table 3 suggest that overall top management changes are preceded by high positive change in operating performance as shown by 0.106% mean change for year -1 to 0. Change in top management as a result of retirement is preceded by negative significant mean reduction in performance by -0.669% for year -1 to 0. For years -1 to +1, changes in top management resulting in new appointments are associated with positive statistically significant mean performance changes. Mean changes in performance following top management changes resulting in resignation and joint events are positive for the event windows, while the mean performance changes following top management retirements and death are negative and not statistically different from zero.

The median changes in firm performance around the event windows are statistically significant for resignation, retirement and joint events around the event window.

Returns to shareholders around announcements of change in proportion of outside directors

To achieve objective 2, the study analysed the effect of change in the proportions of outside directors on shareholder wealth in Nigeria. The CER around the announcements of changes in proportion of outside directors is presented in Table 4. The excess returns around the announcement day for change in the proportions of outside directors have a preponderance of positive values. On day -1 the excess return is -0.1%.

Table 4: Cumulative excess returns around announcements of changes in proportion of outside directors

Returns	Change in POD		Resignation		Appointment		Retirement		Joint		Death	
period	CER	t-stat	CER	t-stat	CER	t-stat	CER	t-stat	CER	t-stat	CER	t-stat
-15 to- 11	-0.0104	-2.66**	-0.1018	-4.31*	-0.0459	-3.88*	0.0590	5.00*	0.4227	7.16*	0.2128	4.50*
-10 to -6	-0.0171	-4.38*	-0.0999	-4.23*	-0.0596	-5.05*	0.1268	10.74*	0.418	7.08*	0.2126	4.50*
-5 to -1	0.0065	1.66***	-0.1118	-4.74*	-0.0206	-1.74***	0.1142	9.67*	0.4293	7.27*	0.2127	4.50*
-1 to 0	0.0020	0.52	-0.0523	-2.22**	-0.0054	-0.45	0.0319	2.70*	0.1670	2.83*	0.0851	1.80***
-1	-0.001	-0.16	-0.0240	-4.07*	-0.0056	-0.95	0.0176	2.97*	0.0772	6.54*	0.0425	7.2*
0	0.003	0.51	0.0282	-4.78*	0.0003	0.04	0.0143	2.43**	0.0899	7.61*	0.0425	7.2*
1 to 5	0.0017	0.45	-0.0836	-3.54*	-0.0357	-3.02*	0.0973	8.24*	0.4264	7.22*	0.2127	4.50*
6 to 10	0.0032	0.81	-0.0903	-3.83*	-0.0267	-2.26**	0.0535	4.53*	0.4078	6.91*	0.2127	4.50*
11 to 15	-0.0130	-3.34*	-0.1031	-4.37*	-0.0424	-3.59*	0.0477	4.04*	0.3725	6.31*	0.2126	4.50*
16 to 20	0.0034	0.87	-0.0783	-3.32*	-0.0289	-2.45**	0.1254	10.62*	0.3691	6.25*	0.2125	4.50*
21 to 25	0.0137	3.50*	0.0169	0.72	-0.0456	-3.86*	0.0579	4.90*	0.4101	6.95*	0.2128	4.50*
26 to 30	0.0063	1.62	0.0072	0.31	-0.0470	-3.98*	0.0354	2.99*	0.3674	6.22*	0.1994	4.22*
31 to 35	0.0251	6.42*	0.0514	2.18**	-0.0347	-2.94*	0.0074	0.63	0.3951	6.69*	0.2058	4.36*
36 to 40	0.0286	7.33*	0.0452	1.91***	-0.0327	-2.77*	0.0659	5.58*	0.4133	7.00*	0.2077	4.40*

*, ** and *** represent significance at 0.01, 0.05 and 0.1 level of significance, respectively. The standard deviation used for the five-day return was 0.00195. For the two-day return it was 0.01181.

The average return for day 0 is 0.3%. The five-day CER around the announcements of changes in POD is negative and statistically significant for days -15 to -11, -10 to –6, and +11 to +15.

The CER for resignation shows a preponderance of statistically significant negative returns after announcements of top management change in POD. CER around announcements of new appointment of outside directors is negative and statistically significant for day -15 to -6 and days +1 to +40. Retirements, joint and death of top management that resulted in change in POD gave a preponderance of positive and statistically significant CER.

The study tested for hypothesis 2, that change in proportion of outside directors is not associated with increase in shareholder wealth. The study rejects null hypothesis 2 and accepts the alternative hypothesis because statistically significant excess returns are earned around the day of announcements of change in POD.

Table 5 presents the CER around announcements of change in top management that involves inside directors. On day -1 the excess return is 3.57%. The average return for day 0 is 4.11%. The five-day CER around the announcements of changes in inside directors are positive and statistically significant for days -15 to -1 and +1 to +40. CER around announcements of new appointments of inside directors is positive and statistically significant for the study period. Announcements of joint retirement or resignation and appointment of inside director gave a preponderance of negative CERs. The CERs are statistically significant for day -1 and -15 before announcements and from day 6 to 15 and day 36 to 40 after the announcements.

Table 5: Cumulative excess returns around announcements of changes in proportion of inside directors

Returns period	Change in inside directors		Appointment		Joint	
	CER	t-stat	CER	t-stat	CER	t-stat
-15 to- 11	0.2036	5.22*	0.1390	5.89*	-0.0202	-1.71***
-10 to -6	0.1666	4.27*	0.1027	4.35*	0.0050	0.43
-5 to -1	0.1825	4.68*	0.1139	4.83*	-0.0095	-0.80
-1 to 0	0.0768	1.97***	0.0492	2.09**	-0.0089	-0.75
-1	0.0357	0.6	0.0216	3.66*	-0.0118	-2.00**
0	0.411	0.7	0.0276	4.67*	0.0029	0.49
1 to 5	0.1192	3.06*	0.0746	3.16*	0.0181	1.53
6 to 10	0.1916	4.91*	0.1186	5.02*	0.0573	4.85*
11 to 15	0.1613	4.14*	0.0865	3.67*	0.0356	3.01*
16 to 20	0.1591	4.08*	0.0891	3.77*	-0.0046	-0.39
21 to 25	0.1700	4.36*	0.1014	4.30*	-0.0177	-1.50
26 to 30	0.1818	4.66*	0.1142	4.84*	-0.0184	-1.56
31 to 35	0.1385	3.55*	0.0852	3.61*	-0.0179	-1.52
36 to 40	0.1805	4.63*	0.1159	4.91*	-0.0448	-3.80*

*, ** and *** represent significance at 0.01, 0.05 and 0.1 level of significance, respectively. The standard deviation used for the five-day return was 0.00195. For the two-day return it was 0.01181.

The study also tested for the differences in the mean of the two samples with change in proportion of outside and inside directors for days -15 to +40. The result is presented in Table 6. The mean excess returns of the change in POD is 0.09%, the standard error is 0.0006 and it is statistically significant at 1%.

Table 6: Two sample t-test of MER around announcements change in POD and inside directors

Group		Obs.	Mean	Std Error
PID	0	56	0.0343	0.0012
POD	1	56	0.0009	0.0006
H0:mean (0)-mean (1)=diff=0				
Ha: mean diff from 0				
t=24.54*				
P> % t%=0.000				

*, ** and *** represent significance at 0.01, 0.05 and 0.1 level of significance, respectively.

The mean excess returns of the change in proportion of inside directors is 0.34%, the standard error is 0.0012 and it is statistically significant at 5%.

The study tested for null hypothesis 3, that there is no difference in mean excess returns of firms with change in proportion of outside or inside directors. The result of the t-test shows that the mean excess return values are statistically different for announcements of change in outside and inside directors at the 1% level of significance. The study therefore rejects the null hypothesis and accepts the alternative hypothesis.

Returns to shareholders around announcements of change in top management with political connections

To achieve objective 3, the study analysed the effect of top management changes with political connections on shareholder wealth. Table 7 presents the CERs around the period of such changes according to type of change. The excess return is positive and statistically significant for day 0. The average return for day 0 is 1.49%; on day -1 the excess return is 0.88%.

The five-day CERs around the announcements of changes in top management with political connections are positive and statistically significant for days -15 to -1 and 0 to 10 days after the announcements. The CER is positive and statistically significant on day 0 (1.42%), and is significant for days -5 to -1 and days 0 to 10 after the announcements. This is consistent with findings by Goldman et al. (2007), who concluded that politically connected firms derive benefits from those connections, while Bunkanwanicha and Wiwattanakantang (2007) found that wealthy businessmen run for public offices and earn political rents.

The CERs for retirements are positive and statistically significant for the 56-day event window. The CER around the announcement of resignation is negative and significant for days 6 to 15 after announcements. Announcements of joint events gave CERs that are not statistically significant. Death of top management also produce statistically significant CER. This is consistent with the findings in Roberts (1990) that reveal that share prices of companies with ties to Senator Jackson declined in reactions to the news of his death, whereas the prices of companies affiliated with his successor increased. Also supporting these results are Fisman's (2001) findings on the valuation of political rents for Indonesian firms connected with former Indonesian president Suharto, which revealed that returns of shares of politically dependent firms were considerably lower than the returns of less dependent firms.

Table 7: Cumulative excess returns for periods around announcement of top management change with political connections

Days	Change in POLCON		Resignation		Appointments		Retirements		Joint		Death	
	CER	t-stat	CER	t-stat	CER	t-stat	CER	t-stat	CER	t-stat	CER	t-stat
-15 to -11	0.0321	2.72*	0.0039	0.33	0.0168	1.42	0.3469	6.02*	-0.0344	-0.29	0.2128	4.50*
-10 to -6	0.0225	1.91***	-0.0070	-0.59	-0.0030	-0.26	-0.4008	-1.08	0.0204	0.17	0.2126	4.50*
-5 to -1	0.0505	4.28*	0.0072	0.61	0.0368	3.11*	0.3691	13.18*	0.0223	0.19	0.2127	4.50*
-1 to 0	0.0178	1.50	-0.0024	-0.20	0.0142	1.20	0.1309	5.09*	0.0040	0.03	0.0851	1.80***
-1	0.0088	1.5	-0.0011	-0.19	0.0073	1.24	0.0583	9.88*	0.0041	0.7	0.0425	7.2*
0	0.0149	2.52**	0.0058	0.98	0.0142	2.4**	0.0660	11.19*	0.0001	0.01	0.0425	7.2*
1 to 5	0.0473	4.01*	0.0152	1.28	0.0384	3.25*	0.2793	13.76*	-0.0066	-0.06	0.2127	4.50*
6 to 10	0.0325	2.75*	-0.0260	-2.20**	0.0288	2.43**	0.3021	10.31*	-0.0282	-0.24	0.2127	4.50*
11 to 15	0.0019	0.16	-0.0549	-4.65*	-0.0112	-0.94	-0.2990	-4.00*	0.0024	0.02	0.2126	4.50*
16 to 20	0.0215	1.82***	0.0076	0.64	-0.0062	-0.52	-0.3939	-2.21**	-0.0028	-0.02	0.2125	4.50*
21 to 25	0.0190	1.61	-0.0397	-3.37*	0.0106	0.89	0.2702	3.79*	0.0171	0.14	0.2128	4.50*
26 to 30	0.0209	1.77***	-0.0324	-2.74*	0.0136	1.15	0.2869	4.87*	-0.0215	-0.18	0.2051	4.34*
31 to 35	0.0184	1.56	0.0050	0.42	0.0050	0.42	0.2346	1.79***	-0.0276	-0.23	0.1637	3.47*
36 to 40	0.0308	2.60*	-0.0369	-3.13*	0.0269	2.28**	0.3020	9.64*	-0.0013	-0.01	0.2088	4.42*

*, ** and *** represent significance at 0.01, 0.05 and 0.1 level of significance, respectively. The standard deviation used for the five-day return was 0.00195. For the two-day return it was 0.01181.

Table 8 presents the CER around the period of changes in top management without political connections. On day -1 the excess return is 0.39%. The average return for day 0 is 1.03%.

Table 8: Cumulative excess returns around announcements of top management change without political connections

Returns	All change		Resignation		Appointment		Retirement		Joint	
period	CER	t-stat	CER	t-stat	CER	t-stat	CER	t-stat	CER	t-stat
-15 to- 11	0.0255	2.16**	-0.0534	-4.52*	-0.0045	-0.39	-0.0228	-1.93	0.5405	4.58*
-10 to -6	0.0112	0.95	-0.0502	-4.25*	-0.0268	-2.27**	0.0277	2.34**	0.5137	4.35*
-5 to -1	0.0325	2.75*	-0.0420	-3.55*	0.0013	0.11	0.0603	5.11*	0.5231	4.43*
-1to 0	0.0142	1.20	-0.0239	-2.02**	0.0061	0.51	0.0223	1.88***	0.2046	1.73***
-1	0.0039	0.67	-0.0093	-1.57	-0.0019	-0.31	0.0062	1.05	0.0936	4.61*
0	0.0103	1.74***	-0.0146	-2.47**	0.0079	1.34	0.0161	2.72*	0.1110	3.96*
1 to 5	0.0112	0.95	-0.0451	-3.82*	-0.0366	-3.10*	0.1578	13.36*	0.5408	4.58*
6 to 10	0.0331	2.80*	-0.0428	-3.62*	0.0014	0.12	0.0364	3.08*	0.5382	4.56*
11 to 15	0.0210	1.78***	-0.0532	-4.51*	-0.0049	-0.42	0.0305	2.58*	0.4734	4.01*
16 to 20	0.0347	2.94*	-0.0338	-2.86*	0.0095	0.80	0.0474	4.02*	0.4616	3.91*
21 to 25	0.0446	3.78*	0.0506	4.29*	-0.0171	-1.45	0.0869	7.36*	0.4997	4.23*
26 to 30	0.0406	3.44*	0.0457	3.87*	-0.0152	-1.28	0.0287	2.43**	0.4653	3.94*
31 to 35	0.0462	3.91*	0.0689	5.83*	-0.0030	-0.25	-0.0807	-6.84*	0.3884	3.29*
36 to 40	0.0695	5.89*	0.0881	7.46*	0.0038	0.32	0.1041	8.82*	0.5156	4.37*

*,** and *** represent significance at 0.01, 0.05 and 0.1 level of significance, respectively. The standard deviation used for the five-day return was 0.00195. For the two-day return it was 0.01181.

The five-day CERs around the announcements of changes in top management without political connections are positive but not statistically significant for days -1 to 0. CER around announcements of resignation are negative and statistically significant. CER around announcements of new appointment are negative and statistically significant for day -10 to -6 and days 1 to 5 after the announcement. The CER for announcements of joint decisions are positive and statistically significant for the study period.

The study also tested for the differences in the mean of the two samples with change in top management with and without political connections for days -15 to +40. The result is presented in Table 9. The mean excess returns of the change in top management with political connections (PC) is 0.055%, the standard error is 0.00058 and it is statistically significant at 1%. The mean excess returns of the change in top management without political connections *(No PC)* is 0.0697%, the standard error is 0.00064 and it is statistically significant at 1%.

Table 9: Two-sample t-test of MER around announcements of top management change with and without political connections

Group		Obs.	Mean	Std Error
No PC	0	56	0.00697*	0.00064
PC	1	56	0.00545*	0.00058
H0:mean (0)-mean (1)=diff=0				
Ha: mean diff from 0				
t=1.7598**				
P > % t%=0.0406				

*,** and *** represent significance at 0.01, 0.05 and 0.1 level of significance, respectively.

The study tests for null hypothesis 4, that there is no difference in mean excess returns between firms to whose boards the government possesses the power to make appointments. The result of the t-test according to change in top management with and without political connections shows that the mean values are statistically different for announcements of change in top management with and without political connections at 5% level of significance. The study therefore rejects null hypothesis 4 and accepts the alternative hypothesis.

7. Discussions, conclusions and policy implications

Major findings are discussed below in three major categories The first is simply the impact of announcements of changes in top management. The second and third are more specific. They deal with outside and inside turnover and succession and politically connected top management turnover and replacement, respectively

Announcement of changes in top management

Results of the analyses suggest that pre announcement, announcement and post announcement periods of top management change have positive information content. This implies that top management change is in shareholders' interests and it conveys good news about firms' future performance. There is a negative change in accounting records and firm performance before the announcement and a positive post announcement period change in firm performance.

The resignation of top management resulted in negative investor reactions for the pre, during and post announcement periods. This is corroborated by accounting records, which showed a reduction in firm performance a year before and an improved performance a year after the announcement. Poor firm performance and accounting records a year before resignations point to the fact that the resignation may be a polite way of dismissing a poor top CEO or chair. This is supported by the improvement in accounting records a year after resignation announcements. In Nigeria, poor top managers are rarely sacked – they are always advised to resign.

However, joint events or concurrent announcements of resignation or retirement and new appointment produced a positive information effect. This is evident by excess returns that are large in size and can be corroborated by negative changes in firm performance before the announcement and positive changes in firm performance a year after the announcement. This is consistent with the occurrence of successor-driven recovery, with investors viewing it as a positive step when new key top managers take charge. The findings of positive investor reactions to top management's concurrent resignation or retirement and replacement are also consistent with the rational adaptation view of organizational change. Announcement of a successor concurrently with resignation after poor performance may be seen as adaptive responses suggesting strategic redirection. Boards exercise bottom-line control by ousting CEOs when firm performance fails to meet board expectations, and, by positioning a new key executive at the helm, the board signals the end of entrenched management (Mizruchi, 1983).

The excess returns around announcements of retirement are interesting because of their large size. The pre and post announcement positive information effects show that the market has anticipated the formal announcement of retirement. Positive changes in firm performance are experienced before and a year after announcement of retirements. The positive shareholder effects may be explained by the fact that retirements may be used to appoint a new CEO or chair that will bring fresh and dynamic impetus into the firm's operations. Death also produced a large positive shareholders' wealth effect in the pre and post announcement period. This can be explained by the fact that death following a long period of ill health will be more in the nature of retirement, an opportunity to appoint a fully functioning CEO or chair to replace one who has been suffering from ill health and possibly performed below par or not at all.

Outside and inside turnover and succession

The study found negative investor reactions to top management changes involving outside directors and positive investor reactions to changes in insider top managers and directors during the pre and post announcement periods.

The new appointment of outsiders also gave a negative investor reaction during the entire event window, while the appointment of insiders gave positive information wealth effect. This is consistent with the argument put forward by Bonnier and Bruner (1989: 100):

> The appointment of an outsider will have a negative effect on performance, while an insider appointment will have a positive effect on performance because inside successions are less disruptive than outside successions; outsiders have none of the firm specific human capital of insiders; the board of directors know insiders better than outsiders and may be able to minimize the problem of adverse selection in appointment; internal promotion gives incentives to junior executives, while outside appointments serves as a disincentive; and the appointment of an outsider may send a negative signal, that the firm cannot get a suitable insider successor.

Resignation of an outside key manager or director produced a negative investor reaction. In the absence of semi-strong efficiency, resignation by a chair or vice-chair as an expression of disquiet about what is going on within the company may be the first signal to the market that something is amiss in the company and it will produce a negative signal in the short term.

Retirements and death announcements of the outside top director/chair produced positive investor reactions. The positive shareholder effects may be explained by the fact that the retirement of an outsider chair or vice-chair may be an opportunity to appoint a new chair who will bring a fresh, dynamic approachto the firm's operations. Positive investor reactions to the announcement of the death of an outside chair or vice chair can also be explained by the fact that death following a long period of ill health will be more in the nature of retirement, an opportunity to appoint a fully functioning chair.

Joint events or concurrent retirement or resignation and appointment of an outside director produced a positive wealth effect. This can be explained as the occurrence of successor-driven recovery, with investors viewing it as a positive step when a new key manager or chair took charge. The study also found positive post announcement reactions to insider appointments.

Politically connected top management turnover and replacement

The study found positive information content of top management change announcements irrespective of political connections. It is significant to note that announcements of the appointment of politically connected chairs or vice-chairs produce positive information content and positive investor reactions for the pre and post announcement periods, while announcements of a change in chair or vice-chair without political connections results in negative shareholders' wealth. This is because politically connected appointees represent government interests and enjoy favour and approval of the government. The possibility of the government issuing any policy that will affect the continuity of the firm and its line of business is unlikely. Since political connection is synonymous with political rent-seeking, the firm is not likely to be starved of funds to finance or expand the business. The possibility of getting jobs or business for the firm from government is also enhanced. This is consistent with findings by Roberts (1990); Fisman (2001); Goldman et al. (2007), and Bunkanwanicha and Wiwattanakantang (2007) that suggest that a large percentage of the value of well-connected firms may be derived from political connections.

Joint or concurrent retirement or resignation and appointment of a politically connected top executive or chair produced neutral results. This is because the replacement of one politically connected key executive with another politically connected executive will not result in any significant reactions by investors, who would rather adopt a "wait-and-see" attitude in determining whether the new political appointee CEO or chair will outperform their predecessor. On the other hand, the concurrent retirement or resignation and appointment of top management without political connection resulted in a positive shareholders' wealth effect in pre and post announcement periods.

Announcements of the resignation of politically connected key officials produced negative post announcement shareholder wealth effects as expected. Negative investor reaction is expected because it shows that the firm is deprived of a valuable top executive or board member, as well as access to government and political rents as explained earlier. The delayed reaction by the investor may be to wait-and-see whether another politically connected person will be named. Failure to name a politically connected successor will result in a negative shareholders' wealth effect. However, announcements of the resignation of key officials who are not politically connected produced pre, during and post announcement negative investor reactions. This is consistent with the argument that the resignation of a key executive signals a negative information content.

The study also found a positive investor response to announcements of the retirement or death of both politically connected and unconnected key management. The positive shareholder effects may be explained by the fact that retirements or death may be used to appoint a new CEO or chair who will have a dynamic impact on the firm's operations.

The study finds that the Nigerian stock market reacts sluggishly to announcements of top management and board changes. The study therefore upholds the findings in Oludoyi (1999) and Adelegan (2003, 2006a and b), which revealed that share prices react to public announcements, as share prices still drift 10 weeks and 25 days after earnings and dividend announcements, respectively in Nigeria. The findings from the analysis of excess returns to shareholders' wealth upon the announcement of a change in leadership of listed firms point to the fact that the Nigerian stock market is active and semi-strong efficient.

8. Conclusions and policy implications

According to our results, announcements of changes in top management and board members are significant because they affect shareholders' wealth. This is because the Board of Directors and corporate leaders affect firm performance. Announcements of the appointment of a politically connected top manager or corporate leader produces positive information content and positive investor reactions, while announcements of changes in top management without political connections result in negative shareholders' wealth.

This study has a number of policy implications and points to some areas of future research:

- The finding that changes in top management and board composition affect firm performance requires the strengthening of corporate governance codes and practices in Nigeria. SEC and CAC can strengthen its 2003 code and attention should be focused on the issue of board independence and active participation, equity compensation, and frequent executive sessions. Weak corporate governance practices will affect the effectiveness of the board and increase agency problems on the part of top management. A strong, active and independent board is the best protection for the shareholders.

- The positive information content concerning the appointment of board members and top managers with political connections raises issues of ethics and morality, which are important components of corporate governance. Government should ensure meritocracy in the choice of political appointees on the board where they have interests, and fair play among firms with or without political connectedness because this has implications for the performance of the firm. More research is desirable on this issue. New insights may derive from focusing on a sample of firms with political connectedness.

- The external market for corporate control (the takeover market) in Nigeria needs to be strengthened. Notwithstanding the substitution effect between the board and the takeover market, the issue of the discipline of the board itself is important, and this is even more important when there are political appointees. This is referred to as "who monitors the monitor?" The market for corporate takeovers serves as an external control not only over the CEO, but also over the board and hence monitors the monitor (John and Senbet, 1998).

In sum, the findings lend support to the position that predicting the financial consequences of top management change is extremely complex. More research on the determinants of shareholder benefits from management change is desirable.

Notes

1. In the financial services sector, the collapse of Forum Finance, Abacus merchant bank Nigeria limited, Royal merchant bank Nigeria limited, Rim Merchant Bank, Financial merchant Bank, Progress Bank, Republic Merchant bank among others are attestations to the fact that weak corporate governance will ultimately result in corporate failure. Outside the banking sector, manipulation of accounting policies, methods and the attendant effect on accounting figures of African Petroleum (AP) which concealed debts well in excess of 20 billion naira, overvaluation of the shares of Lever Brothers, overstatement of accounting figures and profit of Cadbury Nigeria and fraudulent sale of shares involving Bonkolans securities and others.

2. Firms are expected to comply with the code of corporate governance and explain their corporate governance policy in their annual reports. Quoted firms are expected to comply before listing on the Nigerian stock exchange.

3. The head office in Lagos was opened in 1961, Kaduna branch was opened in 1978, Port Harcourt, 1980, Kano, 1989, Onitsha, 1990, Ibadan, 1990, Abuja area office, 1999, Yola, 2002 and, Benin, 2005. A second stock exchange named the Abuja Stock Exchange was established in 1998. Because of political pressures, it was later converted into a commodity exchange on 9 August 2001, as a forum where commodities can be traded. Farmers, for example, would have a market where they can trade in futures as well as substantial capital support in the same way as companies source for funds in the capital market. However, it has not yet commenced operations.

4. The CBN bank recapitalization policy led to the merger and business combination arrangements of 89 banks into 25 banks, most of which were previously listed on the NSE. This led to a reduction in number of listed firms, but an increase in overall stock market capitalization of listed firms in general , and in particular an increase in market capitalization of banks.

5. Exchange rate is USD$1=130 naira.

6. Healy et al. (1992) documented changes in total assets, employment levels and capital expenditures following large mergers. Bhagat et al. (1990), Bhide (1989), and Denis (1994) found changes in employment following tender offers. Kaplan (1989) and Smith (1990) found changes in accounting data following management buyout and Denis and Denis (1993) and Palepu and Wruck (1992) found changes following leveraged recapitalizations.

7. In Nigeria, actual dates of board changes are stated in the annual reports and accounts in addition to board compositions and changes during the year.

References

Adelegan, O.J. 2001. "A gender analysis of leadership of quoted companies in Nigeria". *Shareholders' Voice*, 1(1): 5–7.

Adelegan, O.J. 2003. "Capital market efficiency and the effects of dividend announcement on share prices in Nigeria". *African Development Review*, Blackwell Publishers, 15(2&3, Dec): 218–36.

Adelegan, O.J. 2004. "How efficient is the Nigerian stock market: Further evidence". *African Review of Money, Finance and Banking*, Supplementary Issue of 'Savings and Development', 143–65.

Adelegan, O.J. 2005. "Internal and external governance mechanisms: Evidence from the Nigerian banking industry". *Corporate Ownership and Control*, 2(3, Spring): 62–7.

Adelegan, O.J. 2006a. "Market Reactions to Initiations and Omissions of Dividend on the Nigerian Stock Market". *Ibadan Journal of the Social Sciences*, 4(1, March): 47–59.

Adelegan, O.J. 2006b. "Price reactions to dividend policy changes on the Nigerian stock market". *African Journal of Economic Policy*, 13(2, Dec): 59–79.

Adelegan, O.J. 2007. "Political succession, capital market performance and firm valuations in Nigeria". *Ibadan Journal of the Social Sciences*, University of Ibadan, 5(1, March): 25–36.

Adenikinju, O. 2005. "Managerial characteristics, corporate governance and corporate performance: The case of Nigerian quoted companies". Final report presented at the AERC Biannual Research Workshop, Johannesburg, South Africa, 1–7 December 2005.

Adenikinju, O. and F. Ayonrinde. 2001. "Ownership structure, corporate governance and corporate performance: The case of Nigerian quoted companies". Final report presented at the AERC Biannual Research Workshop, Nairobi, Kenya, 26–31 May 2001.

Alchian, A.A. and H. Demsetz. 1972. "Production, information costs and economic organization". *American Economic Review*, 62: 777–95.

Ariyo, A. and O.J. Adelegan. 2005. "Assessing the impact of capital market reforms in Nigeria: An incremental approach". Paper accepted for presentation at the 46th Annual Conference of The Nigerian Economic Society, Lagos, Nigeria, 23–25 August 2005.

Ayadi, F.O. 1984. "The random walk hypothesis and the behavior of share prices in Nigeria". *Nigerian Journal of Economic and Social Studies*, 26(1, March): 57–71.

Beatty, R.P. and E.J. Zajac. 1987. "CEO change and firm performance in large corporations: Succession effects and manager effects". *Strategic Management Journal*, 8: 305–17.

Beaver, W. 1968. "Information content of annual earnings announcements". Empirical Research in Accounting: Selected Studies, 1968, Supplement to Vol. 6 of *Journal of Accounting Research*, 67–92.

Bhagat, S. and B. Black. 1996. "Do independent directors matter?" Working Paper. Columbia University, New York.

Bhagat, S., A. Schleifer and R.W. Vishny. 1990. "Hostile takeovers in the 1980s: The return to corporate specialization" *Brookings Papers on Economic Activity*, Economics, 1–84.

Bhide, A. 1989. "The causes and consequences of hostile takeovers". *Journal of Applied Corporate Finance*, 2: 359–66.

Blume, M.E. and R.F. Stambaugh. 1983. "Biases in computed returns: An application to the size effect". *Journal of Financial Economics*, 12: 387–404.

Bonnier, K. and R.F. Bruner. 1989. "An analysis of stock price reactions to management change in distressed firms". *Journal of Accounting and Economics*, 11: 95–106.

Borstadt, L. 1985. "Stock price reaction to management changes". Unpublished manuscript. University of Utah, Salt Lake City.

Brickley, J.A, J.L. Coles and R.L. Terry. 1994. "Outside directors and the adoption of poison pills". *Journal of Financial Economics*, 35: 371–90.

Bunkanwanicha, P. and Y. Wiwattanakantang. 2007. "Does political connectedness affect firm value?". Paper presented at the Annual American Finance Association organized by the Allied Social Science Associations, Chicago, 5–7 January.

Cooper, J.C. 1982. "World stock markets: Some random walk tests" *Applied Economics*, 14: 515–31.

Denis, D. 1994. "Evidence on the effects of hostile and friendly tender offers on employment". *Managerial and Decision Economics*, 15: 341–58.

Denis, D.J and D.K. Denis. 1993. "Managerial discretion, organizational structure and corporate performance: A study of leveraged recapitalization". *Journal of Accounting and Economics*, 16: 209–36.

Denis, D.J. and D.K. Denis. 1995. "Performance changes following top management dismissals". *The Journal of Finance*, L(4, Sept): 1029–58.

Dickinson, J.P. and K. Muragu. 1994. "Market efficiency in developing countries: A case study of the Nairobi Stock Exchange". *Journal of Business Finance and Accounting*, 21: 135–50.

Ekpenyong, D.B. 1992. "Pattern of share ownership in quoted and unquoted companies in Nigeria: 1978–1990". *Nigerian Journal of Economic and Social Studies*, 34(2): 75–94.

Fama, F.F. 1991. "Efficient capital market II". *The Journal of Finance*, 46(5, Dec.): 1575–617.

Fama, E.F. and M.H. Miller. 1972. *The Theory of Finance*. New York: Holt, Rinehart and Winston.

Federal Republic of Nigeria. 1990. "Companies and Allied Matters Decree and Amendments". *Federal Republic of Nigeria Official Gazette*, 77(2): 9, January.

Fisher, L. 1966. "Some new market indexes". *Journal of Business*, 39, 1(2, January): 191–225.

Fisman, R. 2001. "Estimating the value of political connections". *The American Economic Review*, 91(4, Sept.): 1095–102.

Fosberg, R. 1989. "Outside directors and managerial monitoring" *Akron Business and Economic Review*, 20: 24–32.

Fox, A.F. and K.K. Opong. 1999. "The impact of board changes on shareholders wealth: Some UK evidence". *Corporate Governance, An International Review*, Papers, Vol. 7, No. 4, Blackwell Publishers, UK.

Furtado, E.P. 1986. "The wealth effects of manager initiated management changes". Unpublished manuscript. Kansas State University, Manhattan, Kansas.

Furtado, E.P. and M.S. Rozeff. 1987. "The wealth effects of company initiated management changes". *Journal of Financial Economics*, 18: 147–60.

Ghandi, D.K., A. Saunders and R.S. Woodward. 1980. "Thin capital market: A case study of Kuwait Stock Market". *Applied Economics*, 12: 129–49.

Goldman, E., J. Rochelle and J. So. 2007. "Does political connectedness affect firm value?". Paper presented at the Annual American Finance Association conference, organized by the Allied Social Science Associations , Chicago, USA, 5–7 January.

Harris, M. and A. Raviv. 1991. "The theory of capital structure". *Journal of Finance*, 46: 297–355.

Hart, O. 1995. *Firms, Contracts, and Financial Structure*. Oxford: Oxford University Press.

Healy, P.M., K.G. Palepu and R.S. Ruback. 1992. "Does corporate performance improve after merger?" *Journal of Financial Economics*, 31: 135–76.

Hermalin, B. and M. Weisbach. 1988. "The determinants of board composition". *RAND Journal of Economics*, 19: 589–606.

Hermalin, B. and M. Weisbach. 1991. "The effects of board composition and direct incentives on firm performance". *Financial Management*, 20(4, Winter): 101–12.

Inanga, E.L. and M.O. Asekomi. 1992. "The random character of equity prices in the Nigerian stock market". *Management and Development*, RVB Research Papers, XII(1, June): 12–7.

Jensen, M.C. 1991. "Corporate control and the politics of finance". *Journal of Applied Corporate Finance*, 4: 13–33.

Jensen, M.C. and W. Meckling. 1976. "Theory of the firm: Managerial behavior, agency costs and ownership structure". *Journal of Financial Economics*, 3: 305–60.

John, K. and L. Senbet. 1998. "Corporate governance and board effectiveness". *Journal of Banking & Finance*, 22: 371–403.

Kaplan, S. 1989. "The effects of management buyouts on operations and value". *Journal of Financial Economics*, 24: 217–54.

Klein, A., W. Kim and A. Mahajan. 1985. "Information content of management changes". Unpublished manuscript. Baruch College, New York, NY.

Krueger, A.O. 1974. "The political economy of the rent-seeking society". *American Economic Review*, June: 291–303.

Mahajan, A. and S. Lummer. 1993. "Shareholder wealth effects of management changes". *Journal of Business Finance and Accounting*, 20(3, April): 393–410

Manne, H.G. 1965. "Mergers and the market for corporate control". *Journal of Political Economy*, 73: 110–20.

Matome, T.K. 1998. "The price discovery process of the Namibian stock exchange and the informational content of the share index". *Savings and Development*, 3, XXII(3): 283–301.

May, R. 1971. "The influence of quarterly earnings announcements on investors decisions as reflected in common stock price changes". Empirical Research on Accounting: Selected Studies, Supplement to Vol. 9 of the *Journal of Accounting Research*, 119–63.

Michaely, R., R.H. Thaler and K.L. Womack. 1995. "Price reactions to dividend initiations and omissions: Overreaction or drift?". *Journal of Finance*, 50(June): 573–608.

Mizruchi, M.S. 1983. "Who controls whom? An examination of the relation between management and boards of directors in large American corporations". *Academy of Management Review*, 8: 426–35.

Olowe, R.A. 1998. "Stock splits and efficiency of the Nigerian stock market". *African Review of Money, Finance and Banking*, 1-2: 97–125.

Oludoyi, S.B. 1999. "Capital market efficiency and the effects of earnings announcements on share prices in Nigeria". Unpublished PhD thesis. University of Ibadan, Ibadan, Nigeria.

Omole, D.O. 1997. "Efficient market hypothesis and the Nigerian capital Market under financial liberalization: An empirical analysis". Unpublished PhD thesis, University of Ibadan, Nigeria.

Osei, K.A. 1998. *Analysis of Factors Affecting the Development of an Emerging Capital Market: The Case of Ghana Stock Market*. Research Paper No. 76. African Economic Research Consortium, Nairobi, Kenya.

Palepu, K.G. and K.H. Wruck. 1992. "Consequences of leveraged shareholder payouts: Defensive versus voluntary recapitalizations". Working paper. Harvard Business School, Cambridge, Massachusetts.

Parkinson, J.M. 1987. "The EMH and the CAPM on the Nairobi Stock Exchange". *East African Economic Review*, 3(2): 105–10.

Patell, M.P. 1976. "Corporate forecast of earnings per share and stock price behavior: Some empirical evidence". *Journal of Accounting*, Autumn: 246–76.

Reinganum, M.R. 1985. "The effects of executive succession on stockholder wealth". *Administrative Science Quarterly*, 30: 46–60.

Roberts, B.E. 1990. "A dead senator tells no lies: Seniority and the distribution of federal benefits". *American Journal of Political Science*, 34(1, Feb.): 31–58.

Roll, R. 1983. "On computing mean returns and the small firm premium". *Journal of Financial Economics,* 12: 371–86.

Rosenstein, S. and J.G. Wyatt. 1990. "Outside directors, board independence, and shareholder wealth". *Journal of Financial Economics,* 26: 176–91.

Sanda, A.U., A.S. Mikailu and T. Garba. 2005. *Corporate Governance Mechanisms and Firm Financial Performance in Nigeria.* Research Paper No. 149. African Economic Research Consortium. Nairobi.

SEC/CAC. 2003. *Code of Corporate Governance in Nigeria*. Securities and Exchange Commission and Corporate Affairs Commission, Lagos.

Smith, A. 1990. "Corporate ownership structure and performance: The case of management buyouts". *Journal of Financial Economics,* 27: 143–64.

Teriba, O., E.C. Edozien and M.O. Kayode. 1977. "Some aspects of ownership and control structure of business enterprise in a developing economy: The Nigerian case". In O. Teriba and M.O. Kayode, eds., *Industrial Development in Nigeria, Patterns, Problems and Prospect*, Ibadan: University of Ibadan Press, 89–112.

Warner, J.B., R.L. Watts and K.H. Wruck. 1988. "Stock price and top management changes" *Journal of Financial Economics*, 20: 461–92.

Weisbach, M.S. 1988. "Outside directors and CEO turnover". *Journal of Financial Economics*, 20: 431–60.

Worrell, D.L., W.N. Davidson III and J.L. Glascock. 1993. "Stockholder reactions to departures and appointments of key executives attributable to firings" The Academy of Management Journal, 36 (2, April): 387–401.

Appendix A: Stylized facts of operational statistics of the Nigerian stock market

Statistics	2005	2004	2003	2000	1999	1998	1997	1996	AGR (1996–2005) %
Market capitalization (billions of naira)	2900b	2,112b	1,359b	478.6b	299.9b	263.3b	292.0b	285.6b	49
Market capitalization/GDP%	29.42%	25.55%	19.52%	9.77%	9.39%	9.49%	9.95%	10.43%	20
Shares traded (volume)	26.7b	19.21b	13.30b	5.0b	3.9b	2.1b	1.3b	0.882b	68
Value traded (billions of naira)	262.94b	225.82b	120.70b	28.2b	14.1b	13.6b	11.1b	7.1b	88
New issues billion/ millions of naira)	282.3b	227.38b	185.02b	35.71m	44.44m	17.28m	9.11m	21.45m	12
New issues/GDP	0.03	4%	3%	0.09%	0.12%	0.06%	0.03%	0.08%	5
Listed securities (number)	214	277	265	261	269	264	264	276	-
Price cap	5%	5%	5%	5%	5%	5%	5%	20 kobo	-
NSE All-Share Index (1984=100)	24,085.76	23,844.45	20,128.94	8111.01	5266.43	5672.76	6440.51	6992.1	28

Note: Exchange rate is $1 = 130 naira. 1 naira= 100 kobo, N= naira, t=trillion, b=billion, m=million, AGR (1996–2000)=average growth rate from 1996 to 2005 measured in percentages.

Source: “The Nigerian Stock Exchange Fact Book”, various issues, and: Annual Reports & Accounts, various issues, Nigerian Stock Exchange: Oludoyi (1999); Central Bank of Nigeria (CBN) Annual Report and Statements of Accounts, 2006.

Appendix B: Characteristics of governance bodies of quoted Nigerian firms

Table B1: Average board size of Nigerian quoted firms by sector, 1997–2005

Sector	Board size	Sector	Board size
Average	9	Foodbev	11
Agric	9	Footwear	7
Aviation	7	Health	7
Auto	8	Indust	7
Bank	10	Insurance	8
Brew	11	Machmkt	7
Build	10	Packaging	8
Chempaint	8	Petrol	9
Congl	10	Printpub	7
Constr	10	Textile	5
Emerg	11	Realest	7

Source: Authors computations from NSE Fact Book 1997–2005, Annual Reports and Accounts of Quoted Companies in Nigeria 1997–2005.

Table B2: Characteristics of boards of Nigerian quoted companies 1997–2005

Characteristic	%
Chair different from CEO	92
Women on board	26
Female chair/CEO	2
Average foreigners on board	2
% of foreign ownership	26
% of BOD with political affiliations	12
Chair with political affiliations	3
% of government shareholding	13
% of insider directors (executive members) on BOD	21
Average No of employees	1,358

Source: Authors computations from NSE Fact Book 1997–2005, Annual Reports and Accounts of Quoted Companies in Nigeria 1997–2005.

Table B3: Management board changes by year and type of change

Year	All changes	Type 1 New appt	Type 2 Resign	Type 3 Retirement	Type 4 Deceased	Type 5 Joint
1997	32	15	12	2	1	2
1998	99	31	24	16	2	26
1999	116	49	39	12	0	16
2000	111	71	14	7	3	16
2001	117	50	20	15	3	29
2002	113	54	29	10	6	14
2003	52	27	14	5	2	4
2004	48	23	9	5	2	9
2005	37	19	4	6	0	8
Total	725	339	165	78	19	124
%	100	47	23	11	3	17

Notes: New appt is new appointment; Resign is resignation; Joint is where type 1 to type 3 take place at the same time.
Source: Authors computations from NSE Fact Book 1997–2005, Annual Reports and Accounts of Quoted Companies in Nigeria 1997–2005.

Table B4: Top management and other board changes by year and type of change

Events	1997	1998	1999	2000	2001	2002	2003	2004	2005	Total	%
CHANGES	29	65	84	72	84	81	45	39	27	526	100
Chair	12	18	31	24	32	27	14	14	10	182	35
Directors	16	41	50	46	49	51	29	25	15	322	61
Concurrent	1	6	3	2	3	3	2	0	2	22	4
APPOINTMENTS											
Total	13	21	36	39	30	34	21	15	14	223	100
Chair	8	9	17	13	12	13	6	6	6	90	40
Directors	4	8	18	25	16	20	14	9	7	121	54
Concurrent	1	4	1	1	2	1	1	0	1	12	5
RESIGNATIONS											
Total	13	21	29	13	16	21	14	7	3	137	100
Chair/CEO/MD	3	3	8	5	4	6	5	2	0	36	26
Directors	10	18	21	8	12	15	8	5	3	100	73
Concurrent	0	0	0	0	0	0	1	0	0	1	1
RETIREMENTS											
Total	1	8	8	4	15	7	3	6	4	56	100
Chairman/CEO/MD	0	1	2	2	7	2	1	2	1	18	32
Directors	1	6	4	2	8	5	2	4	3	35	63
Concurrent	0	1	2	0	0	0	0	0	0	3	5
DECEASED											
Total	1	2	0	3	4	5	2	2	0	19	100
Chair/CEO/MD	1	1	0	0	1	1	0	1	0	5	26
Directors	0	1	0	3	3	4	2	1	0	14	74
Concurrent	0	0	0	0	0	0	0	0	0	0	0
JOINT EVENTS											
Total	1	13	11	13	19	14	5	9	6	91	100
Chair/CEO/MD	0	4	4	4	8	5	2	3	3	33	36
Directors	1	8	7	8	10	7	3	6	2	52	57
Concurrent	0	1	0	1	1	2	0	0	1	6	7

Note: Chair/CEO/MD is change in top executive. CEO is chief executive officer, MD is managing director.
Source: Author's computations from NSE Fact Book 1997–2005, Annual reports and accounts of quoted companies in Nigeria 1997–2005.

Other recent publications in the AERC Research Papers Series:

Poverty, Inequality and Welfare Effects of Trade Liberalization in Côte d' Ivoire: A Computable General Equilibrium Model Analysis, by Bédia F. Aka, Research Paper 160.

The Distribution of Expenditure Tax Burden before and after Tax Reform: The Case of Cameroon, by Tabi Atemnkeng Johennes, Atabongawung Joseph Nju and Afeani Azia Theresia, Research Paper 161.

Macroeconomic and Distributional Consequences of Energy Supply Shocks in Nigeria, by Adeola F. Adenikinju and Niyi Falobi, Research Paper 162.

Analysis of Factors Affecting the Technical Efficiency of Arabica Coffee Producers in Cameroon, by Amadou Nchare, Research Paper 163.

Fiscal Policy and Poverty Alleviation: Some Policy Options for Nigeria, by Benneth O. Obi, Research Paper 164.

FDI and Economic Growth: Evidence from Nigeria, by Adeolu B. Ayanwale, Research Paper 165.

An Econometric Analysis of Capital Flight from Nigeria: A Portfolio Approach, by Akanni Lawanson, Research Paper 166.

Extent and Determinants of Child Labour in Uganda, by Tom Mwebaze, Research Paper 167.

Implications of Rainfall Shocks for Household Income and Consumption in Uganda, by John B. Asiimwe and Paul Mpuga, Research Paper 168.

A Modelling of Ghana's Inflation Experience: 1960–2003, by Mathew K. Ocran, Research Paper 169.

Oil Wealth and Economic Growth in Oil Exporting African Countries, by Olomola P. Akanni, Research Paper 170.

Relative Price Variability and Inflation: Evidence from the Agricultural Sector in Nigeria, by Obasi O. Ukoha, Research Paper 171.

Sources of Technical Efficiency among Smallholder Maize Farmers in Southern Malawi, by Ephraim Chirwa, Research Paper 172.

The Determinants of School Attendance and Attainment in Ghana: A Gender Perspective, by Harry A. Sackey, Research Paper 173.

Private Returns to Education in Ghana: Implications for Investments in Schooling and Migration, by Harry A. Sackey, Research Paper 174.

Privatization and Enterprise Performance in Nigeria: Case Study of Some Privatized Enterprises, by Afeikhena Jerome, Research Paper 175.

Determinants of the Capital Structure of Ghanian Firms, by Joshua Abor, Research Paper 176.

Private Investment Behaviour and Trade Policy Practice in Nigeria, by Dipo T. Busari and Phillip C. Omoke, Research Paper 177.

Technical Efficiency of Rice Farmers in Northern Ghana, by Seidu Al-hassan, Research Paper 178.

Distribution Impact of Public Spending in Cameroon: The Case of Health Care, by Bernadette Dia Kamgnia, Research Paper 179.

Effect of Import Liberalization on Tariff Revenue in Ghana, by William G. Brafu-Insaidoo and Camara K. Obeng, Research Paper 180.

Social Welfare and Demand for Health Care in the Urban Areas of Côte d'Ivoire, by Arsene Kouadio, Vincent Monsan and Mamadou Gbongue, Research Paper 181.

Modelling the Inflation Process in Nigeria, by Olusanya E. Olubusoye and Rasheed Oyaromade, Research Paper 182.

Determinants of Expected Poverty among Rural Households in Nigeria, by A.O. Oni and S.A. Yusuf, Research Paper 183.

Tariff Line-Level Trade, Tariff Revenue and Reciprocal Welfare Effects under an Economic Partnership Agreement with the EU: Evidence from Malawi and Tanzania, by Evious K. Zgovu and Josaphat P. Kweka, Research Paper 184.

Exchange Rate Volatility and Non-Traditional Exports Performance: Zambia, 1965–1999, by Anthony Musonda, Research Paper 185.

The Impact of Subregional Integration on Bilateral Trade: The Case of UEMOA, by Akoété Ega Agbodji, Research Paper 186.

Macroeconomic Fluctuations in the West African Monetary Union: A Dynamic Structural Factor Model Approach, by Romain Houssa, Research Paper 187.

Price Reactions to Dividend Announcements on the Nigerian Stock Market, by Olatundun Janet Adelegan, Research Paper 188.