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The impacts of Policy and Strategic Management on Macroeconomic Indicators in Corporate Governance

IGE Kolapo* **ADEYEYE Femi†**

AINA Sola‡

* [Corresponding Author], [PhD], [Department of Economics, Faculty of Social Sciences, Lagos State, University, P.M.B. 0001, Ojo-Lagos, Nigeria], [kolanrewajuphu@yahoo.com], [08035049821]
† [PhD], [Department of Industrial Relation and Personnel Management, Lagos State University, Ojo,-Lagos, Nigeria]
‡ [PhD], [Department of Educational Management, Lagos State University, Ojo,-Lagos, Nigeria]

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Ige Kolapo, Adeyeye Femi, & Aina Sola

Abstract

Although pockets of cases of resistance, hesitance, and foot-dragging are still recorded with respect to the exposure of top public and private sector personalities to continuous policy/strategic management executive development programmes, it is most worrisome that corporate governance void and missing links have continued to deflate concerted efforts towards improving key macroeconomic profiles in the Nigerian nation. The paper examines the policy and strategic development in political and economic governance and its implications for macroeconomic performance. The paper seeks to awaken the sensibilities of government as policy makers / managers and productive corporate institutions as movers / drivers to blend and collectively optimize various monetary and fiscal intervention mechanisms for sustainable redefinition of strategic macroeconomic indicators in the millennium.

keywords: Corporate governance, economy movers, policy makers, strategy designing, macroeconomic framework.

§ **Acknowledgment**
Nil

1. Introduction

On the strength of knowledge accumulated in the area of economic and political governance of social institutions, a conclusion has been reached to the effect that for any institution to want to move forward in terms of realizing its established goals, it must have in place, a credible mechanism for developing policies and strategies for implementing the policy choices. It has to be stated here that those jurisdictions that came into terms long ago with this basic fact are today, far ahead of the others in terms of calling the shots for the rest of the world. In other words, all entities in both the public and the private sectors Of the economic system must imbibe the culture and practice of policy development and strategic management of available human and material resources if they indeed mean to joyously surf on the dynamics of globalization.

In terms of historical antecedents, the whole idea about policy development and strategic management started in the top business schools in the United State of America (USA), most prominently the Harvard Business School in 1911. Since then, the idea has caught one with the rest of the world and it is in use in both the public and the private sectors of the economy. The essence of this paper in the context of the preceding therefore is to examine the effect of policy and strategy development in political and economic governance on macroeconomic performance in an economic system.

2. Corporate Governance - The Missing Link.

If the various policy and strategic management course injections accorded several public and private sectors Chief Executive Officers are yet to yield meaningful results that would impact on macroeconomic indices significantly and positively, then something is still wrong somewhere. There is still a missing link with some critical instrumental (catalytic) elements. One of such imperatives recently recognized and emphasized especially in the financial services sub-sector is corporate governance. Undoubtedly, even the best of policy and strategy can hardly yield sustainable results without efficient and effective corporate governance. Bodies that have committed a lot towards promoting corporate governance include the Commonwealth Association of Corporate Governance (CACG). In Nigeria, we have the Securities and Exchange Commission (SEC), Corporate Affairs Commission (CAC), Central Bank of Nigeria (CBN), and chartered / certified professional institutes (including the Organisation of Economists and Business Analysts of Nigeria (OEBAN)). Accessing their various contributions, Ogbole (2006), had outlined key issues and perspectives on corporate governance. Accordingly, it is very much worthy to note that:

i) While the term "corporate" relates to large organizations/institutions, the term "governance" relates to having control and

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influence over the large organizations/institutions;

ii) With corporate governance, adequate arrangements are put in place to enhance managerial competence/over-sight capabilities. A competent Board of Directors (BOD) is constituted to enhance corporate value and generally accepted ethics so that responsible result oriented decisions are sustained; and

iii) Corporate governance equally ensures high degree of integrity in financial reporting, adequate financial information disclosures, respect for and the protection of stakeholders' rights/interests, timely recognition/efficient management of risk, workable continuous performance evaluation, fair/responsible remuneration, and adherence to existing codes of best practices.

Essentially, therefore corporate governance helps to maximize stakeholders' interest and prevent rights infringement; improve accountability, efficiency and transparency in handling organizational affairs; enhance organization's compliance with statutory / regulatory provisions; promote best ethical practices, and protects consumers/ customers' interests. Emphasis is highly laid on accuracy / integrity of financial statements, internal audit efficiency, credibility/image improvement, creative entrepreneurship, and value maximization. It is in furtherance of these, that concerted efforts are geared towards minimizing fraud, cosmetic accounting, and auditor's subjectivity through proper functioning of audit committees and regular review of financial statements. The aggregation or the likely positive effects of sub-system go a long way in shaping, determining, and redefining the over-all fortunes of the macro-economy. The ability to create and sustain the extra-vital linkages of policy and strategic management is thus, of the essence of goals accomplishment.

3.1 Concepts of Policy and Strategy Development in Political and Economic Governance

Policies and strategies for implementing the policy targets constitute the developmental foundation of all organizations. In this regard, three basic issues are germane:

- The need for management to be sufficiently visionary to be able to see beyond the present, dream big dreams and have visions of the ideal world to come. The leadership should be capable of getting the people excited as they create a sense of mission.
- The need for the leadership to possess a sound knowledge of both the internal and

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the external environments, and the forces that interplay therein.

- The need for the leadership (or management) to be on the cutting edge of the latest technology as well as being proactive so as to be on top of global dynamics.

A policy properly developed must consist of the following parts, each of which is expected to be unambiguously defined:

- Policy Issues: A careful identification of policy issues (or sectors) and how each is a challenge to the growth and development agenda of the entity.

- A prioritization of the issues (or sectors): In this prioritization exercise, the knowledge of the environment in terms of its strengths and weaknesses, opportunities and threats is imperative.

- Development of policy targets: A strategy in relation to a policy refers to a clear specification of how a particular policy target is to be achieved. The key to doing this is intelligent analysis based on the availability of sufficient and reliable data and a clear understanding of other issue(s) (or sectors) in question. For a given policy target, it is necessary to develop alternative strategies each of which is evaluated in relation to desired outcome and relative cost. The best is eventually picked. As may now be obvious, the strategizing process can be difficult and messy, more especially if the number of targets is high. In fact, one may be correct to aver here that it is this difficult aspect that tends to partly put off the Nigerian leaders from completely buying into policy and strategy development in the management of public affairs.

- Resource allocation: Once the set of solutions or measures has been decided upon, it is necessary to convert this into an action plan in terms of assigning responsibilities and organizing the available material and human resources to support the implementation of strategies:

- Performance indicators: A credible policy and strategy document should embody performance indicators against which implementation outcome is judged.

4.1 Re-prospecting the Macro-Economic Effect:

Nations, through various governmental agencies, formulate and implement key macroeconomic policies to achieve desired objectives. These are further delineated into two sets of variables, namely, target and instrumental variables (Anyanwu, 1997; Onoh, 2007). Accordingly, the target indicators relate to full employment, price

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stability, economic growth rate, equitable income distribution, and balance of payments equilibrium. The instrumental indications, on the other hand, relate to those variables that government can flex and manage to accomplish economic targets, which are in their primary (directly controllable) and intermediate (indirectly controllable) classifications. For instance, government sometimes controls inflation through taxation (primary intervention) and / or revenue dynamics (intermediate intervention).

It therefore follows from the above that it takes a healthy economy where the sub-systems are healthy, functional, and macro-economically responsive (auspicious) to come to terms with the practical realities of set targets. Illustratively, it takes an economy whose banks and allied financial institutions are well strategized and governed to generate the credit and reserve resources, on which intermediate macroeconomic management instruments are exerted. By extension, corporate entities that are beneficiaries of corporate governance and policy/strategic management can hardly attract the wherewithal for tax rates (primary macro-economic management instruments) to be exacted.

5. Conclusion & The Way Forward

A lot of critical catalysts are involved in making macroeconomic development indices perform creditably, the imperativeness of the effective policy/strategic management and efficient corporate governance framework blend is herein strongly advocated, and illustratively crafted in Figure 1 below:

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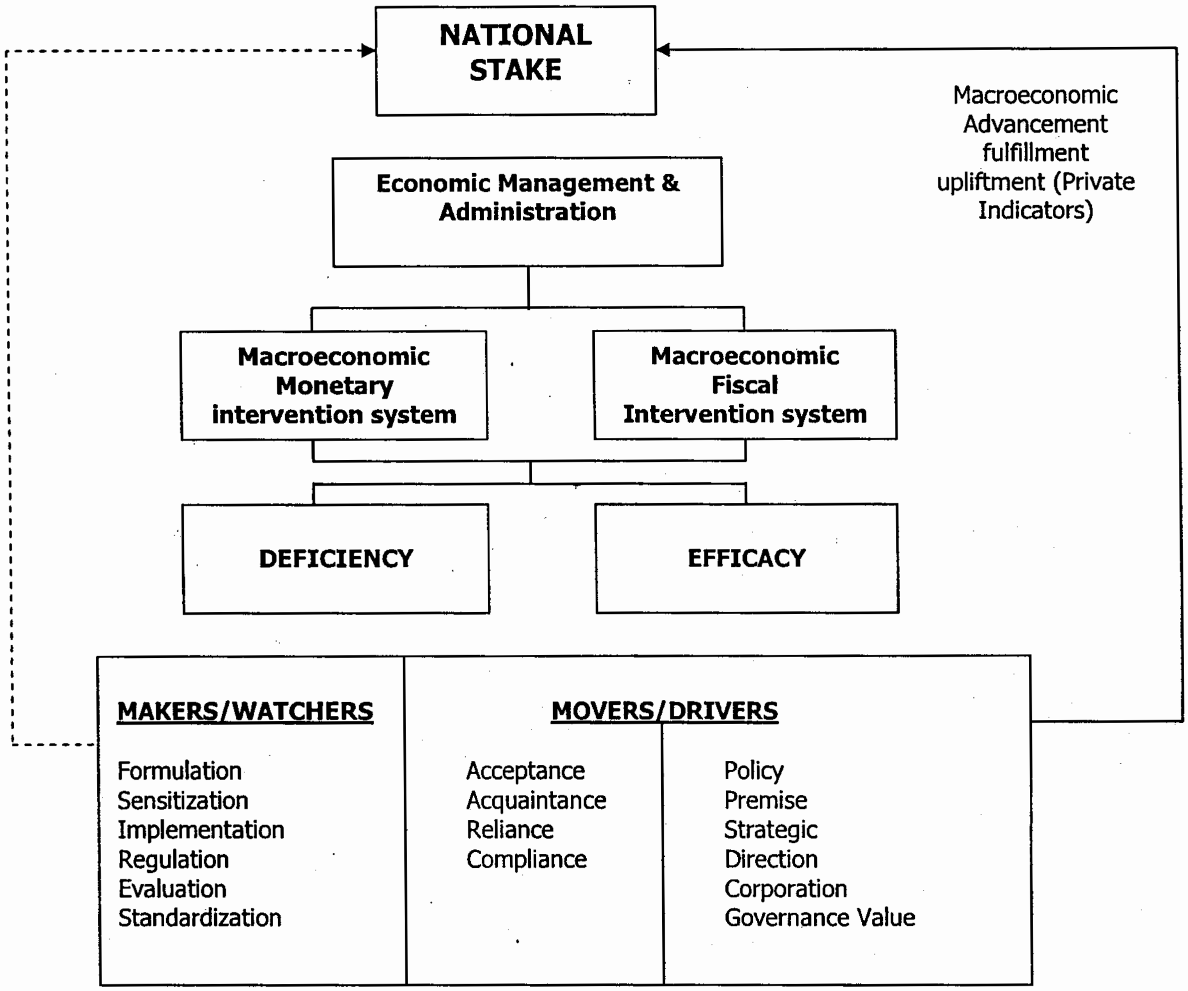

Source: Authors' Perceptions

Constructively, the MRSCG Blender Framework behooves government (makers, managers and watchers of policy) to ensure that appropriate macroeconomic monetary / fiscal intervention are vividly auspicious to convince the movers/drivers of the economic (corporate holdings) of the sincere determination to achieve sustainable macroeconomic development and advancement.

We wish to observe here that as yet, the policy development environment in Nigeria is rather weak. Specifically, the policy-making infrastructure is structurally weak. For example, available guidelines meant to direct both general and specific sector policies and expenditure priorities in the public sector are haphazard. Most of the time, policy objectives and priorities are not clearly defined. Similarly, strategies for implementing sector policy goals including performance indicators are never

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provided in any meaningful manner. In the same breath, hardly are policies reviewed for their appropriate fit to identified problems.

One of the strategies that can assist us make the league table of the 20 greatest economies in the year 2020 if we still desire to make it is to ensure clean break with our sordid past and embrace international best practices as they relate to policy and strategy development in the management of our scarce resources both in the public and private sectors of our economy.

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Authors Profile

Kolapo IGE (Ph.D) is a lecturer in the Department of Economics, Lagos State University, Ojo. His areas of interests include Manpower Planning and Labour Economics.

Femi ADEYEYE (Ph.D) is a senior lecturer in the Department of Industrial Relation and Personnel Management, Lagos State University, Ojo. His areas of interests include Industrial and Labour Relations.

Sola AINA (Ph.D) is a senior lecturer in the department of Educational Management, Lagos State University, Ojo. His area of interest spans Human Resources Management.

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