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The Relevance of Board Diversity Features in a Weak Institutional Business Environment

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ABSTRACT

The board diversity literature continues to advance a simplistic but empirically unsubstantiated rhetoric of the board diversity accountability, economic benefits and its relationship with other firm characteristics. Yet, less is understood about which board diversity features actually matter for business decision-making, especially in weak institutional business environments where policy–practice decoupling is prevalent. Therefore, proceeding from an institutional theory underpinning and a board diversity accountability mechanism–decision-making argument, we explore via interviews, the perspectives of 27 professional investors on the relevance of diversity features for their decision-making in the Nigeria banking environment. Our findings reveal four factors (1. denotation of experience and innovation; 2. dynamic capability enablers; 3. ideas rotation and stability; and 4. display of discipline and board independence) that explain why board age and tenure diversity are relevant arrangements for decision-making in weak institutional environments. Also, we find four factors (1. ephemeral impositions; 2. tokenism; 3. no ethnic disparity in business opportunities; and 4. symbolic inclusivity) that explain why board gender and ethnicity diversity are irrelevant arrangements. Our findings provide very unusual insights into the (ir)relevance of board diversity in a weak institutional context.

1 | Introduction

Board diversity has attracted research attention internationally as an accountability mechanism[1] arrangement, albeit, with different and inconclusive findings (e.g., Del Prete et al. 2024; Janahi et al. 2023; Duff 2011; Ferreira 2015; Galbreath 2018; Wiersema and Mors 2016; Mahalakshmi and Reddy 2017; Post and Byron 2015; Upadhyay and Zeng 2014; Guest 2019). Notwithstanding the unsettled nature of the debate and the inability of prior research to demonstrate a clear relationship between board diversity and its effectiveness as an accountability mechanism (García-Meca et al. 2015), it is generally inferred that firms can potentially use board diversity as an accountability mechanism arrangement that has a business case value to a wide range of internal and external stakeholders[2] (Ely and Thomas 2020; Alsos and Ljunggren 2017; Adams et al. 2015; Cimini 2022). Hence, board diversity is specified in all corporate governance codes around the world (Khatib et al. 2021).

Specifically, for the banking sector, given the opacity of the sector's operations, the role of a diverse board is deemed vital, as other external stakeholders are not able to easily impose effective governance in banks (Levine 2004; García-Meca et al. 2015; Janahi et al. 2023). However, the belief that there is a linear relationship between board diversity and performance, or decision-making outcomes is questionable (Ben-Amar et al. 2013). This is because board diversity is difficult to evaluate directly in relation to performance or decision-making

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of stakeholders, as board diversity's usefulness seems to be derived from conventions rather than a direct assessment of the usefulness of the diversity features (Fairfax 2005). Thus, caution must be exercised in generalising the relevance of board diversity (Krawiec and Broome 2008; Fairfax 2005), as despite the many studies, we know little about the issue (Ben-Amar et al. 2021; Ferreira 2015; Guest 2019). In this study, we focus on the relevance of board diversity features including gender, age, ethnicity and directors' tenure,[3] which have been identified as important board related features in prior studies (Pfeffer and Salancik 1978; Filatotchev et al. 2007; Guest 2019; Pandey et al. 2023; Del Prete et al. 2024). The literature supposes that these board diversity features are accountability mechanisms which transmit positive messages about firm events and modify the decisions of stakeholders (Lee 1982). However, there is limited evidence on why (if really) and how these diversity features are important accountability mechanism arrangements for stakeholders (Hillman 2015; Khatib et al. 2023; Ely and Thomas 2020).

Furthermore, there is pressure internationally for governance convergence on board diversity (Wiersema and Mors 2016). Yet, legal, cultural and institutional environments significantly differ (Tihanyi et al. 2014) and the effectiveness of accountability mechanisms is dependent on a country's regulation quality and institutional environment (Arnaboldi et al. 2020). Many of the existing diversity-related studies (e.g., Carter et al. 2010; Upadhyay and Zeng 2014; Matsa and Miller 2013; Krawiec and Broome 2008; Cabeza-García et al. 2018), have predominantly focused on developed countries with strong institutions/business environments, whereas weak institutional business institutional environments[4] have their own peculiarities (Guillén and Capron 2016). As institutional environments differ and matter (Tihanyi et al. 2014), generalising about the relevance of board diversity without reference to specific features of diversity, or without appreciating the environmental, social, political and cultural landscape of a domain becomes difficult (Zhang 2020; Post and Byron 2015; García-Meca et al. 2015; Saeed et al. 2016; Dutordoir et al. 2024). This paper specifically theorises on the relevance of board diversity features as interorganisational arrangements which act as accountability mechanisms that improve the interdependencies between banks and professional investors (PI)[5]in a weak institutional business environment. Hence, proceeding from an institutional theory underpinning, we propose the following research questions:

i. In a weak institutional business environment, are board diversity features relevant accountability mechanism arrangements for professional investors' decision-making?

ii. If they are (not), how and why (not)?

We focus on the opinions of PI[6] on board diversity features in the Nigerian banking sector for the following reasons. First, PIs are experts that make strategic investment recommendations (i.e., buy, hold and sell shares) to their clients (Brauer and Wiersema 2018). Second, in Nigeria, as it is the case in many developing countries, institutions are weak, and social actors rely more on informal relationships (Ashiru et al. 2023). Moreover, the opacity and complexity of bank operations, makes it even more challenging for external stakeholders to understand bank activities in such environments (Acharya and Ryan 2016). PIs being experts are able to make sense of complex accountability mechanisms arrangements such as board diversity. Third, Nigeria, with a GDP of $252.74bn as at April 2024 (IMF 2024), remains an important investment destination for international investors. The Nigerian banking context is apt because it adopts international practices and codes of corporate governance which encourage board diversity; hence, it offers valuable avenues for exploring and understanding the effects of governance mechanisms and techniques used by practitioners (Adegbite 2012; Abdulkadir 2012).

Our reliance on PIs' perspectives on board diversity features in the Nigerian banking context is therefore critical for theory building as meanings of (accountability mechanisms) practices are embedded within the environment (Park and Mezias 2005). This allows us to contribute to the board diversity and bank's corporate governance literature (e.g., García-Meca et al. 2015; Khatib et al. 2023; Janahi et al. 2023) in the following ways. First, using data from PIs– who are important, but relatively under-researched strategic stakeholders (Filatotchev et al. 2023), we highlight the (ir)relevance of board diversity features as accountability mechanisms arrangements of banks. We theorise on PIs' perspectives on board diversity features and explain why diversity arrangements capture attention differently. We show that although board diversity is an accountability mechanism arrangement that can account for phenomena like stakeholder decisions and behaviours, it is not necessarily that all diversity signals are unidirectionally positive for PIs. Second, we add to, and strengthen the use of institutional theory by unpacking the board diversity features (ir)relevance as accountability mechanisms arrangements that improve interdependencies for banks and its stakeholders in a weak institutional context. We reveal four factors: (1) denotation of experience and innovation, (2) dynamic capability enabler, (3) ideas rotation and stability, and (4) display of discipline and independence that explain why board age and tenure diversity are relevant accountability mechanism arrangements for decision-making in weak institutional environments. Also, we find four factors (1. ephemeral impositions; 2. tokenism; 3. no ethnic disparity in business opportunities; and 4. symbolic inclusivity) that explain why board gender and ethnicity diversity are irrelevant accountability mechanism arrangements. Finally, this article contributes to the literature that acknowledges the importance of actors' critical perspectives (especially perspectives from less investigated business environments) in interpreting key aspects of accountability mechanisms (Durocher and Fortin 2021; Gendron and Spira 2010; Ashiru et al. 2023). The rest of this study is organised as follows. Section 2 reviews the literature underpinning our research inquiry. Thereafter, our methodology, findings, discussions and implications are presented.

2 | Literature Review

2.1 | Board Diversity, and Its Features as (Ir) relevant Accountability Mechanisms for Banks

One of the more observable governance mechanisms of a firm is the diversity of its board of directors. *'The concept of diversity relates to board composition and the varied combination of* *attributes, characteristics and expertise contributed by individual board members in relation to board process and decision making'*(Ingley and van der Walt 2003, 219). In this regard, diversity is welcomed as an opportunity to benefit from a wider skill mix that enables organisations to capitalise upon individuals' contributions and gain from their collective interactions (Carter et al. 2003), especially when the board is empowered (Libman et al. 2020). Consequently, board diversity has been studied, albeit inconclusively (Ferreira 2015), in terms different features including gender (e.g., Karavitis et al. 2021;Adams and Ferreira 2009; Gull et al. 2018; Pucheta-Martínez and Bel-Oms 2019), age (e.g., Janahi et al. 2023; Pelled 1996), ethnicity (e.g., Guest 2019), network ties (e.g., Beckman and Haunschild 2002) and tenure (e.g., Kaymak and Bektas 2008; Hambrick et al. 1996). As such, many studies have attempted to demonstrate the relevance of different board diversity to economic outcomes even if there is more focus on gender diversity (Khatib et al. 2021).

Despite the inconclusiveness of board diversity studies, in today's global world, board diversity is specified in all corporate governance codes and generally assumed to have relevance to stakeholders (Khatib et al. 2021). Specifically in relation to the banking sector, on age diversity relevance, using a large panel data of banks in the US, Janahi et al. (2023) suggest that age-diversified boards are associated with less earnings management, indicative of higher-quality reporting. They conclude that as age diversity increases, the strength of the board's monitoring effectiveness also increases (Janahi et al. 2023). Similarly, Zhou et al.'s (2019) study of 100 listed banks in Europe between 2005 and 2014, finds that board age diversity lowers bank risk taking. Meanwhile, Talavera et al.'s (2018) study shows that age diversity of the board has a negative effect on bank return on assets and return on equity, and no effect on bank risk in China.

With regards to gender diversity relevance, Karavitis et al. (2021) using a dataset of 13,714 loans from 386 banks matched with 2432 non-financial firms from 1999 to 2013, conclude that female board representation lowers loan spreads. Similarly, Cumming et al. (2015) suggests that female directors tend to be more concerned with reducing unethical business practises and that they advance firm's own corporate social responsibility ideals (Cordeiro et al. 2020). Going further, Dong et al. (2017) show that a higher proportion of female directors on Chinese banks' board is related to higher profit, cost efficiency and lower risk, which is similar to Mateos de Cabo et al.'s (2012) findings about greater female representation on European banks boards lowering corporate risk taking behaviour. García-Meca et al. (2015) relying on a sample of 159 banks from developed countries, also considered the relationship between board diversity features of gender and nationality and bank performance. Their result show that bank board diversity is relevant to banks' financial performance (higher performance in strong institutional environment and vice versa). Meanwhile, Del Prete et al.'s (2024) study find that the gender quota law in Italy only changed the diversity composition of the boards of listed Italian banks, with no effects on their economic performance. For board tenure diversity, Kaymak and Bektas (2008) posit that board tenure is negatively associated with the performance of banks.

Some other studies have investigated multiple diversity features. Casu et al. (2023) investigate the relationship between gender, age, nationality features and bank misconduct and conclude that board gender diversity feature does not influence the disciplining effect in the presence of bank misconduct. They, however, assert that foreign nationality and age diversity features increase the likelihood of CEO dismissal following regulatory sanctions. Aggarwal et al. (2019) posit that board diversity (i.e., gender, age, education and tenure) has a significantly negative effect on performance for group-affiliated firms but a significantly positive impact on stand-alone firms in India. Pandey et al. (2023) using a sample of 1197 Indian firms to test the relationship of board diversity, including board gender, age, tenure, education and profession, show that board diversity positively influences accounting performance but negatively affects market performance. In joining the debate, Bernile et al. (2018) use a multidimensional measure of board diversity (including gender, age, number of board seats, ethnicity, education and expertise) to show that greater board diversity improves performance in US firms. However, this beneficial effect declines significantly in highly volatile market conditions requiring swift board decisions. The inconclusiveness of the board diversity debate points to a useful avenue for exploring its relevance as an accountability mechanism in a heavily regulated banking sector. Interestingly, researchers such as Anderson et al. (2011), Estélyi and Nisar (2016) argue that, regardless of reforms and regulations, boards will consist of directors with wide differences in characteristics such as age, education, experience, gender and professional background, in the expectation that there are more tangible benefits than costs of employing them (Estélyi and Nisar 2016). Hence, its crucial to understand the relevance of diversity features as interorganisational arrangements between the firm, its environment and its stakeholders.

Furthermore, the relevance of board diversity is context dependent (Arnaboldi et al. 2020; Post and Byron 2015; García-Meca et al. 2015; Pandey et al. 2023). Although many countries have undergone governance reforms which make board diversity mandatory, the mixed results are unsurprising considering that the effectiveness of banking reforms (or any reform) is dependent on a country's institutional environment (Arnaboldi et al. 2020; Post and Byron 2015). Meanwhile, majority of existing board diversity studies (e.g., García-Meca et al. 2015; Upadhyay and Zeng 2014; Matsa and Miller 2013; Krawiec and Broome 2008; Cabeza-García et al. 2018) are based on evidence from developed countries, whereas institutional environment matters (Tihanyi et al. 2014; Arnaboldi et al. 2020; Post and Byron 2015; García-Meca et al. 2015). In addition, majority of board diversity research of financial firms concentrate on diversity–firm performance relationship, yet the findings are inconclusive (Khatib et al. 2021) or questionable (Ben-Amar et al. 2021). Qualitative empirical investigation into the relevance of these diversity features for decision-making is still underrepresented in the literature (Khatib et al. 2021). Thus, we proceed to investigate the relevance of board diversity as an accountability mechanism which external stakeholders depend on for their decision-making.

2.2 | Institutional Theory, Board Diversity Features and Professional Investors

Institutional theory is a theory on the deeper and more resilient aspects of social structure. The theory sheds light on how firms face regulatory (e.g., legal rules and regulations enforceable by authorities), normative (e.g., value, beliefs or norms) and mimetic (e.g., imitation of practices by firms to respond to competitors) pressures (DiMaggio and Powell 1983; Meyer and Rowan 1977). Therefore, institutional theory enables the consideration of the processes by which structures, including rules, norms and routines, become established as authoritative guidelines for social behaviour (Willmott 2015). Norms and rules in any institutional environment have important consequences for 'the communities of organizations that share a common meaning system' (Scott 1995, 56) and their stakeholders (Zhang 2020). This is because the norms and rules in an institutional environment help shape what firm practices are considered legitimate (DiMaggio and Powell 1983; Meyer and Rowan 1977). Legitimacy is the general assumption that a practice is desirable, proper or appropriate within some socially constructed system of rules, norms and values (Suchman 1995). Consequently, this paper proceeds from an institutional theoretical perspective and highlights that board diversity features as accountability mechanisms that influence decision making, depend not only on the regulatory legitimacy in the institutional environment, but also on the normative legitimacy.

According to the literature, board diversity is an important accountability mechanism that provides information that is valuable and timely, which diminishes uncertainty, reduces information asymmetry (Zhou et al. 2019), transaction costs for stakeholders (Elnahass et al. 2023) and enables firms to maximise their performance (Ingley and van der Walt 2003). In this regard, many diversity studies (e.g., Elmagrhi et al. 2018; Cordeiro et al. 2020) assume that board diversity has some direct relationship with economic outcomes. For example, focusing on a sample of 487 entities listed in 18 European countries over the period 2009–2017, Cimini (2022) shows that female directors increase the value relevance of accounting amounts, providing insights that board composition affects investors' judgements. With particular reference to banks, Elnahass et al. (2023) used corporate governance data for 1328 bank-year observations from 153 banks, representing 14 countries from 2007–2017, and they find that board diversity enhances the stability of banks (Elnahass et al. 2023). However, going by institutional theory prescriptions which is critical of variants of rationalist analysis that assumes orthodox economics outcomes (Willmott 2015), some board diversity features might have less influence on the performance of banks in weak institutional business contexts (García-Meca et al. 2015). This might be because firms might only be using diverse boards to show their adherence to regulatory legitimacy or globally expected social values (Miller and Carmen Triana 2009; Ely and Thomas 2020), rather than normative legitimacy. Normative legitimacy is dependent on the social and cognitive dimensions in any particular context (Zhang 2020). Hence, although, various theory theoretical perspective have been utilised in the banking context to study board diversity relationships with performance (Dong et al. 2017; Talavera et al. 2018), compensation policy (García-Meca 2016), bank efficiency (Ramly et al. 2017), stability (Elnahass et al. 2023) and accounting quality (García-Sánchez et al. 2017), qualitative investigations into the relevance of board diversity features as accountability mechanisms has received less attention (Khatib et al. 2021).

This becomes even more surprising considering the fact that the social, cultural and environmental complexity differences between countries might lead to varying conclusions on stakeholders' dependencies on board diversity as an accountability mechanism (Arnaboldi et al. 2020). Interpretations and dependence on governance accountability mechanisms differs depending on context (Tihanyi et al. 2014). Yet, many economic-based valuation models of decision-making processes assume the presence of perfect information, thereby ignoring information asymmetries and qualitative information (Stiglitz 2002). Indeed, institutional elements, such as social arrangements (Mertzanis et al. 2019) and adherence to regulatory institutional environments are important in establishing effective corporate governance systems (Kumar and Zattoni 2016; Aguilera et al. 2015). From developing countries perspective, the opacity and complexity of bank operations makes it even more challenging for external stakeholders to monitor bank activities (Acharya and Ryan 2016) or impose effective governance in banks (Levine 2004). Therefore, dependence on board diversity features for decision-making requires experts' context-specific knowledge.

In this regard, professional investors (PIs) who operate in developing countries, benefit the investment climate and strengthen firms' commitment to business ethics, are able to interpret influences of accountability mechanisms (such as board diversity features) on their decision-making (Chen et al. 2014; Ashiru et al. 2023). PIs have more expertise and experience than individual investors in accessing firms and their leadership (Brauer and Wiersema 2018). PIs are important in the efficient flow of capital, and they bridge the information asymmetry between managers and investors (Brauer and Wiersema 2018). PIs are sophisticated users of information (both financial and non-financial), with good industry knowledge. They actively engage management and directors to unearth behind the scenes information, which might have implications for the firm's performance (Luo et al. 2015). Finally, although PIs can be influenced by the social context (Fogarty and Rogers 2005), in developing countries like Nigeria, PIs are crucial, as they are in a position to understand accountability mechanisms, sieve out the noise and can factor the diversity features information in their decision-making.

2.3 | Board Diversity Features in the Nigerian Banking Context

In terms of national governance regulations, the Nigerian banking sector follows a shareholder primacy approach, operates a unitary board structure and bank directors' board appointments must be approved by the CBN. The bank board must be composed of a minimum of seven directors up to a maximum of 15 (CBN Circular 2023). Overall, board diversity, including gender, ethnicity, age and tenure are suggested or mandated by the CBN as being effective board diversity features which can serve as accountability mechanisms for the banking sector (Code of corporate governance 2018). In any case, firms disclose diversity information about their board composition to ensure their survival in a complex business environment (Filatotchev and Toms 2003). Hence, banks in Nigeria use board diversity as a legitimacy tool to signal good corporate governance to stakeholders (Adegbite 2015). Thus, in spite of the institutional weakness in Nigeria, international practices are instituted by regulators (Adegbite 2012; Abdulkadir 2012).

Examining the four different diversity features in the Nigerian context is particularly interesting. On directors' age, the literature suggests that boards should have a healthy combination of both younger and older directors (Fox 2007; Adegbite 2015). The general idea being that the network of an age-diverse board may provide better access to capital and regulators (Macey and O'Hara 2003) and enable the banks to meet the needs of different customers and penetrate deeper into the market (Mishra and Jhunjhunwala 2013). Whether an age-diverse board provides advantages and expertise, or leads to communication breakdown and conflicts, remains an open question in the governance literature (Janahi et al. 2023). In developing countries, there has been significant transformations over a relatively short period (Peng et al. 2008) and simultaneously there has been a push towards cultural change (Stulz and Williamson 2003). Hence, people are now given responsibilities commensurate with their abilities and track records, rather than just on the basis of age. As an example, banks in Nigeria have directors of different ages, expanding their boards' networks and professional contacts. Expanded networks may lead firms to benefit from improved access to their external constituents, and resources (Hillman et al. 2000).

On directors' gender, the Davies (2011), Hampton Alexander Review (2017), and FCA Review (2021), all recommend that more women should be included on boards, as these reports suggest that gender diversity enhances boardroom effectiveness (Adams and Ferreira 2009) and environmental reporting (Gallego-Álvarez and Pucheta-Martínez 2020). Besides, studies such as Mahalakshmi and Reddy (2017) posit that women benefit boardroom dynamics by bringing a collaborative leadership style through increased listening, social support, and win-win problem-solving. Studies (e.g., Mahalakshmi and Reddy 2017; Srinidhi et al. 2011) infer that the perspectives of women bring value, which often differs from their male counterparts. This difference of opinion can mean women are inspirational to a firm's diverse workforce (Campbell 1996) and bring value to firms based on their experience (Nielsen and Huse 2010). Going further, studies (e.g., Matsa and Miller 2013) suggest that even though women are underrepresented, there are records of proven competence and trust by women around the globe. As such, where institutions are weak, increasing gender diversity in a firm's management can have beneficial effects (Jurkus et al. 2011; Ayadi et al. 2015). Yet, Ben-Amar et al. (2021) employing a critical discourse analysis of mandatory corporate governance disclosures of Canadian firms listed on the Toronto Stock Exchange, highlight the patriarchal power structures underlying corporate board appointments and show that firms that mention merit a lot in their disclosures are more likely to resist gender diversity. Overall, female representation on boards has broadly improved, even if it appears women are less well represented than men on important boards (Dhanani and Jones 2017). In fact, in some societies, women are given supporting or subsidiary roles regardless of their economic contributions to the organisation's success (Kuasirikun 2011).

In sub-Saharan Africa, women are less represented in higher tiers of society (Mathiopoulos 2016; Ogharanduku et al. 2021). Srinidhi et al. (2011) posits that women and men have different roles and capabilities due to different contexts' socialisation processes and societal trends plays a role in board gender diversity debate. Dhanani and Jones (2017) in their enquiry into the diversity characteristics of boards, find that board trends are consistent with societal diversity and the value of diverse boards reflect the gender profile of board members. In addition, the perception on gender diversity might also be skewed by the media or assumed to be sector dependent (Sheerin and Garavan 2022; Ogharanduku et al. 2021). For example, Sheerin and Garavan (2022) find that the media framing of the absence of women from senior roles in investment banking is embedded in stereotypes which suggests that women's lack of progress could be attributed to their supposed internal weaknesses. In Nigeria, the different ethnic groups have different expectations for gender roles. Consequently, under representation on boards is uneven, as the literacy rate is higher in Southern than in Northern Nigeria. A report on global representation of women entitled *'Women in the boardroom A global perspective'* shows that a total of 16.5% of directors currently represented in Nigerian boards are female, which is quite encouraging if compared with many Western countries (Deloitte 2016).[7] However, evidence suggests that women are likely to be appointed to precarious leadership positions (Ryan and Haslam 2007) which can lead to negative market reactions to the appointment of female top managers (Xing et al. 2021). Hence, the literature is not unequivocal on the gender diversity construct. Nevertheless, the Nigerian code of corporate governance (2018) suggests gender diversity for boards.

Again, research on ethnic diversity is evolving with mixed empirical evidence. For instance, on the one hand, Makhlouf et al. (2018) and Upadhyay and Zeng (2014) postulate that racial diversity positively influences accounting conservatism. Guest (2019) on the other hand found no evidence that ethnic diversity improves firm performance, even for firms with higher agency problems. Carter et al. (2010) also report that there is no significant relationship between the ethnic diversity of boards and firms' financial performance. Yet, Adegbite (2015) proposed that ethnic diversity should be reflected in board composition in Nigeria, especially as ethnic diversity has religious undertones (Nakpodia et al. 2016). Meanwhile, Lau and Murnighan (1998) suggest race (ethnicity) might have disruptive consequences. Whereas Krepps and Caves (1994) suggest that when people of same tribes (ethnicity) make decisions about what approaches to take and what resources to develop, they consistently out-perform decision-makers from other tribes. Considering the increasingly global nature of businesses, understanding what ethnicity diversity feature communicates to stakeholders in specific societal context becomes more pertinent (Erez 2011; Akiwowo 1964; Duff 2011), as it is assumed that culture (and ethnicity) affects group members' thinking and actions (Hofstede 2001).

Research on the impact of directors' tenure diversity is also rather inconclusive. Finkelstein and Hambrick (1996) argue that longer tenured directors on boards inhibit creativity, while in contrast Hambrick and Mason (1984) suggest that longer tenured boards allow innovation and creative thinking to flourish. Also, a meta-analysis by Webber and Donahue (2001) did not reveal any conclusive effects on tenure of directors and firm performance. Li and Wahid (2018) posit that tenure-diverse boards exhibit superior monitoring performance and creativity, but not necessarily superior financial performance. Nevertheless, the extant literature generally seems to favour boards with shorter tenure (Li and Wahid 2018). The CBN Circular (2023) stipulates that directors (executive and non-executive) of a financial institution can only serve a maximum of three tenures of 4 years each.[8] Yet, the study by Ben-Amar et al. (2021) suggests that regulatory enforced diversity is of limited influence. Overall, how tenure diversity or restriction is of value to strategic stakeholders in a developing country has not been fully investigated.

In sum, although boards represent a key institutional accountability mechanism (Dhanani and Jones 2017), there are many unanswered questions as it relates to how board diversity affects practice (Hillman 2015). We point out that many prior studies have attempted to generalise the positive effect of board diversity features as good corporate governance arrangements, whereas context differs (Tihanyi et al. 2014; Zattoni et al. 2020). In today's world, many developing countries adopt accounting and governance institutions capitalism's legitimating norms emanating from developed countries without proposing substantive reform in their own countries (Tweedie 2024). Therefore, understanding specific governance mechanism's (in this case board diversity) relevance to stakeholders' decision-making is important (Hillman 2015).

3 | Methodology

In order to understand the relevance or otherwise of diversity features, we applied an interpretive approach.[9] The interpretivist research approach focuses on understanding the subjective meanings and experiences of individuals within their social context (Polkinghorne 1983). In essence, interpretivism assumes that access to reality happens through social constructions such as language, consciousness, shared meanings, and instruments (Myers 2019). Thus, employing an interpretivist approach allowed us to build on the contextualized experiences of professional investors' understanding of the (ir)relevance of board diversity features as accountability mechanisms which influence decision-making in the Nigerian business environment.

3.1 | Participants Selection

A total of 27 participants were drawn from senior professional investors who are experienced and understand the Nigerian business environment. They included managing directors, chief investment officers, senior asset managers and fund managers, each with over 15 years of professional experience (see Table 1 for an anonymised list of interviewees).[10] Participants were purposively drawn from 22 different firms. Thus, these 27 participants represent purposeful sampling (Lincoln and Guba 1985). In other words, we focused on selecting 'those people experiencing the phenomenon of [our] theoretical interest' (Gioia et al. 2013, 19). All the participants were familiar with the CBN Corporate Governance Code (2018) and had a good understanding of board diversity and inclusiveness.

The experience of the participants enabled us to benefit from their knowledge of the topic, thereby improving the objectivity and reliability of our research design. Our enriched data set prevented similitude and served as a control mechanism upon which different views were assessed and compared with one another (Adegbite 2015). Interviewees were contacted via emails and telephone calls, outlining the research agenda (Denscombe 2010; Stigliani and Ravasi 2012). Personal contacts[11] and a snowballing technique proved helpful in relation to access.

3.2 | Data Collection: Semi-Structured Interviews

Consistent with previous research on corporate governance in Nigeria (e.g., Nakpodia et al. 2016; Adegbite 2015), as well as research on corporate boards in general (e.g., Krawiec and Broome 2008), our method used in-depth interviews. These explore how particular factors of board diversity are important signals for investment recommendations in Nigeria. The semi-structured interviews were conducted between December 2017 and January 2018. At the start of the interviews, participants were asked to consent to participating in the study. We also communicated to participants that their anonymity would be protected and the confidentiality of their responses. All interviews were conducted in English and were recorded face-to-face with interviewees in Lagos (financial capital of Nigeria) or Abuja (capital of Nigeria). These interviewees were professionally competent (Hughes and Preski 1997), and their expertise minimised respondents' position bias (Miller et al. 1997). Following data collection, saturation[12] in depth and breadth, was reached after 24 interviews were conducted. However, we proceeded with three additional interviews to confirm data consistency and subsequent comments were consistent with the initial data sourced from participants. Thus, the data collected were largely representative of PIs in Nigeria. Each interview, on average, lasted about 40 min.

3.3 | Approach to Data Analysis

The recorded interviews were transcribed manually to aid '*data immersion*' – a process that involves rereading the transcribed text (Bradley et al. 2007). While reading the transcribed text, the text was also checked for completeness and errors were corrected. The transcribed interview data generated 335 pages of text. The interview data collected for this study was analysed using NVIVO 11 software, which allowed for the interpretation of the content of text data through a systematic classification process of coding and identifying themes6 or patterns (Hsieh and Shannon 2005). Analysis done via NVIVO 11 provides a medium for exploring core themes (Mayring 2000). We loaded the transcribed interview texts into NVIVO software as word documents and the actual data analysis process involved three stages.

The first stage of our interview data analysis involved generating the sub-categories after which an open coding

TABLE 1 | Interviewees details and codes.

Code	Position	Organisation	Gender	Age range in years	Years of experience
CP1	Chief Investment Officer	Large Closed Pension (CP) Company (for staff of the company only)	Male	40–50 years	Over 20 years
CP2	Chief Investment Officer	Large Closed Pension Company	Female	40–50 years	Over 20 years
LA1	Fund Manager	Large Asset (LA) Managers	Male	30–40 years	10–20 years
LA2	Managing Director	Large Asset Managers	Female	40–-50 years	Over 20 years
LA3	Managing Director	Large Asset Managers	Male	Over 50 years	Over 20 years
LA4	Business Development Manager	Large Asset Managers	Female	30–40 years	10–20 years
LC1	Chief Analyst	Large Capital (LC) Market Company	Male	40–50 years	Over 20 years
LC2	Chief Analyst	Large Capital Market Company	Male	40–50 years	10–20 years
LC3	President/Chief Executive Officer	Large Capital Market Company	Male	Over 50 years	Over 20 years
LC4	Director	Large Capital Market Company	Male	Over 50 years	Over 20 years
LC5	Managing Director	Large Capital Market Company	Male	40–50 years	Over 20 years
LC6	Principal Director	Large Capital Market Company	Male	40–50 years	Over 20 years
LC7	Deputy Chief Investment Officer	Large Capital Market Company	Male	40–50 years	Over 20 years
LC8	Chief Executive Officer	Large Capital Market Company	Male	Over 50 years	Over 20 years
LF1	Senior Fund Manager	Large Investment Company (LF)	Male	40–50 years	10–20 years
LF2	Chief Investment Officer	Large Investment Company	Female	40–50 years	10–20 years
MA1	Managing Director	Medium Asset (MA) Managers	Male	Over 50 years	Over 20 years
MF1	Managing Director	Medium Sized Investment Company (MF)	Male	Over 50 years	Over 20 years
MF2	Managing Director	Medium Sized Investment Company	Male	Over 50 years	Over 20 years
MF3	Group Executive	Medium Sized Investment Company	Male	Over 50 years	Over 20 years
MF4	Chief Investment Officer	Medium Sized Investment Company	Male	40–50 years	10–20 years
OP1	Chief Investment Officer	Large Open Pension (OP) Company (open to the general public)	Female	30–40 years	10–20 years
OP2	Chief Investment Officer	Large Open Pension Company	Male	40–50 years	Over 20 years

(Continues)

TABLE 1 | (Continued)

Code	Position	Organisation	Gender	Age range in years	Years of experience
OP3	Chief Investment Officer	Medium Open Pension Company	Male	40–50 years	Over 20 years
OP4	Chief Investment Officer	Large Open Pension Company	Male	40–50 years	Over 20 years
OP5	Fund Manager	Large Open Pension Company	Male	30–40 years	Fewer than10 years
OP6	Deputy Chief Investment Officer	Large Open Pension Company	Male	40–50 years	10–20 years

Note: All companies referred to as large have a total asset size in excess of N100BN (USD278M). All companies referred to as medium have total asset size in excess of N10BN (USD28M) but less than N100BN (USD278M). Although there were 27 professional investors, some participants worked in the same firm though in different locations. OP3 and OP5 worked in the same firm, as did LA1 and LA2, LC1 and LC4, LC5 and LC8 and MF3 and MF4. In total, interviewed executives worked in 22 different firms.

procedure was applied. The sub-categories generated include directors' experience, tokenism, risk taking, corruption prevalence, Nigerian contextual environment, innovation comes with the mix, federal character, and gender agnostic, as some factors that moderate board diversity signals. These formed our first-order codes. In the second stage, generic categories were generated by grouping the sub-categories under higher order headings (Burnard 1991). The objective of this stage was to reduce the number of sub-categories by collapsing those that are similar or dissimilar into broader higher order categories (Dey 2003). This second stage was obtained according to our study's concepts of interest, namely, directors' age, gender, ethnicity and tenure on the board. In this stage, we analysed the emerging patterns in our data until adequate conceptual themes emerged (Eisenhardt 1989). For example, categories containing instances in which analysts discussed about the age of directors in Nigerian society were collapsed into a predetermined theme labelled 'directors' age'. In the final stage, an abstraction procedure was followed to generate an overall description of the research problem (Nakpodia and Adegbite 2018; Polit and Beck 2012). This involved organising the information in second-order themes into the overarching dimensions that eventually underpinned our theorising. Figure 1 below shows our qualitative data analysis rigour following the Gioia methodology framework (Gioia et al. 2013).

Finally, in order to improve the trustworthiness of our data, each author independently assessed the data coding and the assignment of codes to categories. We discussed codes, meanings and categorisation until there was consensus. Wherever there was disagreement, categories were modified (Gioia et al. 2013). Finally, as a form of post hoc analysis (Candela 2019) and in line with similar studies (e.g., Ashiru et al. 2023), we randomly contacted six of our research participants for feedback on our outcomes. The post hoc analysis was considerably in agreement with our findings.

4 | Findings

Two generic aggregate accountability mechanisms arrangement themes (i.e., relevant and irrelevant) of board diversity emerged from the sub-categories identified from our data (see Figure 1). In this section, using anonymised quotes from our interviews, we present discussions on the four board diversity features investigated in this study, under appropriate generic aggregate relevance themes. We also interpret the anonymised quotes, drawing insights and nuances through institutional theory framing.

4.1 | Relevant Board Diversity Features for Decision-Making

4.1.1 | Age of Directors

PIs argue that the age of members on the board is a relevant diversity accountability mechanism arrangement for their decision-making. We identify (i) denotation of experience and innovative advantage and (ii) dynamic capability enabler as the reasons why board age diversity is relevant for PIs' decision-making.

i. *Denotation of experience and innovation advantage.*

Board age diversity bring value to banks based on it being perceived as bringing experience and innovation advantage to the banks. According to interviewee LA3 and OP3 respectively,

> '*in these distinctive cultural environments, we assume directors in different age cohorts tend to hold diverse values* (appropriate for their generation) *that can affect the quality and process of decision-making of an organisation*'

(LA3).

> '*in most businesses in this clime, we want to see two things, we want to see a strong track record of senior* (board) *directors, but we also want to see a lot of innovation which tends to be tied to the younger* (board directors)'

(OP3).

For PIs, there is a need for an inclusive board. Interviewee LF1 captures this sentiment as follows:

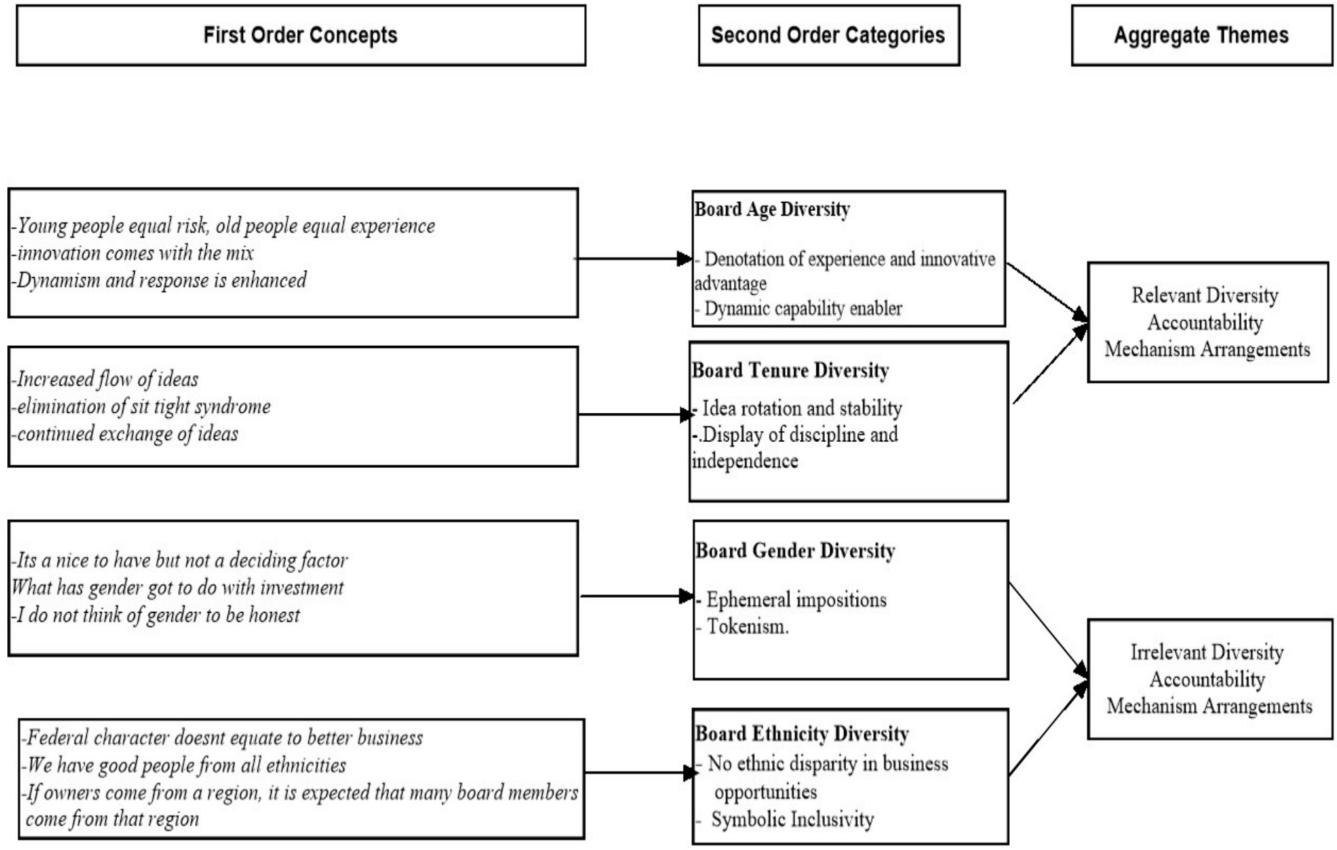

FIGURE 1 | Data structure and the coding process. *Source*: Developed by the authors.

> '*… the essence of board is to have the kind of skills that cut across different fields and also generations. If you have a bank board that is very old, their ideas would also be very old, and of course with new* (younger) *people, they embrace more of* (technology) *… we all know that technology is a major enabler for virtually all businesses now and the desire to actually use technology to power a business; you cannot find it in the older generation as such. So, if you have a board that has young and vibrant people you tend to see a lot of changes taking place and some calculated risks taking because that is what the business is all about*'.

Our data indicates that board age diversity is a diversity feature that is cognitively interpreted by PIs as bringing both innovative advantage and a control mechanism to the bank.

ii. *Dynamic capability enabler*

For our interviewees, the rapid transitions in the Nigerian business environments, necessitates a need for business adaptability to changing business environment. Board age diversity enables business relationship dynamism which in turn expands the bank's network. Interviewee LF2 states that

> '*age of directors is important but maybe not necessarily in terms of ratios, but in terms of ideas the bank board has. A lot of things are changing right now even within the financial space. If what you find is only retired people on the board, then their adaptability to changes in the environment might be slow*'

From our findings, we uncover that PIs interpret the age of director as an accountability mechanism arrangement which is a precursor to dynamic capability in the rapidly transitioning Nigerian environment. The presumption is that younger people are more up to date with technological changes and, *'they might help influence the board of the bank in the direction of where the market is going'* (CP1), while older directors are deemed to bring wisdom and experience. Age diversity implies that the firm has *'an extensive idea pool to choose from and the board will probably discuss a lot of issues and might not be blindsided by current events'* (LC5). Our findings show that, regardless of the weak institutional environment, dynamic capability is a competence that is required to respond to the rapidly changing Nigerian environment.

Our findings indicate that PIs see value in board age diversity, and they react positively to this accountability mechanism arrangement in their decision-making.

4.1.2 | Directors' Tenure on the Board

PIs argued that board tenure diversity is relevant for their decision-making as it shows (i) idea rotation and stability and (ii) display of discipline and independence.

i. Idea rotation and stability

PIs value stable businesses which continually refresh their product offering and business ideas. Interviewee MA1 puts forward the following argument:

> '*I think that experience has a value, but freshness also has a value. So, my view of the way the board of the bank should work is that you keep people who know enough of the business but also allow new ideas to come in. So, there should be some level of rotation within the board system, where after a certain number of years, people just have to go*'.

Accordingly, for majority of the interviewees, ideas rotation and stability obtainable via directors' tenure on a board has implications for investment recommendations. Interviewees MF4 and OP5 opine as follows:

> '*years a director of a bank spent on the board is something to weigh in on my recommendations as it tells me about how stable the firm is and the agreeableness and discipline within the organisation. Of course, if a bank is good and stable, you will find harmony and rigor among the board of directors and sometimes a way for people like us to know about these things, such as how long the directors stay on the board. So yes, tenure is very important*'
>
> (MF4).

> '*director tenure, indeed, is a critical factor that we take into account along with other measures when determining the value of a firm, especially we are interested to know about their* (directors') *future, particularly if I am thinking long term. Too short a duration on a board means the director does not know enough, and a lengthy stay on a corporate board implies the ideas in the firm might be stale*'
>
> (OP5).

Our findings show that for Nigeria, a country that is transitioning to a more liberal market, ideas rotation as well as stability of directors are signals PIs seek to assure them of the going concern status of the firm.

ii. Discipline and independence

For PIs, the 'frequency of entry and exits on a board triggers curiosity' (LC5) and could make PIs 'want to pry further to find out whether there were concerns they had that made them (the directors) leave the bank board' (MF4).

Furthermore, interviewees contend that board tenure diversity is essential in a country with weak institutions in order to overcome organisation inertia as well as '*to guarantee some measure of board independence*' (OP5). Interviewee CP1 asserts that

> '*In this country* (Nigeria), *the principal owner is too powerful, and a lot of governance practices are just smoke screens to fulfil legal requirements. This makes board tenure an important investment driver, as at least you can be assured that directors are changing sometimes, ideas are changing too, and if the firm is bringing in influential directors, then you can be assured that they are connected, and firm will be making profits and stay relevant*'.

In Nigeria, the board tenure diversity (which is regulatory mandated) improved monitoring, especially if reputable directors are recruited to the board. This accountability mechanism arrangement as intended by the regulators is relevant for decision-making since it demonstrates the discipline which the banks must exercise.

In sum, the logic behind the above supporting arguments are in line with institutional theory, as PIs view board diversity features of age of directors and the tenure directors spend on the board as interorganisational accountability mechanism arrangements that are normatively relevant for their decision-making in Nigeria. Board age diversity of directors suggests to PIs the risk averseness or innovation motivations of a Nigerian bank. In addition, board age diversity enables the bank to sense, seize and transform opportunities and threats in the environment. Similarly, board tenure diversity is depended upon as an accountability mechanism as it signals cogent experience, discipline, idea rotation and retention.

4.2 | Irrelevant Board Diversity Features for Decision-Making

4.2.1 | Gender of Directors

PIs argue that board gender diversity shows that a bank is compliant with what is perceived to be modern global governance practice. However, for PIs, board gender diversity is not a relevant accountability mechanism arrangement that is important consideration for investment decision-making in Nigeria. Due to socio-cultural peculiarities in the presence of weak institutions context, PIs view board gender diversity as (i) ephemeral impositions and (ii) tokenism.

i. *Ephemeral impositions*

For PIs, in Nigeria, gender diversity signals a transitory western imposition rather than *a primary investment consideration* (LC1). For our interviewees, when there are '*conversations around gender balance on the board of a bank, merit has to go first, performance has to go first*' (CP1). As such, gender is cognitively treated more ephemerally by PIs. Interviewee OP1 expresses thus

> '*I do not think gender of directors' matter, to be honest. In terms of making investment recommendations, I do not think it is relevant. But, just for the cause of advancing the presence of women, I would be happy to see that*
>
> (women are on the board.)'.

In other words, in the socio-cultural environment in Nigeria, the gender of a bank director does not influence investment recommendations in Nigeria as *'it does not say anything about the performance of the firm'* (MF4). Interviewee MF3 was even more categorical, arguing that

> '*I am very agnostic, as far as that* (gender) *is concerned. The board of the bank can be all female or can be all male. It does not matter to me*'.

ii. *Tokenism*

Our interviewees contended that '*quality of board member and not their gender'* (LA6) benefits the firm. For instance, according to interviewee LA2:

> '*my own organisation has an all-female board, but I have not thought about this as important when I want to make investments in my investee firms. Remember, I am after profits for my investors. Gender sentiments are not really our 'cup of tea' in this part of the world. It is changing, as now people are considered on the basis of what they bring to the table and you find women are as good as men, but this* (gender diversity) *will not sway my investment recommendation*'.

In developing countries, not only have the institutions not been reformed to depict the social reality (Tweedie 2024), there is only a small pool of reputable and influential directors (Adegbite 2015). Experienced local PIs recognise this contextual limitations, hence although board gender diversity communicates modernity and affiliation with global board diversity practices, it does not represent a relevant resource. Interviewee OP1 described gender diversity as more *of desire than relevance* as an accountability mechanism arrangement.

Our findings suggest that in a weak institutional environment, gender diversity might not be a business essential board requirement, and it is still (mis)interpreted as tokenism at this moment in time. Nevertheless, there has been a general nudge by regulators towards encouraging more women on boards in Nigerian banks.

4.2.2 | Ethnicity of Directors

Although the majority of the interviewees posit that board ethnicity diversity is important for business exigencies in the Nigerian multi-ethnic society, they do not consider it one of the crucial determinants in their investment decision-making. Their logic is that in Nigeria there is (i) no ethnic disparity in business opportunities and (ii) symbolic inclusivity.

i. *No ethnic disparity in business opportunities*

Using this analogy, interviewee CP1 described board ethnic diversity as follows:

> '*when you board a plane, you do not ask where your pilot is from. Or, where the co-pilot is from. So that tribe* (ethnicity) *of a director is not a factor in the quality of governance. There are great people and terrible people from all tribes* (ethnicities)'.

Other respondents argue that in Nigeria, '*knowledge of the directors transcends ethnic instincts*' (CP1). Even though Nigeria has over 250 ethnicities, interviewee OP2 opines as follows:

> *'I do not want to believe that if you have a bank board with federal character,*[13] *and then all of a sudden it means the board is making better decisions'.*

For PIs, investment decision-making has '*no ethnic connotations'* (CP2). The familial essentiality of business makes ethnicity a less considered diversity feature in Nigeria. Interviewee LF2 argued that

> '*So, speaking in the context of Nigeria...some banks they call the Yoruba*[14] *banks, some banks they call them Igbo*[15] *banks. But the point really is if a bank is deemed a South Western* (Nigerian) *bank you tend to have more board members from that part of the country. Again, in my opinion, I do not think it makes much of a difference in terms of ethnicity, and so it would not sway me for or against investing in the stock'*.

ii. *Symbolic inclusivity*

For PIs, the weak institutional environment in Nigeria encourages an elitist nature of conducting business. Under such elitist control, there is little or no relevance of board ethnicity diversity as an accountability mechanism arrangement Interviewee OP2 argued that

> '*in terms of our experience, we have not necessarily found that ethnic advantage has been sustainable. It is not as important as having a good board, even if they are from the same ethnicity or region*'
>
> (OP2).

The elites in Nigeria *come from all the ethnic groups in the country* (CP1). These elites dominate Nigerian businesses including the banks. The ability to dominate the resources in the country has more affinity for the elites more than their different ethnicities (Nakpodia and Adegbite 2018). According to interviewee LC6:

> '*Nigerian formal business economy is in quite small circles, and despite the multi-ethnic nature of the country, you have got political circles where you see recycling every four years. In banks you can see same sets of people keep revolving in terms of directorships. I guess it goes past corporate governance. It's societal, there is always a link and sometimes those links are a bit very strong'*.

In this regard, our interviewees suggest that board ethnicity diversity is a ceremonial adherence to the Nigeria societal norm of having symbolic inclusivity but has little material impact on their investment decision-making.

Overall, although the board diversity literature has generally presented board diversity as a key accountability mechanism that stakeholders rely on (Elnahass et al. 2023; Adams et al. 2015; Cimini 2022; Pfeffer and Salancik 1978), with some diversity features regulatory enforced (Khatib et al. 2021), our findings show that in Nigeria, board diversity features can be grouped as relevant or irrelevant accountability mechanism arrangements. The gender and tribe of directors are considered as irrelevant accountability mechanism arrangement by PIs while directors' age and tenure directors spend on the board are relevant for decision-making.

5 | Discussions and Conclusions

Diversity should help in creating cognitive conflict among board members, which is expected to enhance board's independence of thought to better perform monitoring, advising and strategic functions (Zhou et al. 2019). Consequently, the literature (e.g., Ben-Amar et al. 2021; Miller and Carmen Triana 2009; Khatib et al. 2021) highlights the importance of board diversity as an accountability mechanism for external stakeholders. Yet, external institutional context matters (Zattoni et al. 2020; Arnaboldi et al. 2020; Post and Byron 2015; García-Meca et al. 2015; Pandey et al. 2023), and it is more difficult to predict the usefulness of accountability mechanisms in weak institutional environments due to policy-practice decoupling (Arnaboldi et al. 2020; Aguilera et al. 2015). As such, knowledge of the institutional environments and strategic stakeholders' perspectives is important in understanding the relevance of accountability mechanisms (Aguilera et al. 2015). Therefore, our article provide useful qualitative clarifications on the relevance of board diversity debate as an accountability mechanism in a heavily regulated banking sector. Our findings demonstrate the importance of understanding contextual normative institutional elements, such as social and cultural arrangements (Mertzanis et al. 2019) in advancing research on board diversity.

Our findings also demonstrate the strengths and relevance of the institutional theory in practice. The institutional theory is useful for understanding not only regulatory legitimacy of actors in an environment, but also the norms and social practices that are normatively legitimate (DiMaggio and Powell 1983; Meyer and Rowan 1977). Our data suggest the usefulness and effectiveness of board age diversity and board tenure diversity as relevant accountability mechanism arrangements that PIs in Nigeria utilise more directly in their decision-making process. These two board diversity features display the quality and intent of the Nigerian banks and provide information which are useful in weak institutional environments, where wide information asymmetry exists. Our interviewees posit that board age diversity is a relevant accountability arrangement for investment decision-makings because it denotes experience and innovation to them. This aligns with Zhou et al.'s (2019) study which suggests age difference signals less risk taking and is viewed positively. From the perspective of our interviewees, in Nigeria, the culture is shifting rapidly from a total deference to older generation, rather there is more willingness to accommodate more varied ideas and views from the younger generation. Hence, in keeping up with the rapid transitions in developing countries' economies (Peng et al. 2008), our data indicates that board age diversity reveals the dynamic capability leadership capacity of the board.

From our findings, board age diversity shows positive cultural adaptation which augurs well for investments. Hence. as posited by Janahi et al. (2023), our findings suggest that PIs perceive that board age diversity increases the strength of the board's monitoring and strategizing effectiveness to cope with dynamism of a weak institutional environment. With regards to the relevance of board tenure diversity, our findings draw some comparison with Ben-Amar et al. (2021) which suggests that statutory diversity is viewed positively when linked with board demographics. Aligning with Li and Wahid (2018), our findings show that tenure diversity is relevant as it indicates (i) idea rotation and stability and (ii) discipline and independence. In weak institutional environments such as Nigeria's, the sit tight syndrome of elites can negatively impact business going concern (Nakpodia and Adegbite 2018). Yet, this contrasts with Kaymak and Bektas's (2008) study which supposes that tenure diversity is negatively associated with the performance of banks. Our finding suggest that in weak institutional environments, the policy-practice decoupling and reverence for elites (Nakpodia et al. 2023) necessitates tenure diversity. For the PIs, when a bank has the discipline to follow statutory guidance diligently, it enhances the banks' ability to generate new ideas, be independent while also keeping abreast of competition.

Furthermore, our findings suggests that gender and ethnic diversity are irrelevant accountability mechanism arrangements for PIs' investment decision-making. This is unusual considering the pressures for gender diversity and inclusion (Wiersema and Mors 2016) as well as the multi-ethnic nature of the Nigerian context. With regards to gender diversity, the logic of our interviewees was that gender diversity are ephemeral impositions which might not necessarily be suitable or necessary culture for the Nigerian investment space at this moment especially considering the small pool of reputable persons (Adegbite 2015). This finding is important for a weak institutional environment since governance arrangements aim to reduce and not increase transaction costs for stakeholders (Elnahass et al. 2023). Thus, unlike, studies such as Karavitis et al. (2021) which suppose that gender diversity has positive implications for bank investors, our findings suggests that for PIs, in the Nigerian environment, board gender diversity is tokenism and has no positive bias for investment decision-making or transaction costs reduction. Our finding aligns with Gull et al. (2018), which posits that the decision to appoint women on corporate boards should be based more on their reputational and contributory attributes than on blind implementation of gender quotas. In addition, our findings suggest that board ethnic diversity is irrelevant for investment decision-making. While aligning with Guest (2019), our findings contrasts with Upadhyay and Zeng (2014) who postulate that board (ethnic) racial diversity positively influences accounting conservatism. PIs argue that in the Nigerian sociocultural environment business opportunities are not limited to any particular ethnicity. Indeed, PIs suggest the elite political and business leadership in in Nigeria are all intertwined and their ability to extracts rents in the environment are not divided along what Lau and Murnighan (1998) refer to as 'faultlines'. Under conditions of weak institutions, regulators are usually equally unable to effectively punish erring directors regardless of ethnicity (Nakpodia et al. 2023).

The Basel Committee on Banking Supervision report of 2014 (BCBS 2014) expands guidance on the roles of the board of directors, specifically pointing out that the board of a bank should be composed of a diverse set of directors to reflect its operational complexity. Whereas many governance accountability mechanisms are not effective in weak institutional environments (Arnaboldi et al. 2020). Yet, for a developing country like Nigeria, our data suggests that the relevance of board diversity features as accountability mechanisms arrangements for external stakeholders might differ from those obtainable in developed countries. As such, we argue that some board diversity features are of relevance while others might not be for stakeholders in the banking sector. In the banking industry, failure to comply with regulations and industry norms can lead to legitimacy concerns. Moreover, some diversity features (board tenure diversity) are mandated by regulators. Non-compliance can lead to regulatory fines or the withdrawal of operating licences. Hence, non-compliance with board diversity mechanisms can be said to be sufficiently costly for players in the Nigerian banking industry. Thus, even though non-financial information is often ambiguous to general investors (Luo et al. 2015), accountability mechanisms signals such as board diversity are understood by specific stakeholders (e.g., PIs, regulators and elites) (Krawiec and Broome 2008). Hence, even though the banking sector presents an isomorphic setting where accountability mechanisms can lose their meaning or be misinterpreted, our findings show that PIs who are experts in a specific domain are able to sieve out relevant and irrelevant diversity features that impact their decision-making. This is because the PIs understand the domain specific implications of the diversity features. Our study demonstrates that although a plausible potential rationale for the relevance of some board diversity features, generalisation of board diversity-economic outcomes must be approached with caution.

5.1 | Contributions

This paper examines whether *(i) in a weak institutional business environment, are board diversity features relevant accountability mechanism arrangements for professional investors' decision-making? (ii) If they are (not), how and why (not)?* We do this by obtaining insights from PIs on the importance of several board diversity features. We unveil the positive value that directors' age and tenure spent on the board transmit in the decision-making process of PIs. Our focus on PIs' opinions of accountability mechanism arrangements in a weak institutional environment is a much-needed perspective on board diversity studies as PIs provide a pragmatic perspective (Baldvinsdottir 2021). We make important contributions to theory and the literature.

First, we contribute to board diversity and banks' corporate governance literature (e.g., García-Meca et al. 2015; Khatib et al. 2023; Janahi et al. 2023), as well as board diversity literature that rely on institutional theory (e.g., Zhang 2020; Saeed et al. 2016). Our theoretical underpinnings on the relevance of specific diversity features as accountability arrangements show that although the board diversity can form part of what accounts for phenomena like stakeholder decisions and behaviours, it is not necessarily that all diversity features are unidirectional positive relevant for stakeholders' decision-making. Our theoretical framework suggests that generic claims and statements about the diversity of a board, its dynamism and impact on the wider stakeholders in the society are relatively imprecise. From a business perspective, our research provides guidance on the board diversity features that should inform the reasoning of strategic stakeholders such as investors and analysts engaged in investment recommendations in a weak institutional environment such as Nigeria. Second, we add to and strengthen the use of institutional theory by unpacking the board diversity features (ir)relevance as accountability mechanisms arrangements that improve interdependencies for banks and its stakeholders in a weak institutional context. We reveal the four factors that explain why board age and tenure diversity are e relevant resources, and four factors that explain why board gender and ethnicity diversity are irrelevant arrangements.

Specifically, we show that board age diversity is a relevant diversity arrangement because it shows that the bank board has (1) denotation of experience and (2) more potential for innovation, while board tenure diversity is a relevant arrangement because it shows that the board has (1) idea rotation and stability and (2) display of discipline and independence. This confirms that the regulatory provision of tenure limitation imposed in the CBN corporate governance code (2018) is beneficial in the local context. Interestingly, we found that board gender diversity is an irrelevant arrangement because it shows (1) ephemeral impositions and (2) tokenism. Unlike in some international corporate governance conventions (e.g., Norway and UK), board gender diversity is not compulsory in Nigeria. Our study shows that critical external stakeholders such as PIs consider board gender diversity to be an irrelevant arrangement in Nigeria. Similarly, board ethnic diversity is an irrelevant arrangement because there is (1) no ethnic disparity in business opportunities and (2) symbolic inclusivity. This is revealing considering the fact that Nigeria is a multi-ethnic environment. Finally, by obtaining the critical perspectives of PIs on board diversity features, this article contributes to the literature (e.g., Durocher and Fortin 2021; Gendron and Spira 2010) that dictates that opinions of critical actors is important in interpreting key aspects of accountability mechanisms.

5.1.1 | Practical Implications

Our findings have implications for practitioners and policymakers. Our study has the potential to aid both business managers and regulators in refining the diversity features of concern in weak institutional business environments. The pressure to promote board gender diversity as witnessed in many developed countries (Wiersema and Mors 2016), might not necessarily be seen as important to developing countries such as Nigeria in the short term. Instead, the reputation, ability, innovativeness and experience of directors are seen as more logical and important factors that can enable firms to attract finance from investors. The regulatory bodies in developing countries should resist the call to transplant (i.e., copy, adopt and implement) governance codes from developed countries, given the potential misfit with the socio-cultural, legal and institutional environment.

Nevertheless, as our study shows the benefits of some board diversity accountability mechanism for PIs' decision-making, there is a need for the strengthening and development of diversity accountability mechanisms even in developing countries with weak institutional environments. To encourage normative legitimacy of diversity features such as gender diversity, government institutions in developing countries should create more awareness of the benefits of diversity in top leadership, and workforce diversity generally. Such diversity awareness can benefit both business and society in the medium to long term.

5.1.2 | Limitations and Future Research

Despite several contributions, our findings are based on evidence from a single country and a single industry. No doubt, the PIs interviewed are very experienced and have a good understanding of the prevailing corporate governance environment in a weak institutional environment. However, each context presents unique factors that may create very different decision environments. Also, the interviews focused only on perspectives of senior management PIs of pension funds, and asset managers. However, there are other important stakeholders involved in investing activities, who may potentially have varied opinions on governance mechanisms and governance drivers, such as retail investors. Furthermore, future studies could undertake a longitudinal multi-country study in Africa to understand the effects of board diversity features in a cross-country setting. Finally, the existing literature is yet to compare (or contrast) the effect of homogeneous or heterogeneous boards on users of accountability mechanism. Such future studies should also take into consideration the prevailing circumstances in weak institutional contexts. This study exposes the possibility that diversity features that might be relevant in one context, might be irrelevant in another.

Author Contributions

Folajimi: study conception, design, data collection, analysis of results and writing. Emmanuel: design, supervised the study, review of manuscript and alignment of findings. Subhan: writing and review of manuscript. Amir: supervised the study and alignment of findings. Neil: draft manuscript preparation.

Conflicts of Interest

The authors declare no conflicts of interest.

Endnotes

[1] Accountability mechanisms are processes, rules or strategies that facilitate the ability of firms' stakeholders to hold the board/firm accountable (Durocher and Fortin 2021).

[2] For this study, professional investors are the external stakeholders of concern.

[3] The four diversity features whose relevance are investigated in this study are salient features in the banking sector and particularly relevant in our study context (Nigeria). Subsequently, throughout this paper, our discussion on board diversity refers to these four specific features.

[4] Weak institutional business environments are countries that are poor in regulatory quality, weak in protection for investors, high in corruption and low in government effectiveness (Guillén and Capron 2016).

[5] Professional Investors (PIs) are experts working in organisations that manage and invest money on behalf of individuals, organisations, or a group of organisations (Sharma 2006).

[6] The PIs in Nigeria make buy and sell decisions along with recommendation decisions. In this paper, we use PIs and analysts terms interchangeably.

[7] Several other organisations, such as Women Business Forum and Women in Management, Business and Public Service (WIMBIZ), are actively working for the promotion of gender participation and inclusive boardrooms in Nigerian listed companies. Nevertheless, the difficulty in achieving gender inclusiveness manifests itself in the difficulty of the Nigerian Senate in passing the gender and equality bill (BBC 2016).

[8] The CBN also stipulates that the maximum tenure for directors is 20 years across the banking sector.

[9] This study is part of a larger research project which critically examined the perception of investment analysts on the corporate governance of Nigerian banks.

[10] 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.

[11] One of the authors used to work in the financial sector and other co-authors also had relevant contacts.

[12] A considerable volume of literature in qualitative research suggests that 'how many' is not what matters (Mason 2010). A researcher should, therefore, aim to satisfy himself/herself that he/she has learned, and understands the phenomenon, enough to enable knowledge generation. This was the basis for determining the number of interviews (sample size).

[13] Federal character is used as an interjection, and it describes a situation where Nigerian businesses have people from different tribes represented so as to present the business as not being ethnically biased.

[14] Local tribe found in the southwest of Nigeria.

[15] Local tribe found in the southeast of Nigeria.

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Appendix

Interview Guide

1. Commercial banks in Nigeria prepare financial reports under the International Financial Reporting Standards (IFRS) and are quite heavily regulated by the Central Bank of Nigeria. The banks also always mimic their international counterparts especially as they seek to attract much needed capital from the public and especially investors. One of the consequences of strict regulations, and desire of the banks to comply with international standards, is the adoption of governance practices that are seen to be best practices. Board diversity is one of such practices. Board diversity here refers to the different attributes/characteristics of the individuals who make up the composition of a bank's board.
   I. In your opinion, what does a bank having a diverse board mean to you?
   II. What effect does having different genders represented on the board of a bank have on your investment decision making considerations and why? Does your own gender influence how you consider representation of genders on the board?
   III. What effect does having people of different ages represented on the board of a bank have on your investment decision making considerations and why?
   IV. What effect does having people of different ethnicities represented on the board of a bank have on your investment decision making considerations and why? How would a bank having directors of similar ethnicity to you influence your investment decision making considerations? Does the ethnicity of the individual board members affect how you make your investment considerations? For example, if a female director comes from a particular ethnicity, does this matter?
   V. In your opinion, what effect does the tenure directors spend on the board of a bank have on your investment decision making considerations and why?
2. What is your view on corruption and institutions in a multi-ethnic society like Nigeria? Is the banking sector affected by corruption and the state of the institutions? What influence does the corruption and institutions have on board members and do these corruption and institutions affect the diversity composition of the board?
3. Do you consider only financial statements when making investments in Nigerian banks? Please explain.
4. How important is corporate governance when you want to make investment decisions?
5. Do you have any other governance practices projected by Nigerian banks that influence your investment decisions? How?