Empirical study on the evolving role of Company Secretaries in the 21st century Nigerian corporation

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Abstract

The role of Company Secretary (CS) has greatly evolved over time, however there are still several challenges associated with this role. These include Understanding Corporation’s reporting obligation, dealing with Directors who still perceive the CS as just an administrative secretary and understanding the extent to which the CS should participate in board deliberations. The aim of the study is to proffer empirical evidence to corroborate how the CS role have evolved overtime, determine current legal status of CS, examine how the CS can enhance good CG practices, and proffer recommendations to enhance the dignity of the office of CS. The research adopted empirical methods. 250 questionnaires were administered to CS across the Nigerian Industrial Sector. References were also made to relevant literatures so as to have the benefit of hindsight from the work of other researchers.

Introduction

The definition of Company Secretary (CS) is shrouded in the role or functions of the office of a CS. For example, The Black’s Law Dictionary defines a CS as “[a] corporate officer in charge of official correspondence, minutes of board meetings and records of stock ownership and transfer”. Inherent in the definition are certain salient functions of the CS. Before now the function of the CS was regarded as purely ministerial and administrative and not charged with the exercise of any managerial powers. This position was affirmed in Adebesin v May & Baker Nig Ltd, when Karibi Whyte J (as he then was) stated that “the secretary is an officer of the company with important duties and responsibilities and that the secretary merely acts in a ministerial and administrative capacity”. He further stated that the CS has no managerial functions and managerial powers. However, this position has since changed. In Nigeria the role of a CS in the implementation of sound corporate governance (CG) first came to the fore with the enactment of the 1968 Companies Act. The Act made a requirement for registered company to have a secretary, with a bar on a Sole Director assuming the role of a secretary. The role of a CS was further given recognition in the Companies and Allied Matters Act 1990 (CAMA) which provided specific role for the CS.

The objective of this research is to provide empirical facts to establish how the CS role in Nigeria has evolved over time, determine its current status, and highlight the challenges associated with the office and make recommendations to improve the CG role of CS in Nigeria.

Empirical survey of the evolving role of Company Secretaries in Nigeria

This research employed the empirical methodology to gather firsthand information from CSs operating in Nigeria. This will help fill the void in existing literature by gaining access to hundreds of company secretaries in various sectors of the Nigeria economy. The survey (questionnaire) comprised 20 questions. 250 questionnaires were distributed. The questionnaires were distributed through three major modes, namely contact list of Researcher, Personal Service and lastly through the Chartered Institute of Company Secretaries and Administrators of Nigeria. The questionnaires were used as a method of collecting the information required by the researcher.

Figure 1: Distributed and Returned Questionnaire
The figure above shows that 250 questionnaires were distributed but 220 (88%) were retrieved in good condition.

**Figure 2: Questionnaires retrieved through various modes of distribution**

The diagram above shows the percentage of the questionnaire retrieved through the various modes of distributions. 14% (i.e. 32) from CSs on the contact list of the researcher, 13% (i.e. 28) from those delivered personally to CSs of corporations and 73% (i.e. 160) from those distributed through the Institute of Chartered Secretaries and Administrators of Nigeria (ICSAN).

**Question 1**
What is your gender?

**Figure 3: Gender of Respondents**

The majority of respondents, 130 (59%), were females and 90 (41%) were male. This may imply that there are likely more female CSs in Nigeria than male.

**Question 2**
What box best describes your age bracket?

**Figure 4: Age of respondents**

Most of the respondents, 97 (44%), were within the age range 36–45 years. This was followed by 56 (25%) respondents between 25 and 35 years. The remaining 31% of the respondents were between ages 46 and 55, and 56 and 65. None of the respondents were above 65 years.

**Question 3**
Is the duty of the Company Secretary your primary responsibility?

**Figure 5: Duty of company secretary**

The majority of respondents, 193 (90%), reported that the duty of the CS was their primary responsibility. This goes some way to confirming that priority is given to the role of CS, hence the need to employ someone specifically to carry out such function. This correlates with the finding in the literature that more importance is now attached the office of the CS. However, 22 respondents (10%) reported having primary responsibility for other roles within their work place.

**Question 4**
What industrial sector do you work in?

**Figure 6: Industrial sector**

The majority of the respondents (28%) work in the financial sector, followed by the manufacturing sector (19%), education and telecom sectors (10%), with the minority public servants (7%). This goes to establish that the office of the CS cuts across various sectors of the Nigerian economy. This is also an indication that CSs are versatile as their services are required in various industrial sectors.

**Question 5**
What is the nature of the company you work in?
Many of the respondents (51%), as shown in the figure above, work in public companies (i.e., companies whose shares are listed on the Nigerian Stock Exchange). This implies that more CSs are found in public companies than private companies in Nigeria.

**Question 6**

How many employees are in your organization?

The majority of the respondents (40%) reported that there were 50–99 employees in their organization, while 37% of the respondents are from organizations with employees numbering between 25 and 49. This shows that mostly medium or large organizations in Nigeria engage the services on CSs. However, some organizations with fewer employees (below 25 employees (7%)) still engage the services of CSs. This corroborates the findings of existing literature on the growing significance of the CS in any organization.

**Question 7**

What management level do you currently occupy?

The above graph shows that 60% of the respondents (129) occupied senior management positions (including directorship), followed by the middle management level at 29%. This indicates that the majority of CSs occupy leadership roles. Hence the position of a CS is recognized as playing a significant role in the strategic management of corporations in Nigeria. The finding from the survey in this regard supports views of other researchers in earlier studies. Both reveal the growing and dignified status of the CS in most organizations. Moreover, it establishes that the CS is a strategic office. As a member of senior management team, the CS is involved in making important corporate decisions and executing corporate plans and policies.

**Question 8**

What staff report to you in your capacity as Company Secretary?

A total of 67 respondents reported being officials in the administrative department, followed by legal officers. This shows that though CS is a specialized and professional position, it still plays a significant role in the administrative management of an organization.

**Question 9**

Who do you report to administratively?

In the above diagram, the majority of the respondents, 151 (71%), report administrative matters to the CEO/MD/GM. This establishes that the office of CS is mostly senior positions. This also reinforces the importance attached to the office of the CS in most organizations, demonstrated by the need for CSs to report directly to CEO/MD/GM of the organization.
The majority of the respondents, 125 (59%), report to the CEO/MD/GM, followed by Chairman, 81 (38%), and CFO/FD, 6 (3%).

This is an indication that CSs have stronger reporting roles with the CEO/MD/GM than with the Chairman of the Boards to whom they are expected to report directly on Board-related matters. This is not a good CG practice as it restricts the independence of CSs. This finding corroborates the challenges of the CS identified by other researchers in the literature.

**Question 11**

In terms of ensuring regulatory compliance, what role do you play?

<table>
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<th>Fair responsibility (25-50%)</th>
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</tbody>
</table>

**Question 12**

Which committee(s) do you serve as secretary?

The majority of the respondents (192 representing 89%) serve on Board committees.

**Question 13**

In terms of Board and committee service work, what responsibility do you have?

In terms of Board and committee service work, majority of the respondents (147) have significant responsibility, 50–70%, of the work of the committees; however, only 21 of the respondents carry our primary responsibilities of the committees, which represent 75–100% of the work. This indicates that CSs render important services on Board and Board committees.

**Question 14**

For Board and committee service work, how active are you involved in the following roles?

For Board and committee service work, majority of the respondents (208) were actively involved in keeping minutes and records — a core responsibility of CSs.

**Question 15**

In terms of keeping abreast of and advising the Board and/or the company on good corporate practices, including good CG, what responsibility do you have?
The majority of the respondents, 174 (79%), reported that they held primary responsibility (75%-100%) in terms of keeping abreast and advising the Board and/or the company on good corporate practices, including good CG. The implication is that CSs have core responsibilities for good CG practices in their organizations. This corroborates findings from existing literature examined earlier.

**Question 16**

Are your inputs or opinion on corporate issues including CG taken seriously by the Board and management?

The majority of respondents (208) were actively engaged in CG compliance. This further implies that CSs have core responsibilities for good CG practices in their various organizations.

**Question 17**

Which of the following roles are you involved in and to what extent?

The majority of respondents, 167 (57%), indicated that communication with shareholders is one of the other roles and responsibilities that they carry out in their organizations, followed by community relations and corporate social responsibility at 16% each, and corporate relation at 11%.

**Question 18**

Are there any other roles and responsibilities that you do which you would like to add?

The majority of respondents, 208 (81%), indicated that there were clear written responsibilities for the CSs in the organizations where they work. The implication of this is that the office of the CS is considered significant in most Nigerian organizations.

**Question 20**

To what extent are the following likely to be involved in your employment and determination of remuneration?
Findings from the Survey

It is abundantly clear from the results of the empirical study that the role of the CS in Nigeria has evolved significantly and is still evolving. This therefore supports earlier studies in this regard and more specifically the recent extensive study by Oliyide. It also provides abundant evidence that CSs in Nigeria occupy privileged positions in companies. The survey shows that 60% of the respondents (129) occupied senior management roles (including directorships). Hence CSs are mostly members of the managerial team in their organizations.

Although it is not mandatory for private companies to have a CS, it is however instructive to note that over 33% of the respondents are CSs from private companies. This therefore affirms the recognition of the importance of that office.

From the survey we can also see that the CS has a wide range of responsibilities and is found in various sectors of the economy. This also establishes that the CS is a professional whose services are highly necessary.

The CS is also involved in other roles in the company outside of company secretarial core duties. Such non-core responsibilities include accounting and financial, environmental issues and risk management. This affirms findings from the literature that the CS is expected to be a highly skilled professional.

The results of the survey, however, affirms the findings from literature regarding the various challenges of the office of the CS. These challenges include the problems pose by the reporting lines of the CS and the overreaching task the CS is saddled with.

Recommendation

Independent company secretaries contribute in the direction of a positive outlook of the company in the financial market, positively influencing share prices. One of the most significant criteria for foreign investors is CG policies, which helps them to decide which company to invest in. Baddley and Sim assert that the concept of independence has been wired into the role of a modern CS from onset. They explained that the word “secretary” is derived from a Latin word “secernere” meaning to set apart, to be distinguished. These words point to the need for the independence of the CS as a priority.

However, the new phenomenon of CG, due in part to the growing complexity of corporate practice, clearly places additional responsibilities on a CS, not least in cases of reconstructions, mergers and company takeovers. The managerial and administrative machinery of a company is such that it requires protection of shareholders and outsiders against directors who may want to use their position as insiders to benefit themselves at the expense of the former. It is therefore suggested that a CS would need to carry out diligent checks, with a view to protecting the shareholders and not leaving them at the mercy of the Board.

At the core of good CG is transparency, in processes and dealings within and outside the company. The concept of dignity espouses the principle of transparency: the CS, being a chief officer of the company, must show dignity of character in their dealings and must be transparent in all company practices. The CS holds an office that is very delicate and is prone to mismanagement; hence strong character must be displayed by the holder of such office in order to properly carry out the responsibilities of the office.

To prevent insider dealing by directors, prior reporting and obtaining clearance from a non-executive director should pass through the CS so that a record can be kept of any communication.

Furthermore, the CS should be familiar with the operations of subsidiary companies where they are present both at home and abroad to design an effective reporting line so that shareholder resolutions can be obtained in a timely manner and meet disclosure requirements.

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It is highly recommended that the CS have basic knowledge on behavioral traits in order to be well equipped to best handle the interactions and relationships they come across every day in the line of work.

The CS must develop a solid rapport with the chairman of the Board. Combining the roles of law and policy compliance, the CS is in a position to detect insider misconduct through an effective reporting system and can whistleblow insider misconduct to the chairperson. This is a crucial element of being an effective CS, as the secretary has an important part to play in Board strategy, setting the tone for meetings, interactions with management, auditors, shareholders etc.

Conclusion

The role of the CS should no longer be treated like that of a mere servant. As demonstrated above, the CS is an indispensable office that carries out duties both within and outside the company and can bind the company in agreements entered into by the CS on behalf of the company. Hence an individual who is to be appointed into such position must possess both the requisite academic qualification and the recommended personal characteristics—justice, diligence, integrity, respect—as they would be applying the relevant legal framework in the line of their job. Most importantly they must uphold the ethics of dignity as that is a guiding principle to life itself.