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Nigerian professional investors' sense-making of the impact of shareholder activism on corporate accountability

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ABSTRACT

This study investigates the perceptions of professional investors (PIs) on the impact of three groups of shareholder activists (i.e., reputable, sophisticated, or institutional) on corporate accountability in a weak institutional context and how this shapes the PIs' investment recommendations. Relying on a sense-making theoretical perspective of the power and competence of shareholder activists obtained through semi-structured interviews with 27 Nigerian PIs, we reveal that the impact of shareholder activism occurs in three activism-accountability dimensions: dominant, insignificant, and emerging. Subsequently, we unpack factors that explain the power and influence of the dominant activism of reputable activists, the insignificant activism of sophisticated activists and the emerging activism of institutional activists. By advocating a contextual understanding of shareholder activism, this article sheds much-needed insights into the concept of 'activism-accountability' in a weak institutional environment.

1. Introduction

Publicly listed firms generally account for their financial and non-financial performance through accountability channels such as financial statements, annual reports, integrated reports, news (formal and informal) and circulars (Razak et al., 2021). Information received through these accountability channels is reviewed by stakeholders. In some instances, stakeholders, notably shareholders, might be dissatisfied with the level of accountability or the information obtained through these channels. This may prompt them to engage in activism. For example, a flawed executive remuneration system disclosed in the annual report can lead to shareholders' discontent (FactSet, 2017). Shareholder activism is, thus, a contemporary governance mechanism through which shareholders demand increased accountability from management (Goranova et al., 2017; Ferri and Sandino, 2009). Shareholder activists participate in accounting engagement with the intention of influencing corporate activities and reporting (García Osma and Grande-Herrera, 2021). The overarching stance is that, as part of corporate accountability, when shareholder activists obtain information about firms from accountability channels, they are able to influence management's future activities (Roberts et al., 2005; McNulty and Nordberg, 2016) through pressure mechanisms such as dialogue, proposals, voting, voice and exit actions (Coffee and Palia, 2016; Michelon et al., 2020;

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Gillan and Starks, 2000). Therefore, shareholder activism is valuable in revealing the dominant interests in a firm that might be masked by accounting systems (Pesqueux, 2005). This article relies on this understanding of shareholder activism as a governance mechanism influencing accountability channels and corporate accountability. We refer to the influences obtained from the process as "activism-accountability[1]".

Activism is related to accounting since it can help spotlight firms, impact the main channels of accountability (i.e., the financial information and other disclosures in the annual accounts), and influence the activities of firms' external stakeholders who use these accountability channels (Hamdani and Sharon, 2019). Firms' external stakeholders can therefore be referred to as accountability channel users. In this study, the accountability channel users we investigate are professional investors (PIs).[2] PIs are important since they have expertise in managing and investing money on behalf of individuals, organisations, or a group of organisations (Brancato, 1997; Sharma, 2006). Yet, except for a few studies (e.g., Lorino et al., 2017; Beunza and Garud, 2007; Durocher and Fortin, 2021; Durocher and Georgiou, 2021; Abhayawansa et al., 2015), little is known about the perception of these accountability channels users (e.g., PIs) on accountability mechanisms (Durocher and Fortin, 2021). Specifically, considering the black-box nature of activism (Goranova et al., 2017), there is a paucity of studies investigating accountability channels users' perception of the efficacy of shareholders' activism on corporate accountability (González and Calluzzo, 2019; Choi and Gong, 2020; Denes et al., 2017). Furthermore, despite developments in the theoretical and empirical literature on shareholder activism as an accountability mechanism, limited attention has been paid to the context-specific, micro-analysis and sub-categorisation of different classes of shareholders' activism (Choi and Gong, 2020; Denes et al., 2017). While some scholars examine the antecedents of shareholder activism (e.g., Rubach and Sebora, 2009; Goranova et al., 2017), the understanding of the peculiarity of the activism actors, their methods, and the impact of their activism on accountability channels users' (e.g., PIs) decision making (Sikavica et al., 2018; McNulty and Nordberg, 2016) is limited.

Indeed, the reported inconsistencies in shareholder activism practices across varieties of capitalism (Sikavica et al., 2018) motivate the investigation of the link between shareholder activism, its impact on corporate accountability, and the decision-making of accountability channel users from a specific country's perspective (Elsayed, 2010). The lacuna on how shareholder activists influence corporate accountability is particularly problematic in developing countries (Uche et al., 2016a, 2016b; Adegbite et al., 2012). For example, in Nigeria, weak institutions necessitate the adoption of nuanced approaches to accepted governance mechanisms, such as shareholder activism (Elmagrhi et al., 2020; Coffee, 2019; Kimani et al., 2020). Weak institutional contexts are characterised by poor regulatory quality, high corruption, and low government effectiveness (Kaufmann et al., 2008). In such environments, it is challenging to understand activism as an accountability mechanism (González and Calluzzo, 2019; McNulty and Nordberg, 2016; Uche et al., 2016a), yet investors must make decisions on futures that are unclear (Beunza and Garud, 2007). In addressing this gap, we frame our research question as follows: *what is the perception of PIs on the impact different shareholder activists have on corporate accountability, and their (PIs') investment recommendations?*

We propose sense-making as a practical theoretical construct for interpreting shareholder activism's perceived power, competence and influence on corporate accountability. Sense-making is the process through which ambiguous issues are understood (Maitlis and Christianson, 2014; Dogui et al., 2013). Given the need to uncover how shareholder activism is perceived to benefit corporate accountability and accountability channels users (Choi and Gong, 2020; Denes et al., 2017), understanding how PIs (who are the accountability channels users of interest in this study) make sense of the activism of diverse activist shareholders in a weak institutional context enriches the activism - accountability discourse.[3]

This study is pertinent because, as developing countries witness growing investment trends (Goldman Sachs, 2015), their institutional weaknesses (Guillén and Capron, 2016) compel investors (both foreign and local) to rely on PIs to protect their wealth (Sharma, 2006). PIs in Nigeria are economic agents who understand the social environment and can shed light on activism. Moreover, peer advice obtained from PIs serves as a mechanism that elevates other investors' scepticism (Ying et al., 2020). We answer our research question through 27 semi-structured interviews with PIs operating in the Nigerian banking sector. The Nigerian banking sector is well established and is the most active sector on the Nigerian Stock Exchange. In addition, the banking system is one where the main channels of accountability (i.e., the financial information and other disclosures in the annual accounts) and accounting systems are highly scrutinised and regulated (de Haan & Vlahu, 2015). The level of scrutiny that the banking sector undergoes provides scope for activism (Adegbite, 2012). Thus, our focus on the experience and understanding of PIs regarding shareholder activism in the Nigerian banking sector helps in addressing our research question.

By framing activism as an accountability mechanism that impacts corporate accountability and accountability channels users' (PIs') decision-making, this article makes three important contributions. First, our reliance on sense-making theorisation allows us to categorise activism-accountability influences into three dimensions: insignificant, dominant, and emerging. This helps illuminate the growing activism-accountability literature (e.g., Goranova et al., 2017; Chan et al., 2021; Choi and Gong, 2020; Wang and Wang, 2020; Pesqueux, 2005; Sikavica et al., 2018; McNulty and Nordberg, 2016; Uche et al., 2016a). In doing this, we unpack four (4) factors that explain the power, competence and influence of the dominant activism of reputable activists, the insignificant activism of sophisticated activists, and the emerging activism of institutional activists. Second, this article helps develop a contextual understanding of shareholder activism that is useful in a weak institutional environment. Similar to McNulty and Nordberg (2016), we contend that

[1] Activism-accountability denotes the extent to which activist shareholders' impact the accountability of firms.

[2] PIs interviewed in this study are asset managers and pension fund managers with considerable experience.

[3] Shareholder activism precedes sense-making by PIs, which then leads to PIs' perception (i.e., what is regarded, understood and interpreted about the different shareholder groups' activism).

contextual knowledge of activism in weak institutional settings is valuable for investors (or analysts) in adjusting their investment recommendations, especially as formal institutional frameworks (including accountability channels and accounting systems) might not necessarily function as anticipated (Ahmed and Uddin, 2018; Durocher and Georgiou, 2021).

Finally, our study contributes to the accounting literature that acknowledges the importance of actors' reflexivity in interpreting key aspects of corporate accountability mechanisms (Durocher and Fortin, 2021; Abhayawansa et al., 2015; Dogui et al., 2013; Gendron and Spira, 2010; Hudaib and Haniffa, 2009). Here, sense-making helped us to facilitate an understanding of how meanings and realities are constructed in practice (Berger and Luckmann, 1967; Cullen and Brennan, 2017; Tremblay and Gendron, 2011). Shareholder activism is positioned as an accountability mechanism that improves transparency in corporate management, financial accounting reporting, and accounting systems (Merkl-Davies et al., 2011). Still, in different contexts, there could be a plurality of competing accountability mechanisms (Lorino et al., 2017). Thus, our study espouses the sense and reality that accountability channel users (in this case, PIs) obtain from shareholder activism's impact on accountability channels in a weak institutional context. Our findings have implications for practice and regulatory policy regarding how to model shareholder activism for increased corporate accountability. The rest of this article proceeds with a review of the empirical literature and theory that underpin our research question. The methodology is then presented, followed by our findings and analysis. Lastly, we summarise the study's contributions and implications, and highlight areas for further research.

2. Literature review and theoretical background

2.1. Shareholder activism as an accountability mechanism

Shareholder activism emphasises the variety of actions shareholders employ to influence or monitor a firm's management and the board (Becht et al., 2009). As such, activism promotes the accountability of the firm's management and boards (Gillan and Starks, 2000; Choi and Gong, 2020; Ferri and Sandino, 2009). Activism is critical because firms' accounting systems might be illusionary for external stakeholders (Pesqueux, 2005), thereby requiring activism to unmask dominant stakeholders' interests. The literature (e.g., Razaq et al., 2021; Benton and You, 2017; Judge et al., 2010; Becht et al., 2009) suggests that shareholder activism entrenches a system that allows shareholders to express their concerns about the accounting systems, governance, performance, and accountability of their investee firms. Meanwhile, shareholders can be grouped as active or passive (Becht et al., 2009). According to Gillan and Starks (2000), active ownership emphasises how shareholders seek to influence a firm's strategy without changing its management or control. Active shareholders focus on poorly performing firms in their portfolio to pressure management to improve performance (Janowicz et al., 2004). Although active ownership extends beyond activism (McNulty and Nordberg, 2016), this research focuses on PIs' perception of active shareholders' (institutional and retail) activism and its impact on corporate accountability.

What drives the activism of shareholder activists varies (Rubach and Sebora, 2009; Goranova et al., 2017). Also, researchers (e.g., Goranova et al., 2017; Hamdani and Sharon, 2019) have begun to consider the context in which an activist campaign is initiated, the antecedents of activism, and the activists' heterogeneous motives and tactics on corporate accountability (McNulty and Nordberg. 2016). Rubach and Sebora (2009) used a survey involving 102 investors to examine Ryan and Schneider's (2002) model of the antecedents of investor activism. They found that shareholder size, investment time horizon, and internal portfolio management were significant determinants of (institutional) shareholder activism. They also report that performance expectations, pressure sensitivity, and legal restraints were not significant antecedents of activism. Their results suggest that shareholder activism is heterogeneous (Rubach and Sebora, 2009), acknowledging contextual variations in accounting systems. Similarly, Goranova et al. (2017), employing a Bayesian analysis of zero-inflated Poisson regression with data on shareholder proposals from Georgeson Shareholder Annual Activism Reports of 257 US firms from 2000 to 2005, reveal that corporate governance relationships with activism vary across shareholder demands. Goranova et al.'s (2017) research uncover a black box of activism that reveals the varying nature of shareholder activism and the private settlements the activists obtain from management. Yet, despite the complexity of activism, it is recognized as one of the accountability mechanisms influential in the accounting field in any context, especially in areas such as financial reporting (Gillan and Starks, 2000; Choi and Gong, 2020).

Further evidence suggests that activist campaigns, especially those done in clusters, generate superior outcomes than activism from a single sponsor (Denes et al., 2017; González and Calluzzo, 2019). Choi and Gong (2020), relying on 601 events obtained from hedge funds and their acquisitions of target firms from 1995 to 2011, show that hedge fund activists' activism positively affects corporate governance and transparency of reports. Nonetheless, the literature on activism is skewed, as most activism studies (e.g., Goranova et al., 2017; Benton and You, 2017; Goranova and Ryan; Becht et al., 2009) focus on Anglo-Saxon markets where neo-liberalism notions dominate the business environments. In these markets, shareholder activism enhances agentic relationships in firms, as the institutional frames in these economies empower economic actors to initiate and justify activism. Studies (e.g., Seki, 2005; Yoshikawa and Chua, 2020) from other developed markets (e.g., Japan) report less of such activism influence on accountability due to institutional differences.

2.2. Activism and accountability in weak institutional contexts

In Sub-Saharan Africa, similar to developed countries, the motivation for activism ranges from activists' confrontations with management to register their dissatisfaction with firm performance to the desire for firms to change their corporate strategy (David et al., 2007; Uche et al., 2016a; Westphal and Bednar, 2008). However, a vigorous neo-patrimonial regime and the prevalence of weak institutions constrain Western-originated corporate governance mechanisms (such as shareholder activism) and accountability systems in weak institutional Sub-Saharan African contexts (Kimani et al., 2020; Adegbite, 2010). This is because the meaning of actions in such climes is often negotiated among a range of actors (Humphreys and Brown, 2002), as these actors conduct their activism distinctly due to diverse interests and backgrounds (Brown et al., 2008). For example, Adegbite et al. (2012) employ qualitative methods to investigate shareholder activism as a corporate governance mechanism in Nigeria. They posit that shareholder activism can constitute a space for unhealthy politics and turbulent politicking that reflects the country's politics. Their results suggest caution in diffusing corporate governance practices across contexts. Besides, Adegbite et al. (2012) note that activists in developing economies have distinct motives for engaging in activism. Also, studies such as Prisandani (2021) show that despite the legal systems established to foster activism, there is room for more active shareholder participation in the accountability process. Razak et al. (2021) report a similar need for more active stakeholder activism in firms' (ESG) policy accountability. Therefore, institutional weaknesses distort the basis for activism in developing countries and frustrate the accountability that such activism can stimulate (Uche et al., 2016a).

In this study's context (i.e., Nigeria), shareholder activism benefits from shareholder-related interventions, including forming shareholder associations, monitoring the board of directors' composition, questioning management actions, and active participation at annual general meetings, in a bid to improve corporate accountability (Uche et al., 2016a). For instance, activists' intervention ensures that the chairman's statement is consistent with actual performance, not mere impression management (Merkl-Davies et al., 2011). The growing interest in shareholder activism has resulted in mandatory regulations that pay considerable attention to activism. Specifically, the Nigerian Code of Corporate Governance (2018) prescribes monitoring of governance practices by institutional and large shareholders to reduce agency problems.

However, despite this governance code, the interest of shareholder activist groups characterises their activism agenda (Malka, 2017; Goranova et al., 2017; Lan and Heracleous, 2010). Consequently, shareholders' actions have diverse implications for the firm's management and boards (Chung and Talaulicar, 2010). In other words, shareholder activists differ in size, social capital, power, impact, and disposition towards activism. In developing countries, weak institutions and elitist dominance of corporate ownership (Nakpodia and Adegbite, 2018) stress the criticality of framing a practical approach to shareholder activism. This expectation informed the shareholding classification inAdegbite (2015)[4] as a reputable, sophisticated, or institutional activist. These shareholder activists and their impacts on corporate accountability are discussed next.

2.2.1. *Sophisticated activists' impact on corporate accountability*

A shareholder activist does not need to own a significant equity stake in a firm to influence accountability. Most retail shareholders do not own substantial shareholding, but they may embrace activism to achieve their financial objectives (Blair, 1995). Despite the variations in their methods, aggressive activism by small and large shareholders can curtail sub-optimality in corporate decisions (Rose and Sharfman, 2015; Crespi and Renneboog, 2010) or help management prevent hostile takeovers (O'Sullivan and Wong, 1999). A case in point is middle-class individuals who typically seek to secure financial security for themselves and their families, hence they place value on generating strong returns on their investments (Rose and Sharfman, 2015). While it has been noted that individual shareholders have a weak influence over management given their limited voting rights (Uche et al., 2016a), there has been a fascinating development in Nigeria. The country has continuously grown its gross domestic product (GDP). IMF (2018) reports that the economy grew by 1.9% in 2018 and is projected to grow by 2.5% in 2021 (IMF, 2021). The economic growth coincided with a rapid expansion of the country's middle class. Adegbite (2015) relied on this development to identify the middle class as sophisticated shareholders.

Sophisticated activists are mainly young and middle-aged professionals who do not necessarily belong to shareholder associations. They attend annual general meetings (AGMs) and other meetings regularly and, in the process, develop sophisticated expertise in scrutinising firms' governance and accountability channels (Blair, 1995; Adegbite, 2015). Sophisticated activists exhibit an aggressive disposition and are more susceptible to social movement actions than other types of investors (Benton and You, 2017). Therefore, they ask critical questions on issues relating to corporate disclosures, financial performance, ethical investments, corporate social responsibility, and employee relations during AGMs. Besides, like large stockholders, some sophisticated shareholders engage in letter writing (McCahery et al., 2016). It is also imperative to add that sophisticated activists often possess competitor information that might not be made available by management and board members (Rose and Sharfman, 2015). The increased activities of sophisticated shareholders intensify the scrutiny of firms, thereby providing incentives for firms' management to resolve accountability concerns.

2.2.2. *Reputable activists' impact on corporate accountability*

A different classification from those described above is reputable[5] activists. Reputable activists are high-calibre individuals with considerable finances, a record of ethical behaviour, and distinguished accomplishments in various high-profile corporate positions who can influence corporate accountability. Hamdani and Sharon (2019) posit that the rise of wealthy owners with a combination of political and social power is changing the shareholder activism landscape. The combination of power and wealth means reputable activists can make demands concerning firms' accountability, which are reflected in accountability channels and processes (Hamdani and Sharon, 2019). For example, firms will seek to satisfy reputable shareholders' interests in their annual reports by providing interim reports (Merkl-Davies et al., 2011; Cullen and Brennan, 2017).

[4] Other researchers (e.g., Hamdani and Sharon, 2019; Chung and Talaulicar, 2010; Coffee and Palia, 2016) have used similar grouping, but as retail/individual and institutional.

[5] We have used reputable here to mean respected elites with substantial capital.

In Nigeria, reputable activists are investors that own significant financial and social resources. Given the incidence of corporate corruption and recurring corporate scandals in the country, persons of high standards of integrity continue to constitute a powerful and positive force for informed shareholder activism and accountability (Adegbite, 2015). Their positive influence on the accountability processes and channels means they have more associates (Benton and You, 2017) and increased network ties (Barabasi and Albert, 1999). Given their network, influence and experience, these reputable shareholders can see through impression management (Merkl-Davies et al., 2011). However, such investors may engage in activism for non-financial considerations (Blair, 1995). Often motivated by social or political considerations, these ancillary concerns persuade reputable shareholders to intensify their activism (Hamdani and Sharon, 2019).

2.2.3. Institutional activists' impact on corporate accountability

Institutional investors are a heterogeneous group of investors with varied portfolio turnovers, shareholding levels, investment strategies, and investment durations (Wang, 2014). These investors use their ownership stake to engage with their investee firms via activism to impact accountability and performance (Wang, 2014). There is a broad range of institutional activists, including hedge funds, pension funds, and insurance companies (Becht et al., 2009). Institutional shareholders with significant stakes employ activism to monitor agency complications by checking managerial entrenchment or opportunistic behaviour (Rubach and Sebora, 2009). This system of activism is prevalent among hedge funds and block shareholders, where dispersed shareholders are in the majority (Bebchuk and Weisbach, 2010). These institutional activists tend to move in the same direction, pressuring firms to be more accountable (Coffee and Palia, 2016).

Becht et al. (2009) argue that institutional activism could work for or against the firm's interest. On the one hand, it can resolve agency problems in firms with dispersed ownership by facilitating improved performance. On the other hand, it can incentivise influential large block-holders to seek opportunism for personal benefits (Ivanova, 2017). While an understanding of the interactions between institutional investors and portfolio firms is inadequate (Ivanova, 2017), studies (e.g., González and Calluzzo, 2019; Coffee and Palia, 2016) document evidence of collaborations among institutional activists, noting that such joint campaigns generate positive accountability and performance outcomes (González and Calluzzo, 2019). In contexts where engagements and dialogues commonly occur behind the scene, institutional activists can galvanise and influence other shareholders to take actions such as obtaining beneficial concessions or improved transparency in corporate accountability (Ertimur et al., 2010).

From the review above, it is apparent that most studies (e.g., Rubach and Sebora, 2009; Coffee and Palia, 2016; Chan et al., 2021; Choi and Gong, 2020; Wang et al., 2020; Pesqueux, 2005) emphasise the positive implications of activism on corporate accountability, accountability channels and performance. However, the plethora of concepts and theories addressing accountability does not adequately provide a contextual understanding of the influence of the different shareholder activists on corporate accountability as well as on the users of accountability channels (e.g., PIs). The perception of users of accountability channels (PIs), who are critical to firms' operations (Zorn et al., 2004), can help our understanding of the impacts of shareholder activism on corporate accountability. PIs understand investment fundamentals and are knowledgeable and contextually discerning (McDonalds et al., 2008). Local PIs are thus able to interpret the activism of different activists in their environment, hence, our reliance on the sense-making theorisation of PIs.

2.3. Sense-making theorisation and PIs

In this study, we define sense-making of activism as the deconstruction and reconstruction of shareholder activists' actions by PIs that permits a collective interpretation of shareholder activism and how this activism can impact accountability channels, corporate accountability, as well as the PIs' decision-making. We approach the sense-making of activism from a social perspective and focus on the perception of PIs on how shareholder activists' actions (power and competence) influence accountability channels and trigger corporate accountability. We follow this approach because sense-making embodies social constructionism (Berger and Luckmann, 1967; Durocher and Fortin, 2021). Sense-making of activism extends beyond interpreting social activities in the environment, as stakeholders seeking to understand activism impacts are also cognitively involved in authoring events (Weick, 1995; Dogui et al., 2013).

From a theoretical accounting standpoint, sense-making of accountability and governance mechanisms (such as activism) is critical to corporate accountability. Accountability mechanisms influence the information provided in accountability channels. Accountability mechanisms can also influence the decision-making outcomes of external stakeholders (Dogui et al., 2013; Foss and Stea, 2014; Elmagrhi et al., 2020; Wang et al., 2020). Mitnick (1992) demonstrates the links between accounting theories and sense-making, arguing that social understanding provides a sociological perspective that sheds broader insights into accountability concerns. Other accounting studies have shown similar links between accountability mechanisms and sense-making. For example, Dogui et al. (2013), investigating the propriety of auditor independence, revealed sense-making strategies used by actors within the accounting network to develop and sustain trust (or doubt) in accountability mechanisms. Moreover, since the information available in accountability channels is usually technical and can be illusionary (Pesqueux, 2005), sense-making facilitates an understanding of ambiguous issues (Maitlis and Christianson, 2014) and strengthens the knowledge of accounting systems.

Activism, sense-making, and accountability are interconnected, especially in opaque business environments. Where actors face uncertainties, they seek clarity in interpreting cues from the environment and use these cues to establish order and make sense of what has occurred or will occur (Maitlis and Christianson, 2014). Gephart et al. (2010, p. 284-285) argued that "sense-making is an ongoing process that creates an intersubjective sense of shared meaning through conversation and nonverbal behaviour in face-to-face settings where people seek to produce, negotiate, and sustain a shared sense of meaning". According to Weick (1993), the central idea of sense-making is that reality is a continuous accomplishment that arises from establishing order and making retrospective sense of what occurs. In this sense, Cornelissen (2012) notes that sense-making encompasses the procedure for constructing meaning where actors interpret events and issues that are surprising, complex, or confusing. Scholars (e.g., Maitlis and Christianson, 2014) also examine the cognitive underpinnings of sense-making. While Kiesler and Sproull (1982) explain how stimuli from the environment are noticed, interpreted, and incorporated by actors, Porac et al. (1989) investigate the consequences of actions taken, explaining that such actions could alter the environment. Garfinkel (1967) used sense-making to explore the everyday practices of actors as they interact, interpret and account for their experience of reality. Likewise, empirical research employing sense-making as a theoretical anchor has been conducted in varied contexts and diverse ways (Maitlis and Christianson, 2014). For instance, sense-making was portrayed as a more specific cognitive process, while others (e.g., Weick et al., 2005) present it as inherently social and discursive. Also, in the accounting literature, Durocher and Fortin (2021) investigate accountability channel users' views and beliefs about accounting information, qualitatively identifying ten principal institutional logic dimensions that underlie users' views on accounting information.

In this respect, sense-making accelerates social construction (Berger and Luckmann, 1967), allowing PIs to interpret and explain accountability cues from their environments. This happens through the production of 'accounts'—discursive constructions of reality that interpret (activists') actions (Antaki, 1994; Roberts et al., 2005). While this offers opportunities to acquire new behaviours, sense-making dictates that learning is an internal process, hence the acceptance of a particular behaviour must satisfy expectations (Luhtakallio, 2019). First, the behaviour must be deemed 'competent'; otherwise, an individual may not be interested in accepting a behaviour exhibited by someone considered incompetent. For instance, a PI may seek to model his investment behaviour with that of an accomplished activist shareholder. Second, the behaviour must have power, i.e., it must be considered to influence outcomes. Power and emotions are crucial influences on sense-making (Weick et al., 2005). Hence, sense-making is essential when events (e.g., activism) that demand accountability occur.

To shed insights into how to interpret activism-accountability and how this activity connects with human psychosocial functioning, it is vital to consider the conflicting actions of active socio-economic players that trigger sense-making (Maitlis and Christianson, 2014). Events (such as activism) create dynamic and unpredictable environments, such that existing frameworks (e.g., information in accounting channels) for achieving competitive advantage can lose their meaning (Maitlis and Christianson, 2014). Consequently, sense-making allows people to deal with uncertainty and ambiguity by creating rational accounts of the world that foster action. Sense-making thus precedes the decision-making of accountability channel users and follows it, offering the 'clear questions and clear answers' (Weick, 1993, p. 636) that support decision-making. Thus, the sense-making notion permits a collective interpretation of shareholder activism's impacts on corporate accountability and how this activism can impact accountability channels users' decision-making.

Overall, we argue that an in-depth understanding of shareholder activism's impact on the accountability process (Denes et al., 2017) and accountability channel users' decision-making, especially in a developing economy, is overdue. We propose that the reflexivity of experts such as PIs represents a critical mechanism for sense-making and contextual clarity (Durocher and Fortin, 2021; Dogui et al., 2013; Gendron and Spira, 2010).

3. Methodology

This study employs semi-structured interviews with PIs to evaluate their views of different shareholder activists' impact on corporate accountability and reveal the factors responsible for these sentiments.[6] The use of semi-structured interviews is consistent with previous research on activism in Nigeria (e.g., Uche et al., 2016a, 2016b) and accountability channels users' (e.g., Durocher and Fortin, 2021; Abhayawansa et al., 2015; Durocher and Georgiou, 2021). This approach enabled the researchers to obtain views from PIs in Nigeria. It allowed us to unpack rationalisations that inform their response to activism pursuits (see Appendix A for interview questions). The use of semi-structured interviews further helped understand the interviewees' distinctive reasoning regarding the Nigerian context, thereby provoking the sense-making of activism impacts on corporate accountability in the country. All the interviewees were senior management executives in their firms (institutional investment firms) responsible for investment decisions. This explains why they are classed as PIs. This research studied the banking sector because it is Nigeria's most structured business sector. The country's banking sector is relatively well-organised (Abdulkadir, 2012), hence PIs in the industry are aware of the activities and implications of activism in the industry.

3.1. Data collection

We conducted 27 semi-structured interviews between December 2017 and January 2018. All interviews were tape-recorded. The interviews were conducted in Lagos (the financial capital of Nigeria) and Abuja (the country's administrative capital). On average, each interview lasted about 40 min. It is also vital to note that saturation, in-depth and breadth, was reached after 24 interviews were conducted, but we proceeded with three additional interviews to confirm data consistency. Mason (2010) posits that 'how many' is not what matters. Rather, researchers should satisfy themselves that they have learned and understand the phenomenon enough to enable

[6] Even though there is a paucity of empirical research which considers the perspectives of accountability channel users, semi-structured interviews were more suitable for our study as it not only gave all interviewees the same construct and theoretical framework, but it also allowed the researchers to investigate different facets of the research question. The exploratory nature of our study allowed for flexibility in interviewees' responses to questions employed during the interviews.

knowledge generation. Therefore, saturation was reached when we were satisfied that additional interviews were not generating significant knowledge. The number of interviewees is consistent with governance studies in Nigeria (e.g., Uche et al., 2016a, 2016b; Nakpodia and Adegbite, 2018).

3.2. Participant selection

Twenty-seven (27) PIs participated in this study. These PIs possess the requisite knowledge, as all the participants have over 15 years of professional experience in Nigeria. Participants were selected from 22 firms.[7] They were contacted via emails and telephone, with researchers outlining the research agenda. Primarily, the researchers relied on previous professional contact to reach potential interviewees that satisfied pre-agreed participation criteria. To complement the use of personal contacts and given that the population is hard to reach, the snowballing technique proved helpful in accessing more interviewees. The study participants include managing directors, chief investment officers, senior asset managers and fund managers (see Table 1 for interviewees' profiles).

These participants are conversant with shareholder activism. They are recruited by institutional investment or finance/asset management firms. Given their experience and position in their organisations, these participants are competent (Hughes and Preski, 1997), and their competence minimised respondents' bias. To further minimise bias, interviewees were not required to make disclosures about their specific workplace. Instead, the participants gave their perspectives on activism in the Nigerian banking environment. By recruiting these participants, this research benefits from their knowledge of the subject area, thereby enriching the research outcomes. Also, the comprehensive interview data prevented similitude and served as a control mechanism upon which different views were assessed and compared (see Adegbite, 2015).

3.3. Data analysis

The recorded interviews were transcribed manually to aid 'data immersion' – a process involving rereading the transcribed text (Bradley et al., 2007). While reading the transcribed text, the text was checked for completeness, and errors were corrected. The transcribed interview data generated 337 pages of text. The interview data was then analysed with the aid of the NVivo software. The software allows for the subjective (interpretivist) interpretation of the content of text data through a systematic classification process of coding and identifying themes or patterns (Hsieh and Shannon, 2005). Analysing data using NVivo aids the exploration of core themes (Mayring, 2000).

The first stage of the data analysis involved generating the sub-categories, following an open coding procedure. The sub-categories created include the experience of activists and knowledge of corporate accountability, corruption prevalence among the population, which also affects the accounting field, activist character, value analysis of accountability channels, activism and corporate accountability and decision-making influences. These factors describe the impact of different shareholder activists in Nigeria. In the second data analysis stage, generic categories were condensed to our research themes of reputable, sophisticated, and institutional activists, representing the higher-order headings (Burnard, 1991). This stage aims to reduce sub-categories by collapsing similar or dissimilar ones into broader higher-order categories (Dey, 2003). For example, similar first-order codes concerning sophisticated activists and their inability to properly review financial statements and other accountability channels were grouped under the second-order category of "prone to superficial analysis due to transaction costs". Subsequently, the second-order categories concerning each group of shareholder activists' impact on corporate accountability were aggregated. This stage resulted in the main category. To improve data trustworthiness, each author independently assessed the coding of the data and the assignment of codes to categories. We discussed codes, meanings and categorisation until there was a consensus. Wherever there was disagreement, categories were modified to maximise inter-coder reliability[8] (Gioia et al., 2013). Finally, as a form of post hoc analysis, we randomly contacted six of our research participants for feedback on our outcomes. The post hoc analysis was considerably in agreement with our findings.[9]

Our data enables us to make sense of the activism of shareholder activists. Fig. 1 (Thematic Classifications of Findings) illustrates our final data structure, showing the categories and themes that emerged from our data and their relationships.

4. Findings

According to Berger and Luckmann (1967), sense-making enables the social construction of activities. Dogui et al. (2013, p.1286) suggest that in a socio-economic environment, a sense maker (e.g., an accountability channel user) is" able to cast a reflective eye on her/his past experiences, which will be constituted as meaningful depending on the particular angle from which they are viewed". Therefore, we contend that users of accountability channels (e.g., PIs) are able to move away from the flow of ongoing experience and

[7] In this research, professional investors interviewed were "those people experiencing the phenomenon of theoretical interest" (Gioia et al., 2013, p. 19). We aimed to obtain the perspectives of experts from different firms in order to improve the reliability of our study. Importantly, we aimed for the firms' top executives (typically managing directors or chief investment officers where possible). This meant that we chose to interview 1 person from each firm. However, some firms are very large, with offices in both Lagos and Abuja. For example, in some firms, the managing director sits in Abuja (country capital), while the CFO sits in Lagos (financial nerve centre).

[8] Unlike interrater reliability typically used in quantitative research to establish reliability, intercoder reliability is used to establish transparency and rigour of coding procedures during data analysis (Cheung and Tai, 2021).

[9] Zhou & Wan (2017) have also conducted interviews for post hoc analysis of their results.

Table 1
Interviewees details and codes.

Code	Position	Organisation
CP1	Chief Investment Officer	Closed Pension Company (CP) (for staff of the company only)
CP2	Chief Investment Officer	Closed Pension Company
LA1	Fund Manager	Large Asset Managers (LA)
LA2	Managing Director	Large Asset Managers
LA3	Managing Director	Large Asset Managers
LA4	Business Development Manager	Large Asset Managers
LC1	Chief Analyst	Large Capital Market Company (LC)
LC2	Chief Analyst	Large Capital Market Company
LC3	President/Chief Executive Officer	Large Capital Market Company
LC4	Director	Large Capital Market Company
LC5	Managing Director	Large Capital Market
LC6	Principal Director	Large Capital Market
LC7	Deputy Chief Investment Officer	Large Capital Market
LC8	Chief Executive Officer	Large Capital Market
LF1	Senior Fund Manager	Large Financial Investment Company (LF)
LF2	Chief Investment Officer	Large Financial Investment Company
MA1	Managing Director	Medium Asset Managers (MA)
MF1	Managing Director	Medium sized Financial Investment company (MF)
MF2	Managing Director	Medium sized Financial investment company
MF3	Group Executive	Medium sized Financial Investment Company
MF4	Chief Investment Officer	Medium seized Financial Investment Company
OP1	Chief Investment Officer	Open Pension Company (OP) (open to the general public)
OP2	Chief Investment Officer	Open Pension Company
OP3	Chief Investment Officer	Open Pension Company
OP4	Chief Investment Officer	Open Pension Company
OP5	Fund Manager	Open Pension Company
OP6	Deputy Chief Investment Officer	Open Pension Company

All companies referred to as large have total asset size in excess of N100BN ($278 M).
All companies referred to as medium have total asset size in excess of N10BN ($28 M) but less than N100BN ($278 M).
Although there were 27 participants, some the participants worked in the same firm though in different locations. OP3 and OP5 work in the same firm. LA1 and LA2 work in the same firm. LC1 and LC4 work in the same firm. LC5 and LC8 work in the same firm. MF3 and MF4 work in the same firm. In total, interviewed executives worked in 22 different firms.

instead engage in sense-making reflexivity on the activism of activists in a particular context.

During our interviews with the PIs, they engaged in discursive constructions of reality to interpret activists' actions. The sense-making applied by PIs on the influence of activists was dictated by the behaviour and activities of activists perceived to have "power" and "competence". Thus, in interpreting our data, we focus on PIs' reflective acts directed at making sense of the perceived impact of shareholder activists' "power" and "competence" to influence corporate accountability and PIs' investment recommendations. Relying on sense-making theorisation allowed us to go beyond superficial interpretation to mobilise deeper meanings and provide contextual clarity. Our approach is particularly relevant in Nigeria, a weak institutional environment where power and emotions are even more crucial influences on sense-making (Weick et al., 2005).

Our inductively obtained findings reveal that PIs' perception of activism can be divided into three activism-accountability dimensions: insignificant, dominant, and emerging (see Fig. 1). In subsections 4.1, 4.2, and 4.3, we unpack the factors responsible for the sense PIs made of the impact of the power and competence of each of the three activism-accountability dimensions. We support each subsection with anonymised quotes from our interviewees.

4.1. Insignificant activism – accountability

PIs do not sense that sophisticated activists have the power and competence to hold banks' management accountable in Nigeria. From our data, four factors; i. Prone to superficial analysis due to transaction costs, ii. Aggressive but inexperienced, iii. Insufficient aggregate voting rights, and iv. Largely ignored by management, were identified as factors responsible for the insignificant power and competence of sophisticated activists to influence corporate accountability and PIs' investment recommendations in Nigeria.

i Prone to superficial analysis due to transaction costs

Most of our interviewees contend that activism by sophisticated activists does not mitigate firms' accountability challenges in Nigeria. From our interviewees' perspective, sophisticated activists are unable to review the information provided through accountability channels in depth, hence they are unable to influence accountability channels' fundamentals. According to interviewee MF4:

> *The activism of individual shareholders does not matter. I would not consider their activism as a factor in determining or mitigating agency challenges. I see the middle-class shareholders* (activists) *as passengers in the vehicle because they cannot really influence corporate fundamentals …, I do not see their activism weighing in on things like the earnings of the company or other strong fundamentals that would* (encourage) *me to make or not make an investment decision.*

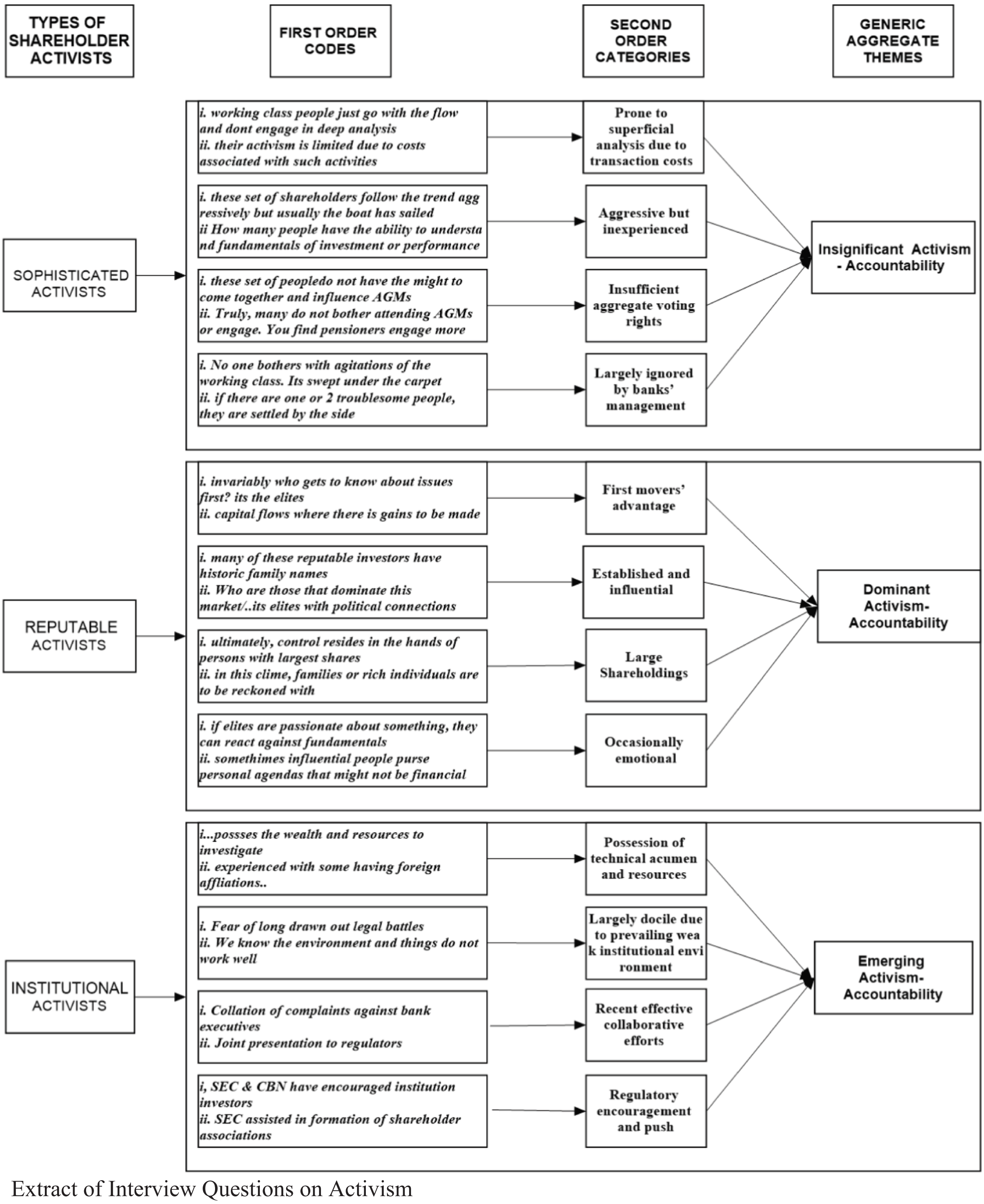

Fig. 1. Thematic classifications of findings.

Interviewees sense that the activism of sophisticated activists is based on *"imagined financial projections, which they* (sophisticated activists) *envisage they can earn"* (MF2). From PIs' perspective, sophisticated activists are *unable to efficiently review an organisation's financial performance due to transaction costs* (OP1). Thus, as noted by interviewee LC5:

Though educated, most middle-class investors do not conduct extensive analysis, and their decisions are usually not objective. They might be unable to distinguish among the investee banks that are performing well. So, I do not place too much premium on their activism because it is not based on knowledgeable analysis.

Nonetheless, most of our interviewees acknowledge that experts employed by large organisations might be privy to relevant information in the ordinary course of their duties. Thus, in some situations, experts (like PIs) who engage in activism can be classed as sophisticated activists in their individual capacities.[10] Such experts have the competence which otherwise is not typically associated with sophisticated activists. Interviewee LC5 posits that:

> *It could be assumed that some* (sophisticated activists) *know what they are doing if they work for major investment firms with resources or even banks.*

The perception of our interviewees is that such experts (e.g., PIs) have indirect power to influence corporate accountability. This is because experts might be able to influence their own institutional firm's decision-making recommendations. However, our interviewees assert that sophisticated activists with the required competence and indirect power are limited.[11]

ii Aggressive but inexperienced

The majority of the PIs interviewed reasoned that sophisticated activists in Nigeria are aggressive but inexperienced. PIs suggest a sophisticated activist could be someone looking to accrue quick benefits. For example, interviewee LC2 indicates that a sophisticated activist could be:

"*Some* (smart) *cowboys*[12] *trying to take advantage of a situation in the market*" (LC2).

Interviewee CP1 puts it as follows:

That certain working-class individuals who are probably just following trends are agitating or aggressive in their activism does not really move me. In this environment, these individuals usually have no outlets to make any significant influence.

This outcome is noteworthy, considering that prior literature (e.g., Crespi and Renneboog, 2010) documents that small shareholders can substantially influence corporate decisions. However, per our data, this is not the case with the influence of sophisticated activists in Nigeria, as they are considered inexperienced.

iii Insufficient aggregate voting rights

According to PIs, shareholdings of sophisticated activists in Nigeria "*are not in sufficient numbers to make a major difference*" (LA1). Interviewees OP3 and CP1 also posit as follows, respectively:

For activism to be impactful, you must be movers or shakers or have a platform. These (sophisticated) *activists are not in that league* (OP3).

What are the shareholding numbers of middle-class people in Nigeria? They are too few and are small players in the market. I monitor the market, but from my experience, these (sophisticated) *activists don't have the numbers or appropriate exposure or platform to influence* (corporate accountability and) *my investment recommendations* (CP1).

iv Largely ignored by management

Interviewees sense that firms' management ignores the activism of sophisticated activists due to the sophisticated activists' lack of real power to influence. The PIs' perception is that as users of accountability channels, they are more influenced *by those who generate noise in the investing space than those who follow the noise* (OP3).[13] According to interviewee CP1:

> *The local working-class investor seems not to be the most proficient in investing, and there tends to be a bandwagon effect* (evidenced by) *lots of herding. Many say that if they are moving in one direction, you should be moving in the other* (direction). *So really, the activism of such middle-class shareholders amounts to them following the wind.*

Indeed, the elitist nature of the Nigerian environment and the prominent nature of the Nigerian banking sector diminishes the importance accorded to sophisticated activists. According to MF1:

> *Who will respond to activist middle-class persons' queries and activism? Some banks have investors relation departments. They will give you the answer you want. They won't allow the middle-class person the latitude to question their management because they do not accord the middle-class person's activism that much respect.*

In sum, the views expressed suggest that PIs in Nigeria do not rely on the activism of sophisticated activists as an effective accountability mechanism that impacts corporate accountability or PIs' investment recommendations. This is because PIs do not sense that sophisticated activists in Nigeria can exercise power or competence, which can affect corporate accountability and accountability channels.

[10] PIs who work for institutional investors have been classed as sophisticated activists because they do not have a wealth of reputable shareholders, nor are they institutions since they are individuals.

[11] This study did not focus on the activism of the PIs themselves. Rather we engaged with the sense-making reflexivity of PIs on the activism of other activists. Moreover, PIs are few in number compared to the growing middle-class sophisticated activists in Nigeria.

[12] Cowboy – a slang used in Nigeria to describe someone inexperienced but very aggressive and unduly bullish in business dealings.

[13] Those who generate the noise are reputable, dominant and influential shareholders who are wealthy. While sophisticated shareholders only follow the noise because they make investments after the wealthy have determined the investee firm's direction.

4.2. Dominant activism accountability

Our interviewees sense that, in Nigeria, reputable activists can hold banks' management accountable because they have power, even if not always the competence. According to our interviewees, the power of reputable activists enables them to influence the information provided in accountability channels (e.g., what is reported in annual statements and interim reports), thus influencing corporate accountability. From our data, four factors; i. First movers' advantage, ii. Established and influential, iii. Large Shareholdings, and iv. Occasionally emotional, were identified as factors perceived to be responsible for the power of reputable activists to influence corporate accountability and PIs' investment recommendations. These four factors are discussed below.

i First movers' advantage

In Nigeria, many businesses (including publicly listed firms) are family or individuals dominated. These influential families or individuals usually have first-hand or grapevine information about business opportunities and challenges. In essence, the perception of PIs is that reputable shareholders seem to have first mover advantage in obtaining important business information, which might otherwise be masked in complex accounting systems or the general socio-economic environment. Consequently, PIs posit that the consequences can be far-reaching when influential business or family owners engage in activism.

Interviewee CP1 supports this view as follows:

> *I am moved by the activism of reputable, well-known investors* (compared) *to other classes of investors. This is because I do not have a choice. I do not decide who backs who, who follows, or invests in an entity. Influential investors are typically more reckoned with, and the banks acknowledge their activism or complaints.*

The sense-making of PIs is that the power in the first mover advantage of reputable activists influences PIs' investment recommendations. Interviewee OP1 reflects thus:

> *Capital will always follow value, and activism by influential, wealthy people in Nigeria is aimed at better returns or control. There is a likelihood that before you, as a PI, find the appropriate information about the entity, a few reputable investors have spotted that entity* (ahead of you).

ii Large Shareholdings

Our interviewees posit that a shareholder's shareholding escalates the importance of such a shareholder. In this regard, PIs sense that the activism of reputable activists has power and significance because of the considerable shareholdings they control. According to interviewee MF1:

> *Invariably, here in Nigeria, the wealthy investor is probably in control or has the machinery to be in control. So, as the influence is enormous, their activism is important. In this environment, if you have a significant shareholding, you are invariably a board member in most cases, so imagine someone with such influence engaging in any form of activism. It will be instructive, and we will pay attention.*

iii Established and influential

In addition to following the fundamentals of investments, our interviewees confirm that they rely on socio-economic cues from the activities of influential shareholders. In the Nigerian business environment, organisations are typically established and financed by *influential people with access to capital* (CP1). The sense-making of PIs is that since reputable activists have built up influence and are well-established in the socio-economic environment, their activism can trigger a herd effect (Coffee and Palia, 2016). Interviewee LC7 captures this view as follows:

> *You have to be careful* (and take note of the activism of established activists) *so that you are not left behind. A well-known big man*[14] *has the resources that help them make well-established in the environment, and those resources might not be available to everyone. So, when you hear of activism by someone, for example, Dangote,*[15] *it is not Dangote himself; his resources enable him to access that company, and they will listen to him. That kind of activism, of course, would influence my investment decision-making.*

This is corroborated by interviewee MF4 as follows:

> *I look at activism by wealthy, influential and established shareholders, especially if they are not the management. Those people can drive the business* (and corporate accountability direction). *In this environment, if they cough, everyone catches a cold. These people can question the management.*

iv Occasionally emotional

According to our interviewees, reputable activists can be emotional in their decision-making. Thus, PIs suggest that the activism of reputable activists might sometimes be due to political or social reasons. For example, Interviewee MF1 asserts that:

> *Influential shareholders or known wealthy shareholders can be emotional shareholders. Their considerations are not always* (geared towards corporate) *profitability or growth. It could be political or social.*

While the shareholder activism literature principally assumes that activism aims to grow shareholder value, PIs sense that reputable activists' political or moral motives sometimes dictate their activism. For PIs, this emotional activism of reputable activists can

[14] Big man – a slang used in Nigeria to describe a dominant/influential person.

[15] Dangote is a Nigerian Conglomerate and also the name of the richest Nigerian.

influence investment recommendations. According to interviewee OP2:

When a reputable person sneezes, the reason for the sneezing is not what we would concentrate on (as PIs). W*e will react immediately. Even though a reputable influential investor might be emotional and not follow fundamentals, we (as PIs) respond to this, informing our investment recommendations. We wouldn't want to be caught at the wrong end of the stick and stuck in the investee firm, so we closely watch influential shareholders' actions.*

In sum, PIs' sense-making suggests that the activism of reputable activists, though less frequent and not always competent, influences corporate accountability and matters for investment recommendations in Nigeria.

4.3. Emerging activism-accountability

PIs' sense-making of activism -accountability of institutional activists is that it has competence. However, institutional activists' power to influence corporate accountability and PIs' investment recommendations is only beginning to emerge. The inter-subjective sense of shared meaning among PIs is that the weak institutional environment might be curtailing the power of institutional activists. From our data, four factors; i. Possession of technical acumen and resources ii. Largely docile due to prevailing weak institutional environment iii. Recent effective collaborative efforts iv. Regulatory encouragement and push; were identified as factors perceived to be responsible for the emerging influence of institutional activists' activism on corporate accountability and PIs' investment recommendations in Nigeria. These four factors and why they are an emerging influence on accountability channels, corporate accountability and potentially PIs' investment recommendations are discussed below.

i Possession of technical acumen and resources

According to the majority of our interviewees, institutional activists have the technical acumen and resources to investigate accountability channels. Consequently, from PIs' reasoning, the possession of technical expertise and resources by institutional activists can enable their activism to act as a driver of corporate accountability. According to our interviewees, institutional activist shareholders have the potential to check the agency problem because they can "*focus on poorly performing firms in their portfolio*" (LC5), pressuring the management of such firms to improve their performance. Yet, despite acknowledging institutional activists' technical insight, resource availability and activism potential, the *regularity of such* (institutional) *activism is inconsistent* (OP1) in Nigeria. Interviewee OP3 states that:

> *In this environment, there are abuses of corporate power, especially by executive management, but we have not witnessed an appropriate level of consistent reaction with respect to institutional shareholders' activism, even though the institutional shareholders know what to do.*

ii Largely docile due to prevailing weak institutional environment

The majority of our interviewees sense that institutional activists are less effective and docile in Nigeria because corporate takeovers by institutional investors rarely occur. This docility the PIs ascribe to the weakness in the Nigerian institutional environment. Thus, the sense-making of PIs is that despite the attractiveness and competence of institutional shareholders activism, it is not as effective in Nigeria. Interviewee LC1 notes:

> *It* (institutional shareholders' activism) *leads to court cases, and if you know Nigeria, you will generally back off from anything that has to do with a court case. The problem intensifies with the lack of swiftness in dealing with cases brought to the courts.*

Interviewee LF2 sheds more light on this position:

> *Institutional activism is very weak in Nigeria. This might be due to weak legal systems, corruption, and people not following laid down rules. My position is that it needs to improve. I imagine if institutional investors like my firm* (wealth management firm), *Pension Fund Administrators (PFAs) and insurance companies were active in airing their views, it could* (trigger) *improvements in board or corporate performance and compliance with laid-down rules. Again, the board may be carefree because they know they do not get objections from shareholders, but* (when) *institutional investors become active in how the rules governing business is managed, board members will sit up.*

Furthermore, interviewees mentioned that institutional weakness in Nigeria results in the complacency of institutional activists. Hence, institutional shareholders rely on proxies instead of utilising their competence to demand corporate accountability during annual general meetings (AGMs). Interviewee OP1 highlights this complacency thus:

> *I think the level of activism from institutional shareholders could be better. Institutional investors make lots of excuses. They suggest that it is a young industry. I don't think that is a good reason. For example, I think of how the pension industry is structured, where the shares are in the custody of custodians, and they take lots of instructions from institutional investors, but it is their responsibility to vote. As responsibilities are relinquished, activism becomes nobody's direct responsibility. That is a concern.*

Furthermore, our interviewees suggest that the passivity of institutional activists persists because of the short-term nature of investments in Nigeria. Interviewees sense that since institutional investors in Nigeria usually take a short-term position, they rather choose to exit their investment position than persist with activism. According to interviewee MF1:

> *Institutional activists are not as active because they can sell off their shares. If the banking sector is not doing well, the institutional investor sells its investments and then invests in other areas such as properties, money markets, etc. Or institutional investors go to the money market to buy government bonds. That's how institutional investors react in Nigeria as opposed to persistent activism.*

iii Recent effective collaborative efforts

Interviewees acknowledge the sense of power developing among institutional activists due to their recent collaborations and alliances in checking management excesses. This recent but inconsistent collaborative effort among institutional activists underlines *the activism potential of institutional activists to engender a sound corporate governance system* (OP3) and influence accountability channels. Interviewee LA2 describes the developing power of the recent collaborative efforts thus:

> *There are instances where improper practices have been identified in a company. Some institutional shareholders (*e.g.*, the PFA, Asset Management Firms) have gone to the Securities and Exchange Commission (SEC) to report the practice*s. *These institutional investors have also insisted that the SEC investigates such complaints. There are also instances where these shareholders have secured court injunctions. However, this form of intervention tends to happen on an ad-hoc basis, not on an ongoing basis.*

iv Regulatory encouragement and push

In recent times, Nigerian regulatory bodies (e.g., SEC) have encouraged institutional investors' activism. Our interviewees acknowledge that this regulatory push has encouraged institutional activists to exercise their influence on corporate accountability. Interviewee OP4 notes:

> *Over the past few years, the SEC has encouraged institutional investors to participate in the affairs of their investee firms. Recently, activism by a group of institutional shareholders led to the removal of the board of a Nigerian bank. This was made possible by the active encouragement of the Central Bank of Nigeria. Other banks took notice and were more transparent with institutional investors.*

Also, recently, regulators have supported the formation of shareholder associations (Uche et al., 2016b). The perception of PIs is that shareholder associations have allowed institutional activists to exercise their power of influence on accountability channels. Interviewee OP5 posits as follows:

> *The regulators encourage shareholder associations and institutional investors to combine their investment powers for better governance and monitoring.*

In the main, our finding indicates that PIs sense that although institutional activists have the competence to influence accountability channels, their activism to yet to be effective for corporate accountability. Nevertheless, from PIs' perspective, the emerging power of the activism of institutional activists can be crucial for PIs' investment recommendations. Hence, Nigerian PIs would like to see increased activism from institutional activists.

Activism-accountability denotes the extent to which activist shareholders' impact the accountability of firms.

5. Discussions

Our data reveals that the variations in 'competence' and 'power' of the various shareholder activists and their specific behavioural patterns impact corporate accountability differently. For instance, a specific activist group's activism promotes investment 'facilitation' where a successful behaviour encourages investment or may highlight investment 'inhibition' where the activism of an activist group discourages same. Against this background, PIs' decisions may reflect the power and competence of the shareholder activist groups and the success (or otherwise) of their activism on corporate accountability. Thus, the blend of factors underpinning our sense-making theorisation facilitates a better understanding of activism in a particular domain and the accountability systems within a specific field. This finding aligns with the literature (e.g., Chan et al., 2021; Wang et al., 2020; Pesqueux, 2005), which argues that actors who understand the accounting system should play an important monitoring role. Yet, similar to Chan et al. (2021), our study acknowledges that the distractions and institutional challenges these activists face may undermine their influence. Although studies (e.g., Rubach and Sebora, 2009; Goranova et al., 2017) examine the antecedents of shareholders' activism, we argue that the instrumentality of shareholders' activism can be linked closely to a 'competence' expectation on the part of economic agents and the 'power' of the activist groups to influence outcomes. This paper corroborates Luhtakallio's (2019) study by asserting that activism outcomes of different activist groups provide diverse benefits to users of accountability mechanisms (in our case, PIs).

Similar to studies such as Choi and Gong (2020) and Denes et al. (2017), our findings inform another critical discourse on the contextual understanding of activism in developing countries. The institutional weaknesses and similarities in governance practices among Nigerian banks accentuate the value of employing sense-making theoretical framing to explore the research question. From our data, activism in Nigeria is modelled along the lines of identity, experience, socio-cultural influences, and institutions. PIs, when making sense of activism by sophisticated activists, regard their activism as insignificant activism-accountability based on four reasons. These include the view that they are "passenger" shareholders who might make noise but are not reckoned with; they lack expertise and are unable to surmount transaction costs; and their activism is shaped by imagined but not always realistic financial projections. As for reputable activists, their activism was regarded as dominant activism-accountability for the following observations: i. First movers' advantage, ii. Established and influential, iii. Large Shareholdings, and iv. Occasionally emotional. PIs contend that reputable activists are less antagonistic to firms' management, can spot profitable investments, and overcome transaction costs but engage in social activism. Similar to the conclusions of Hamdani and Sharon (2019), we show that the reputation and influence of reputable activists allow them to exercise significant control over corporate managers, and they do not have to resort to aggressive tactics to influence firms' management. Furthermore, PIs' perspective on the potential of institutional activists to trigger effective activism and influence on accountability channels is explained by four factors: Possession of technical know-how and resources, largely docile due to the prevailing weak institutional environment, recent collaborative efforts, and regulatory encouragement and push. Studies (e.g., González and Calluzzo, 2019; Coffee and Palia, 2016) also document the positive effects of clustering. However, institutional investors in Nigeria are less active and will rather avoid legal institutions. These findings align with Razaq et al. (2021), who called for increased active institutional investor activism in developing countries.

In sum, our findings underpin the importance of sense-making of activism in weak institutional environments, as the context permits the breach of prescribed theoretical expectations. Often, sense-making theorisation threatens taken-for-granted roles and routines, prompting actors to question fundamental assumptions (Maitlis and Christianson, 2014). Our study helps shape the understanding of activism in developing economies and situate the appropriate type of activism that can check accountability problems in weak institutional contexts. Shareholder activism implies different meanings to stakeholders, considering the heterogeneity and sentiments of actors responsible for discharging this expectation (Malka, 2017). Bandura (1997, p.4) regarded the thought process of actors as "emergent brain activities that are not ontologically reducible" due to interaction within a social world external to the actors. Sense-making provides "clear questions and clear answers" (Weick, 1993, p. 636) that support decision-making. In developing countries such as Nigeria, where institutional challenges are deep-rooted and elitism is dominant, different activist shareholders engage in activism. Yet, they might construct their activism differently due to diverse interests and backgrounds (Brown et al., 2008). In such environments, there is the possibility of goal incompatibility among activist shareholders. Despite this development, shareholder activism has been recognised as a driver of good corporate governance (Adegbite, 2015; Razaq et al., 2021) in view of its capability to support the emergence of robust institutions in developing countries. This is because, in Nigeria, the institutions are quite fragile and do not possess the same "taken-for-grantedness" assumption found in developed countries. Hence, the sense-making of activism by shareholder activists is a critical consideration for decision-making in weak institutional environments. Specifically, we suggest that shareholder activism should be further encouraged as an alternative to self-regulation in dealing with governance problems in weak institutional climes.

6. Contributions and conclusion

As accountability channel users' perception of accountability mechanisms is crucial (Durocher and Fortin, 2021), this study's reliance on the sense-making of PIs unravels the influence of activist groups on accountability in Nigeria. PIs affirm that shareholder activism is essential for good corporate governance. In executing investment actions, we argue that economic agents (PIs) reflect upon the activities of shareholder activists, their own experiences, and the social context.

6.1. Contribution to the literature and theory

This article asked the question: *What is the perception of PIs on the impact of different shareholder activists on corporate accountability, and on their (PIs') investment recommendations?* We offer three important contributions to shareholder activism, corporate governance, accountability, and accounting discourses. First, by theorising on the sense-making of critical accountability channel users (PIs), we classify the influence of shareholder activism-accountability into three dimensions: insignificant, dominant, and emerging. This allows us to extend a scholarly understanding of shareholder activism by identifying four (4) factors that explain; the dominance of reputable activists; the insignificance of sophisticated activists; the emerging influence of institutional activists; and their overall impact on corporate accountability.

Second, by unpacking factors perceived to make activism impactful, this research offers a contextual understanding of shareholder activism that is useful in a weak institutional setting, and thus contributing to the shareholder activism - corporate accountability literature (e.g., Goranova et al., 2017; Chan et al., 2021; Choi and Gong, 2020; Wang et al., 2020; Pesqueux, 2005; Sikavica et al., 2018; McNulty & Nordberg, 2016; Uche et al., 2016a). Our study emphasises that the attributes of reputable and institutional activists make them the likeliest to influence the transparency of corporate reporting and information emanating from accountability channels. This is consistent with the underlying elements of the sense-making theoretical framework, implying that power, competence and emotions are key influences on sense-making (Weick et al., 2005). Our study shows that reputable activists are less antagonistic than other activist shareholders but are more likely to influence decisions in Nigeria because they can access relevant information and resources to drive their objectives.

In sum, PIs sense that institutional activists have the potential to influence firm decisions in Nigeria, given the increasing evidence of their collaboration and the ability to constitute themselves into groups that can provoke widespread change. Indeed, the growing cooperation among institutional activists could minimise the prevalent governance problems commonly associated with weak institutional settings. However, unlike in developed economies, where market forces define the concepts of 'acceptance' and 'power' subject to legal institutions (Luhtakallio, 2019), the 'acceptance and power' in Nigeria do not always reflect market dispositions. Rather, power could be easily traced to anti-social norms such as corruption, political coercion, poverty, and economic deprivation (Kimani et al., 2020). Therefore, we stress that the acceptance of specific behaviour and the power to influence actions underpin sense-making theorisation. Scholars should investigate shareholder activism to generate a robust understanding of drivers of governance mechanisms (e.g., activism) across institutional environments (Ahmed and Uddin, 2018). Our study aligns with the literature (e.g., McNulty and Nordberg, 2016; Choi and Gong, 2020; Denes et al., 2017), which contends that context is critical to understanding the effectiveness of shareholder activism.

Finally, we contribute to the accounting literature that recognises the importance of actors' (corporate accountability channels users' - PIs) reflexivity in interpreting critical aspects of corporate accountability mechanisms (Durocher and Fortin, 2021; Dogui et al., 2013; Gendron and Spira, 2010; Hudaib and Haniffa, 2009). Shareholder activism drives accountability and transparency in the accounting field (Merkl-Davies et al., 2011), but a contextual understanding of the efficacy of accountability mechanisms on accountability channels is needed and crucial (González and Calluzzo, 2019; McNulty and Nordberg, 2016). This article demonstrates the ability of actors (PIs) to reflect on the impact of different shareholders' activism on accountability channels and use this reflection to formulate investment recommendation responses. Reflexivity is a core aspect of social life that must be understood (Berger and Luckmann, 1967; Cullen and Brennan, 2017; Tremblay and Gendron, 2011), especially in weak institutional contexts.

6.2. Contribution to practice and policy

This research offers some implications for corporate accountability. As activism may generate friction and tension among stakeholders (Lan and Heracleous, 2010), managers should pay attention to the growing activities of shareholder groups, especially institutional activists. This is because conforming with contemporary trends facilitates increased access to external funding in developing countries. In sectors such as the banking industry, where firms are not easily distinguishable, shareholder activism with power and competence may deny banks the required resources.

This study also has implications for shareholder activist groups in Nigeria. Sophisticated activists can seek to enhance their relevance by participating more substantially through pressure accountability mechanisms such as collective dialogue or voice (Coffee and Palia, 2016; Michelon et al., 2020). Hence, sophisticated shareholders can take advantage of mechanisms such as the growing shareholder associations in Nigeria. For reputable and institutional activists, more synchronised engagement with each other will enhance corporate accountability, which can translate to improved confidence in the investment climate in Nigeria.

Furthermore, this article has two crucial policy implications. First, our findings allow us to better understand how meanings and realities of activism are constructed in practice vis-à-vis existing governance policies (Berger and Luckmann, 1967; Cullen and Brennan, 2017; Tremblay and Gendron, 2011). Regulatory agencies in Nigeria have encouraged the formation of shareholder associations (Adegbite et al., 2012). However, the activities of these shareholder associations are suspicious, with many considered corrupt and interested in pecuniary benefits. Therefore, this study can help regulators strengthen shareholder activism practices for corporate accountability. Second, regulators should not only expect institutional shareholders to protect their investments but should also provide efficient and effective platforms that encourage their intervention. Moreover, encouraging collaboration among shareholder activists can lift pressure off regulators while enabling shareholder activists to support good corporate governance practices in Nigeria.

6.3. Limitations and further research

Despite our contributions, this research draws on the sense-making of activities in a single country/sector. Although Nigeria depicts many characteristics typical of developing economies, especially in regulatory and legal enforcement areas, the generalisability of the research outcomes can be limited. Future research can undertake a multi-country investigation to examine the impact of activism by diverse shareholder groups on firms' internal decisions. In addition, sense-making is a polysemic concept. To manage this challenge, we focused on the social construction of Nigeria's shareholder activists' power and competence in our theorisation. We also interviewed only PIs to obtain a shared meaning in our sense-making theorisation. Future studies may seek other accountability channel users' (e.g., regulators, auditors) views on activism. In addition, although this study considered the activism of institutional shareholders, we did not directly investigate the activism of PIs themselves. Considering that PIs are responsible for firms' actions, their activism-accountability can be examined, particularly if their activism differs from that of their organisation. Another limitation of this study is that we did not directly relate the influence of shareholder activism factors in this study to specific accounting reporting channels (e.g., financial reports). Testing our activism-accountability dimensions and characteristics against specific performance outcomes is a promising area for future research.

Declaration of Competing Interest

The authors declare that they have no known competing financial interests or personal relationships that could have appeared to influence the work reported in this paper.

Data availability

Data will be made available on request.

Appendix A. . Extract of interview questions on activism

1. How do you perceive corporate Governance in Nigeria? How do banks react to governance regulations in Nigeria? In your opinion, do banks follow the codes of corporate Governance as mandated or advised? Do shareholders respond to good or bad governance practices of banks? If yes, which types of shareholder react?
2. Shareholder activism emphasises the variety of actions employed by shareholders to influence or monitor a firm's management and the board. What are your opinions/thoughts on shareholders activism in general and in the Nigerian banking sector in particular? How does activism influence your investment behaviour?
3. Do shareholders engage in activism in the banking sector in Nigeria? How and why?
4. What is your view on corruption in Nigeria? Is the banking sector affected by corruption? What influence does corruption have on shareholders' activism?

5. Do these sets of activist shareholders have power, and can you describe how and why or why not their activism is likely to influence your decision-making considerations? (Power here is regarded as the ability to influence the management of a company or the company's direction).
   i. Well-known individuals/typically connected and influential individuals who are wealthy. How will you describe the activism they engage in? How effective is their activism?
   ii. Working-class people who are professionals working for organisations and are usually young people who fit into the middle class of society. How will you describe the activism they engage in? How effective is their activism?
   iii. Institutional (These are organisations like pension funds, fund managers, etc.) who manage funds on behalf of their clients. How will you describe the activism they engage in? How effective is their activism?
6. How important is corporate governance and shareholder activism when you want to make investment decisions?
7. Do you have any other corporate governance drivers that influence your investment decisions?

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