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Emergent ethnicity logic and corporate governance in Nigerian boardrooms

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ABSTRACT

This study examines how ethnicity functions as an institutional logic shaping board-level corporate governance practices in Nigeria's multi-ethnic context. Drawing on institutional logics theory and adopting a qualitative interpretivist approach, we conducted 21 semi-structured interviews with corporate executives and regulatory stakeholders. Our findings reveal that board ethnicity logic is sustained by a combination of ethnocentric inclinations, government policies, colonial legacies, and the pervasive influence of informal institutional arrangements. This logic not only frames board appointments and decision-making but also constrains governance effectiveness by suppressing cognitive conflict and reinforcing group loyalty. Notably, we explore the contested role of whistleblowing within this institutional context, showing how its interpretation and deployment are influenced by ethnic affiliations and competing governance expectations. By conceptualizing ethnicity as a distinct and enduring logic, the study offers fresh theoretical insights into the micro-dynamics of governance in postcolonial settings and provides practical guidance for policymakers pursuing inclusive and effective corporate governance reforms.

1. Introduction

Scholarly debates on corporate governance (CG) consistently emphasize the significant influence of national-level institutions on organizational behaviours and outcomes across countries (Aguilera, Judge and Terjesen, 2018; Zattoni et al., 2020; Cumming et al., 2021). Research in this space has explored institutional factors such as legal systems, political structures, economic frameworks, and socio-cultural arrangements, each imparting distinct logics that shape how economic actors interpret and implement CG principles (Haniffa and Cooke, 2005). For example, Aguilera and Jackson (2010) demonstrate how legal frameworks and investor protection laws significantly influence governance structures and firm-level decision-making across different institutional contexts. Similarly, La Porta et al. (1998) show how variations in legal origins, i.e., common law versus civil law traditions, influence shareholder rights and CG effectiveness, with common law systems providing stronger investor protections. Political structures have also been linked to CG outcomes (Roe, 2003). These studies reinforce the importance of institutional factors in shaping CG practices.

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Despite extensive scholarship on legal, political, economic, and socio-cultural institutions, the role of ethnicity as an institutional logic (IL) shaping CG remains underexplored (Mahmood and Uddin, 2021; Tee and Rassiah, 2020). In multi-ethnic settings where ethnicity is deeply embedded in socio-economic structures, its influence on board appointments, decision-making, and governance demands deeper investigation. Studies examining the ethnicity-CG nexus are largely inconclusive, with findings oscillating between claims that ethnic diversity enhances governance outcomes (Ntim, 2015; Hartmann and Carmenate, 2021) and arguments that it fosters group conflicts and weakens board cohesion (Brammer et al., 2007; Carter et al., 2010). These inconsistencies stem from two scholarly limitations. First, much of the literature relies on input–output methodologies that statistically correlate ethnic diversity with firm performance (Zattoni et al., 2020), thereby overlooking the institutional and behavioural mechanisms underpinning governance processes. Second, ethnicity is often conceptualized as a demographic variable rather than an institutional force actively shaping governance structures. Addressing these limitations requires a shift from numerical representation toward an investigation of ethnicity's deeper institutional role in CG, especially when focusing on the research context of developing countries, such as Nigeria.

Existing research on CG in Nigeria has predominantly concentrated on conventional mechanisms such as board diversity, regulatory compliance, and firm performance (Adegbite, 2011; Nakpodia and Adegbite, 2018). However, such studies often overlook the more subtle, internal governance dynamics that shape boardroom behaviour, particularly in ethnically diverse contexts. Within Nigeria's multi-ethnic corporate environment, directors are frequently caught between formal governance expectations and informal obligations rooted in ethnic loyalty. These pressures influence not only board composition and decision-making but also the effectiveness of critical governance tools.

In this study, we define the influence of ethnicity on socioeconomic activities as *ethnicity logic*. Ethnicity is a complex and fluid concept (Fearon, 2003), embodying culturally contingent features that foster group identity and a sense of shared heritage (Bromell, 2008; James, Xiong, and Anderson, 2022). As such, scholars (e.g., Jary and Jary, 1991; Gabbert, 2006) often draw upon related constructs, such as race, culture, and nationalism, to proxy for ethnicity, even though these terms are analytically distinct. For instance, race is typically regarded as a socially constructed category highlighting attributes that individuals and groups possess. These categories, including ethnicity, race, and culture, play an important role in shaping not only social affiliations but also organizational structures, particularly in diverse societies. Within the domain of CG, such identity markers increasingly inform scholarship around board diversity, as firms seek to ensure inclusive representation in leadership. Consequently, board diversity has attracted growing scholarly and practitioner interest (Rao and Tilt, 2016; Yarram and Adapa, 2021), with some evidence suggesting that diverse boards are 33 % more likely to achieve industry-leading profitability (McKinsey, 2018).

Decision-making within boards is shaped by a combination of experience, qualifications, worldview, and ethnicity (Gul and Leung, 2004; Bruni-Bossio, 2018; Schønning et al., 2019; Adams et al., 2015; Godos-Díez et al., 2018). Just as emancipative values and civic entitlements accelerate gender diversity in boards (Brieger et al., 2019), ethnicity provides a critical lens for understanding board functioning and enhancing the effectiveness of governance tools (Guest, 2019). One such tool is whistleblowing, which serves as a core mechanism for promoting transparency and accountability within organizations. In this research, whistleblowing refers specifically to board-level disclosure of unethical or illegal practices within CG processes, rather than general employee reporting. Whistleblowing requires individuals to disclose misconduct. However, in environments where ethnic affiliations dominate interpersonal relations, the impulse to protect in-group interests may suppress the willingness to expose misconduct. This reluctance stems from a fear of betraying one's ingroup and the social consequences that follow (Tajfel and Turner, 1985). Jackall (1988) notes that such ethnic-based hesitations reinforce informal governance practices that protect ingroup members at the expense of corporate accountability.

Despite the above, research examining the role of ethnicity in CG remains inconclusive (Baskerville et al., 2016). While some scholars, such as Carter et al. (2010), contend that there is limited business case for ethnic representation on boards, emerging evidence from multi-ethnic contexts presents a counter-narrative. Studies from Sub-Saharan Africa (SSA), for instance, highlight how ethnic diversity may influence governance processes and firm outcomes (Ntim, 2015; Nasir, Ali, and Ahmed, 2019), thereby underscoring the need for deeper investigation into the ethnicity-CG nexus, particularly with respect to board-level decision-making. Besides, whistleblowing, a key mechanism for promoting accountability, is underexplored in board contexts where ethnicity logic may override formal governance norms. This study addresses these gaps. We conceptualise ethnicity as a distinct institutional logic and analyse its role in shaping board appointments, intra-board relations, and governance outcomes. In doing so, we leverage institutional theory and the institutional logics perspective (Friedland and Alford, 1991; Thornton et al., 2012) to guide our empirical investigation and address the research questions set out below.

1. How and why does ethnicity logic persist and shape board practices in ways that may override merit-based governance expectations in Nigeria's multi-ethnic corporate environment?
2. How does ethnicity logic shape board-level responses to governance challenges such as whistleblowing, and what implications does this have for the functioning of corporate accountability mechanisms in Nigeria?

Given our interest in multi-ethnicities, we note that Africa accounts for 43 % of the world's ethnic groups (Fearon, 2003). Consequently, our study narrows its lens to Nigeria, one of the world's most ethnically diverse nations (Ukiwo, 2007). There are about 371 ethnicities in Nigeria (Ukiwo, 2007). Its prominence as a leader in CG research within SSA highlights the critical role of its CG system in shaping regional practices (Adegbite, 2015; Letza, 2017; Ashiru, Adegbite and Nakpodia, 2023). The country's CG endures various challenges, but much of the research in this space fixates on traditional concerns, i.e., corruption (Letza, 2017), ineffective regulation (Okike and Adegbite, 2012), executive regulatory apathy (Nakpodia, Adegbite and Ashiru, 2023), and weak shareholder activism (Uche et al., 2016). However, the country's CG environment is witnessing positive shifts, notably with the implementation of the 2018 National Code of Corporate Governance (NCCG). Aligning with international standards, the code prioritises board

independence, risk management, and stakeholder engagement, emphasising gender diversity (Chijoke-Mgbame, Boateng and Chijoke-Mgbame, 2020) but notably overlooking other variables, including ethnicity.

Employing an interpretivist qualitative approach based on semi-structured interviews with two distinct groups of board members, i.e., executives and regulators, we offer significant contributions to the field. Firstly, we employ the conceptual framework of ethnicity logic to illustrate ethnicity's intricate role within firms' CG mechanisms. Specifically, we unpack four drivers of ethnicity logic: ethnocentric inclinations, the government's federal character principle (FCP), colonial legacies, and the pervasive influence of the informal business environment. Secondly, we advance the institutional theory-based CG literature, building upon Friedland and Alford (1991), Thornton et al. (2012), and Armitage et al. (2017). We articulate ethnicity logic as a distinctive IL shaping board practices. Drawing on the IL perspective, we show that ethnicity logic constitutes a coherent institutional order with its own source of legitimacy, authority, and strategic priorities, distinct from but interrelating with the market/investor logic embedded in CG. By unpacking the mechanisms through which ethnicity logic influences board appointments, decision-making, and governance behaviour (e.g., whistleblowing), we advance the understanding of how informal institutions persist and compete with formal governance tools in multi-ethnic markets. This theorisation offers a novel lens to interpret board dynamics and regulatory challenges in institutional contexts marked by ethnic heterogeneity. Our findings show Nigerian boards' alignment with global diversity standards by embracing ethnic diversity. However, this adoption of ethnicity logic results in a pseudo-multi-ethnic boardroom,¹ that produces both advantageous and detrimental consequences. Lastly, we demonstrate that ethnicity logic diminishes the advantages derived from cognitive conflict, consequently undermining critical CG tools e.g. whistleblowing.

In the subsequent sections, we review the literature and theory on CG, ethnicity, and IL to contextualize our research inquiry. Following this, we present our methodology, findings, and subsequent discussions. Finally, we conclude with the study's contributions and suggestions for future research.

2. Literature review and theory

2.1. Historical and institutional Evolution of ethnicity in Nigeria

The roots of ethnicity as a socio-economic force in Nigerian governance dates back to the colonial period, particularly the British policy of indirect rule, which entrenched ethnic divisions by governing through traditional rulers within their respective ethnic territories (Osaghae, 1995; Odeyemi, 2014). This system institutionalised ethnicity as a core organising principle of political and economic life. By reinforcing the autonomy of ethnic groups and aligning administrative boundaries with ethnic identities, colonial authorities unintentionally sowed the seeds of inter-ethnic competition that persisted into the post-independence period (Adebajo, 2008). These divisions were compounded by the unequal distribution of colonial investments, which created disparities in education, infrastructure, and political representation (Suberu, 2023). In the post-independence era, ethnicity became a defining feature of political appointments, civil service composition, and public resource allocation, further normalizing its influence on formal institutions. Military regimes continued this trend by disproportionately empowering particular ethnic factions, which entrenched ethnic patronage within the bureaucratic and corporate landscape (Graf, 1988).

To address the challenges of ethnic marginalisation and promote national unity, the Nigerian government introduced the FCP, enshrined in Section 14(3) of the 1999 Constitution. The FCP mandates that appointments to public institutions reflect the country's ethnic diversity to avoid dominance by any single group (Osaghae and Suberu, 2005). Although the principle is intended to promote inclusivity, its implementation has been widely critiqued as tokenistic and susceptible to manipulation (Mustapha, 2007). In practice, ethnic balancing often takes precedence over meritocracy in both public and private sector appointments (Ejobowah, 2000), with implications for CG structures. The corporate environment has mirrored these practices, where ethnic affiliation often influences board appointments and leadership succession (Nakpodia and Adegbite, 2018). As such, contemporary Nigerian boards operate in an institutional context shaped by historical legacies of ethnic stratification. Despite reforms such as the NCCG (2018), ethnic loyalty continues to shape governance processes, including board selection, decision-making, and resistance to formal governance mechanisms such as whistleblowing. This historical-institutional backdrop is critical for understanding how ethnicity operates not merely as a demographic characteristic but as a deeply embedded institutional logic within Nigeria's CG environment.

2.2. Corporate governance and board of directors (BoDs)

CG has been defined in many ways by scholars and practitioners in the field, reflecting the complexity and diversity of the concept (Cadbury, 1992; OECD, 2004; Du Plessis, Hargovan and Harris, 2018). From a broad perspective, CG represents a set of rules and organizational structures intended to stimulate robust organisational governance practices to compensate for the interests of divergent stakeholders (Du Plessis et al., 2018). A narrower perspective views CG as a means of protecting shareholders from the "claws" of opportunistic managers (Roberts and Van den Steen, 2000). Regardless of the CG perspective, the board of Directors (BoDs) is at the apex of the CG hierarchy (Bainbridge, 2002). BoDs are critical to CGs, given their responsibility to protect stakeholders' interests and provide firms with legitimacy and signalling functions (Bainbridge, 2002; Adams, Hermalin, and Weisbach, 2010). Considering the

¹ A pseudo-multi-ethnic board refers to a corporate board that appears ethnically diverse in its composition but is, in practice, dominated by members from a single ethnic group or a coalition of similar groups. This superficial diversity often results in decision-making processes that do not reflect true multi-ethnic collaboration or inclusivity.

focus of this study on the (ethnicity) drivers that influence CG and board decision-making, we align with Campbell (2007), who defines CG as the function, structure and role of the BoDs in relation to how firms are organised.

Whether boards are (in)effective depends on their composition (Adams et al., 2010). An effective board composition promotes better CG and decisions (Hagendorff and Keasey, 2012; Naciti, 2019). As such, scholars (e.g., Rao and Tilt, 2016; Godos-Diez et al., 2018) have analysed attributes of board composition (e.g., gender, size, independence) and its effects on board decision-making. However, such studies of attributes and characters are likely to capture differences in board behaviour and not contextual influences or direct relationships (Adams et al., 2010). Furthermore, CG operates differently across countries (Armitage et al., 2017; Aguilera et al., 2018). For instance, CG is more transparent in developed countries where the greatest number of CG regulations have been published (Cuomo, Mallin, and Zattoni, 2016). However, in developing economies, both formal (e.g., corporate regulations) and informal (e.g., traditions, customs, moral values) institutions interact to influence CG (Farah et al., 2021; Armitage et al., 2017). For example, the relationship between formal and informal institutions affects key external (e.g., capital market, corporate regulation, the market for corporate control) and internal (e.g., ownership concentration, executive compensation, corporate boards, and board diversity) CG mechanisms. Importantly, the literature (e.g., Kim and Ozdemir, 2014; Tee and Rassiah, 2020; Halliday et al., 2021; Yarram and Adapa, 2021; Brieger et al., 2019) emphasise the link between national culture, CG practices and board composition. Halliday et al. (2021), for instance, posit that national culture (often reflected in ethnicity) offers the base for comprehending the connection between board (diversity) composition, firm leadership attributes, and CG. Similarly, Brieger et al. (2019), in their investigation of the effect of country-level emancipative forces on board gender diversity, show how action resources, emancipative values, and civic entitlements are national drivers that affect women's ability to take leadership roles on corporate boards. Still, the literature has yet to fully explore the attributes of board composition and their effect on corporate decision-making. This has led to calls for CG researchers to examine the broader influences that impact board decisions (Brennan and Solomon, 2008). While these calls have gained traction, the role of ethnicity in board decision-making remains under-researched in the CG literature.

2.3. Ethnicity and corporate governance

Ethnicity is among the most researched phenomena in political science, sociology, and anthropology (Adetiba and Rahim, 2012). However, it suffers from synonymy, often serving as a proxy for concepts such as race and nationality (Gabbert, 2006). Jary and Jary (1991) define ethnicity as a shared racial, linguistic, or national identity within a social group, Bös (2015) highlights its role in nurturing group solidarity, legitimizing inequalities, and fulfilling an individual's need for social belonging. Because actors consider ethnicity an immutable aspect of identity, it strengthens group competitiveness and distinctiveness relative to others. This competitive advantage is particularly evident in corporate environments, where ethnicity can shape access to opportunities, governance structures, and decision-making processes. By establishing strong ethnic links, economic actors shield themselves from external scrutiny and limit exposure to competing ethnic groups (Ukiwo, 2005). Moreover, dominant ethnicities often prioritize their members' interests, sometimes irrespective of meritocratic considerations. Therefore, in formulating a working definition, we adopt Van den Bergh (1987) perspective, defining *ethnicity as evident where an entity accepts and defines itself by a consciousness of common origin, shared historical memories, and connections that promote group and corporate competitiveness relative to other ethnicities*. This definition aligns with the fluid and situational nature of ethnicity (Fearon, 2003) and its role in securing advantages in competitive, conflictual, or cooperative settings (Osaghae, 1995).

The link between ethnicity and CG is evident in Becht, Bolton, and Röell's (2002) characterization of CG as a mechanism for resolving collective action problems among dispersed investors while reconciling conflicts of interest between corporate stakeholders. Given ethnicity's role in fostering conflict, competition, and cooperation, it holds substantial implications for CG, particularly within corporate boards. Research indicates that diversity in board composition, whether regarding gender, expertise, or nationality, improves decision-making quality by incorporating a wider range of perspectives (Adams et al., 2015; Godos-Diez et al., 2018; Ntim, 2015). Similarly, ethnic diversity offers an additional dimension of cognitive diversity, enriching board deliberations and improving governance outcomes (Ntim, 2015). Empirical findings highlight its potential benefits. Hartmann and Carmenate (2021) establish a positive link between board ethnic diversity and corporate social responsibility (CSR) performance, while Ntim (2015) demonstrates its association with stock market valuation. Brammer et al. (2007) also find that ethnically diverse boards contribute to greater market capitalization, and Tee and Rassiah (2020) report improvements in earnings quality.

These positive findings notwithstanding, the literature on ethnicity and CG remains limited and often inconclusive across institutional contexts. Some studies argue that ethnic diversity encourages representation and legitimacy, while others suggest it can exacerbate factionalism and decision-making inefficiencies. Areneke and Kimani (2019) examine multinational directorships in SSA, highlighting the importance of diverse governance structures in shaping corporate disclosure practices. However, they note that while cross-listing and multinational board compositions may enhance governance, local institutional contexts, especially those influenced by ethnic affiliations, continue to shape decision-making. Areneke and Tunyi (2022) also examine the influence of foreign board leadership in emerging markets and find that while international board interlocks can enhance governance quality, local ethnic dynamics still play a defining role in CG structures. These findings underscore the role of ethnicity in boardroom dynamics, necessitating deeper theoretical and empirical engagement.

Calls for greater ethnic representation in boards often draw from diversity arguments. Arfken, Bellar, and Helms (2004) advocate for board compositions that reflect a firm's consumer base, warning that underrepresented ethnic groups may withdraw patronage if they perceive exclusion (Berman, 1998). In European contexts, nationality has been a focal point of research on diversity, with studies highlighting both its advantages and challenges. Piekkari, Oxelheim, and Randøy (2015) observe a "silencing effect" in multinational boardrooms, where linguistic diversity hinders open dialogue. Conversely, Michel and Hambrick (1992) argue that cultural diversity

can enhance problem-solving and innovation by permitting issue-based conflicts that drive better decision-making. However, others remain skeptical. Murray (1989) and Milliken and Martins (1996) caution that racial and ethnic differences may reduce group cohesion and commitment, ultimately affecting board processes and outcomes. Marimuthu (2008) advocates for ethnically diverse boards in developing, multi-ethnic economies, arguing that homogenous boards are more prone to “groupthink,” leading to suboptimal strategic decisions. However, Wanyama, Burton, and Helliär (2006) present contrasting evidence from Uganda, where tribal allegiances often override regulatory mandates. Their study, along with Deng, Zhang, and Liu (2023), highlights how ethnic ties can reinforce corporate favouritism, illustrating the persistent influence of local traditions in governance settings.

Nigeria is home to multi (approximately 371) ethnic groups with distinct cultural, social, and economic characteristics (Vanguard, 2017). The three dominant ethnicities (Igbo in the Southeast, Yoruba in the Southwest, and Hausa in the North) collectively account for 62 % of the population (Osemeke and Osemeke, 2017). Ethnic partitions are further reinforced by religious affiliations, with a Muslim-majority North and a predominantly Christian South (Nakpodia et al., 2016). Socioeconomic disparities between these regions also shape corporate leadership patterns. For example, women in Southern Nigeria enjoy greater economic empowerment compared to their counterparts in the North, while Northern elites maintain strong political and business networks (Ukiwo, 2007). Given these dynamics, ethnicity has a significant influence on CG practices, shaping access to leadership positions, decision-making autonomy, and stakeholder engagement.

Nnoli (2003) outlines various interventions by the Nigerian government to manage ethnicity-driven corporate dynamics, including the Federal Character Policy, which mandates ethnic balancing in civil service appointments (Adamolekun, Erero, and Oshionebo, 1991). The policy was introduced as a constitutional mechanism to promote national unity, prevent ethnic dominance, and ensure equitable representation in public institutions, including CG. Stemming from Nigeria’s multi-ethnic composition, the principle aims to mitigate ethnic marginalization by ensuring that leadership positions reflect the country’s diverse ethnic groups. The policy is enshrined in Section 14(3) of the 1999 Constitution of Nigeria, which states that:

“The composition of the Government of the Federation or any of its agencies and the conduct of its affairs shall be carried out in such a manner as to reflect the federal character of Nigeria and the need to promote national unity, and also to command national loyalty, thereby ensuring that there shall be no predominance of persons from a few States or from a few ethnic or other sectional groups in that Government or any of its agencies.”

The policy has influenced board appointments in Nigeria, particularly in state-owned enterprises (SOEs) and regulated industries, such as banking and the oil and gas sector. For example, firms like the Nigerian National Petroleum Corporation (NNPC) often reflect ethnic diversity in compliance with FCP mandates. However, its application in CG settings remains inconsistent, with concerns about token representation, lack of enforcement mechanisms, and potential compromises in meritocracy.

Similar affirmative governance measures exist in South Africa (Rossouw et al., 2002). South Africa’s Broad-Based Black Economic Empowerment (B-BBEE) initiative and Nigeria’s FCP both aim to address historical inequalities, but they differ significantly in structure and enforcement. B-BBEE is a legally binding, structured policy that requires corporate compliance through a scorecard system, incentivizing firms to meet targets for black ownership, management, and skills development (Rossouw et al., 2002). Non-compliance affects business opportunities, making it a highly enforceable mechanism. In contrast, the FCP functions as a guiding principle rather than a strict regulatory framework. While Section 14(3) of the 1999 Nigerian Constitution demands ethnic inclusivity in leadership, enforcement remains weak. Empirical evidence suggests that board appointments frequently favour dominant ethnic groups despite the policy’s instructions (Saidu, 2020). Therefore, unlike the B-BBEE programme, the FCP lacks structured compliance mechanisms, reducing its effectiveness in achieving meaningful board diversity. Nonetheless, while the FCP reinforces diversity management as an institutional necessity, ethnic diversity is promoted in various ways in Nigeria’s corporate sector. Principle 2 of the NCCG (2018) encourages companies to consider ethnicity alongside gender and experience in board appointments, with the expectation that such diversity will enhance board independence (Adegbite, 2015).

2.4. Ethnicity and institutional logics (IL)

We adopt IL as a theoretical framework to investigate the connection between ethnicity and CG. IL refers to the socially constructed belief systems, norms, and practices that shape how individuals and organizations make decisions within specific institutional environments (Thornton, Ocasio, & Lounsbury, 2012). While these logics provide the principles that influence governance structures, power relations, and legitimacy within corporate settings, the foregoing description draws from the understanding that society is an inter-institutional framework shaped by distinct ‘institutional orders’ (Ahmed and Jayasinghe, 2022). According to Thornton et al. (2012), each distinct order emerges from cultural symbols and material practices that govern as well as give significance to certain aspects of human existence; that is, each order has its own set of expectations that underpin its logic. This reinforces the view that firms symbolise multiple IL, which may or may not be incompatible (Greenwood et al., 2010; Thornton et al., 2012), permitting individuals and firm agents to respond differently to diverse systems (Greenwood et al., 2010).

Gümüşay (2017) admits that IL integrates macro (societal-level logics) and micro-level influences. Reay, Golden-Biddle, and Germann (2006) unpack how a series of continuous and persistent actions at the micro-level legitimise a new system at the macro-level. The link between macro and micro logics produces multiple logics that inevitably compete (see Sobhan, 2016) and exhibit cooperative aspects (Goodrick and Reay, 2011). This aligns with Meyer and Höllerer (2014), who suggest that logic may coexist, compete, displace, blend or even hybridise. Goodrick and Reay (2011) uncover two forms of cooperative relationships, i.e., facilitative (where an element of one logic supports changes consistent with an alternative logic) and additive (where the effect of parallel IL amplifies actors’ obligations). While multiple competing logics may often overlap, Beta and Storey (2019) explain that one or more of

these logics can come to dominate, at least at some point (see [Gümüşay, 2017](#)). In contrast, [Kodeih and Greenwood \(2014\)](#) and [Mahmood and Uddin \(2021\)](#) note that IL can interact and coexist peacefully in several ways, with neither specific order dominating. Consistent with [Thornton et al. \(2012\)](#) and [Gümüşay, Claus, and Amis \(2020\)](#), ethnicity offers an alternative rationale that enables agents to align their values and beliefs with their regular activities and performance.

[Misangyi, Weaver and Elms \(2008\)](#) affirm that ethnicity can shape IL. Linking ethnicity logic to governance practices in a multi-ethnic context, we argue that in firms where a particular ethnicity has a strong presence, their cultural values may define the firms' dominant logic. Hence, on the one hand, an ethnic IL can serve as a source of homogeneity and unity in firms, regardless of their employees' ethnicities ([Misangyi et al., 2008](#)). For instance, a firm culture (shaped by a dominant ethnicity) that stresses teamwork and collaboration could attract employees from distinct ethnicities (who value this firm culture) ([Misangyi et al., 2008](#)). In this sense, ethnic IL creates homogeneity across the firm regardless of ethnic differences.

On the other hand, [Zhao and Lounsbury \(2016\)](#) claim that IL could strengthen or exacerbate ethnic divides within organisations. They argue that when a firm's dominant logic prioritises individual achievement and competition, it may trigger a culture where employees from diverse ethnicities feel pressured to outcompete one another, which may impact team effectiveness. Furthermore, IL can explain how firms interact with and respond to ethnic diversity in their external environments. For example, a non-profit organisation committed to a logic of social justice may focus on ethnic diversity and inclusion in its hiring rather than one that prioritises efficiency and cost-effectiveness ([Tomlinson and Schwabenland, 2010](#)). Hence, ethnicity IL could trigger greater inclusivity or birth a culture where certain ethnicities are privileged over others. As organisations ponder over multiple ILs that impose different demands on actors, IL unpacks how collective identity drives differentiation, clarifying how logic influences corporate action ([Jackall, 1988](#)).

2.5. Ethnicity logics and whistleblowing in corporate governance

Whistleblowing, described as the disclosure of internal wrongdoing, is a key accountability mechanism in CG ([Anvari et al., 2019](#)). In this research, whistleblowing is understood as the disclosure of unethical or unlawful practices by board members within the context of CG, distinguishing it from general reporting mechanisms typically employed by non-board employees. Recognizing its role in curbing corporate corruption, the Nigerian government introduced the *Whistleblower Protection Act* in 2016, encouraging individuals to report illicit activities within corporate settings. Regulatory institutions such as the Securities and Exchange Commission (SEC) and the Central Bank of Nigeria (CBN) have since integrated whistleblowing mechanisms into CG frameworks to enhance transparency and accountability. However, its implementation has achieved limited success, with reports suggesting that cultural and institutional barriers frustrate its effectiveness ([Anya and Iwanger, 2019](#)).

In developed economies, whistleblowing is recognized as a formal governance mechanism that enhances corporate accountability by encouraging employees and directors to report misconduct ([Rossouw et al., 2002](#)). However, in contexts where ethnicity is a dominant institutional force, whistleblowing decisions are often shaped by group loyalties, reputational concerns, and fear of ethnic-based retaliation ([Onyango, 2021](#)). In Nigeria, where ethnic affiliations strongly influence corporate structures, whistleblowing may be constrained by informal governance practices that prioritize ethnic cohesion over regulatory compliance. Systemic challenges, such as corruption, inadequate legal enforcement, and social retaliation, undermine the effectiveness of whistleblowing, stifling its effectiveness as a reliable governance mechanism ([O'Sullivan and Ngau, 2014](#)).

Building on the foregoing, a key factor limiting the effectiveness of whistleblowing is the presence of ethnicity logic, an IL in which trust, loyalty, and identity are grounded in ethnic affiliation. This logic interacts with whistleblowing norms by shaping how board members perceive loyalty and betrayal. In multi-ethnic corporate environments, reporting wrongdoing may be seen as disloyalty to one's ethnic in-group rather than commitment to governance principles. [O'Sullivan and Ngau \(2014\)](#) argue that whistleblowing is not merely a legal mechanism but is embedded within broader socio-cultural contexts that define what constitutes acceptable conduct. The institutional environment often dictates whether whistleblowers are perceived as ethical agents upholding corporate integrity or as disruptors challenging established power structures. [DiMaggio and Powell \(1983\)](#) suggest that firms' responses to governance practices derive from an institutional survival instinct that prioritizes conformity to dominant logics, while individual reactions are shaped by social acceptance, identity, and status ([Pache and Santos, 2013](#)). These relationships reinforce collective identities within corporate organizations ([Brown, Clark, and Buono, 2018](#)), leading to the emergence of dominant ILs that shape governance behaviours ([Jackall, 1988](#)). In professional environments, corporate actors often align with institutional expectations, conforming to dominant group logics that define industry best practices ([Lounsbury, 2002](#)).

The dominant IL within a firm can significantly influence its whistleblowing culture ([Onyango, 2021](#)). In organizations where an ethics-based IL prevails, employees are more likely to report unethical behaviours due to a reinforced culture of transparency, accountability, and corporate integrity ([Ayres et al., 2022](#)). In such settings, whistleblowers may be recognized as ethical stewards, and their disclosures may lead to meaningful organizational reforms ([Okafor et al., 2020](#)). Conversely, in firms governed by a performance-driven IL, where goal attainment takes precedence over ethical considerations, whistleblowers may face severe retaliation, including exclusion, professional marginalization, or termination ([Rehg et al., 2008](#)). Within these environments, dissent is often discouraged, and individuals who expose misconduct may be perceived as threats to the corporate hierarchy and operational stability ([Okafor et al., 2020](#)).

The relationship between ethnicity logic and whistleblowing is particularly salient in institutional contexts where ethnic loyalty plays a critical role in CG structures. In developed economies, where institutional mechanisms such as legal protections, regulatory oversight, and corporate ethics programs are well-established, whistleblowing is less likely to be influenced by ethnic ties ([Rossouw et al., 2002](#)). However, in settings where ethnicity remains central to social and corporate behaviour, whistleblowing decisions are often filtered through the lens of ethnic allegiance, further complicating governance practices. Beyond the legal and professional risks

associated with whistleblowing, actors in multi-ethnic environments face additional pressures tied to ethnic loyalty and community ties. Disclosing misconduct involving an ethnic peer can result in reputational harm, social isolation, and loss of professional opportunities within the ethnic network. Research suggests that in collectivist societies, loyalty to ethnic and social networks often overrides ethical obligations, discouraging individuals from reporting wrongdoing (Onyango, 2021). This dynamic reinforces informal governance practices, where ethnic loyalty replaces formal regulatory oversight, ultimately weakening corporate accountability. Nonetheless, it is critical to note that ethnic loyalty can serve as both a facilitator and an impediment to whistleblowing: while it may strengthen collective action against external threats, it can also discourage internal reporting due to fears of reputational damage, ethnic retaliation, and professional exclusion.

Institutional weaknesses in Nigeria provide further opportunities for actors to manipulate governance frameworks to align with ethnic interests. Given the ability of individuals to selectively apply IL to serve personal or collective objectives (Pache and Santos, 2013), whistleblowing is often subject to reinterpretation based on prevailing ethnic allegiances. Binder (2007) suggests that institutional agents “play with logic, question them, combine IL from other domains, take what they can use, and make them fit their needs” (p. 568). This fluidity is particularly evident in Nigeria’s corporate sector, where informal ethnic alliances shape boardroom decision-making and governance enforcement. Haveman and Gualtieri (2016) further argue that the symbiotic relationship between organizations and societal norms creates opportunities for actors to manipulate governance mechanisms, reinforcing ethnicity as a defining IL in whistleblowing practices.

Given these dynamics, our study aims to investigate the underlying drivers of ethnicity logic and its implications for corporate decision-making in Nigeria’s multi-ethnic corporate environment. Specifically, we query: How does ethnicity logic influence the likelihood and effectiveness of whistleblowing in CG? What are the mechanisms through which ethnicity logic interacts with formal and informal governance structures? Addressing these questions contributes to a deeper understanding of how ethnicity shapes corporate compliance behaviours, regulatory adherence, and governance accountability in multi-ethnic economies.

3. Research methodology

This study employs a qualitative, interpretivist methodology to provide a deeper understanding of the institutional and behavioural mechanisms through which ethnicity shapes CG decision-making. Unlike quantitative approaches that primarily quantify demographic diversity, this method captures the lived experiences and perceptions of participants, uncovering implicit norms, power structures, and informal influences. Given participants’ roles as key social and economic actors, this approach enables direct engagement with them (Bryman, 2015; Wulff and Villadsen, 2020), offering valuable insights into how ethnicity interacts with specific CG mechanisms. Furthermore, the methodological choice is particularly relevant given the paucity of data in this research domain. By situating ethnicity within Nigeria’s multi-ethnic institutional context, this approach facilitates the emergence of richer, more nuanced insights into the operationalization of ethnicity logic in governance practices, thereby addressing critical gaps in the existing literature.

Furthermore, existing studies on board composition typically adopt a quantitative approach to examine variables such as board size, gender diversity, independence, age, experience, foreign representation, and, to a lesser extent, ethnicity (Areneke et al., 2023). While these studies provide valuable statistical insights, they often overlook the underlying mechanisms shaping board dynamics. Thus, this research employs a qualitative approach to explore the relationship between ethnicity and board practices, allowing for a more nuanced and contextually grounded understanding of how ethnicity influences governance processes. By doing so, this study extends the existing literature beyond demographic metrics, offering deeper theoretical and practical insights into the role of ethnicity in corporate decision-making.

3.1. Sampling strategy

Research participants were recruited from two stakeholder groups, i.e., executives and CG regulators,² who are board members of organisations in Nigeria. Board members have fiduciary responsibilities for corporate prosperity (Finegold, Benson and Hecht, 2007), and the literature identifies these participants as key players in Nigeria’s CG space (Adegbite, 2015; Nakpodia, Shrivs and Sorour, 2020). Table 1 presents the anonymised details of the participants.

To recruit participants, we considered their experience and position in their organisations. As corporate boards are responsible for implementing CG, the first category of participants was board members from firms listed on the Nigerian Stock Exchange (NSE). Most CG studies have focused on executives, recognising their role in CG decision-making. The second category of participants (regulators) was from leading regulatory institutions in Nigeria. Given this study’s ethnicity (and board) focus, regulators are institutional representatives responsible for setting and enforcing CG standards, proposing guidelines for board composition and ensuring firms are run in the best interests of stakeholders. However, these regulators are also influenced by contextual factors such as ethnicity (Nasir et al. 2019). Therefore, obtaining their views on how ethnicity informs board decision-making is critical. All the regulators are board members in their organisations.

This study’s focus demands that we highlight participants’ ethnicities. Over 60 % of participants are from the three main ethnic groups (Yoruba, Igbo, and Hausa). The literature consistently studies these three ethnicities that represent the country’s main

² Not all executives or regulators are board members. However, the executives and regulators who participated in this study are all board members. The Nigerian CG code (2018) recognises the unitary board system, grants board independence to all directors (executives and non-executives) and prescribes non-CEO duality.

Table 1
Organisational and Ethnic Affiliations of Research Participants.

Executives			
Participants	Industrial Sector	Ethnicity	Ethnic Categorisation
A1	Oil and Gas	Yoruba	Yoruba
A2	Construction	Yoruba	Yoruba
A3	Financial Services	Fulani	Hausa
A4	Financial Services	Yoruba	Yoruba
A5	Utilities and Conglomerates	Yoruba	Yoruba
A6	Consumer Goods	Hausa	Hausa
A7	Industrial Goods	Yoruba	Yoruba
A8	Financial Services	Ibibio	Igbo
A9	Healthcare	Urhobo	Yoruba
A10	Oil and Gas	Hausa	Hausa
A11	Financial Services	Ijaw	Igbo
A12	Information Communication Technology	Igbo	Igbo
Regulators			
Participants	Regulatory Organisation	Ethnicity	Ethnic Categorisation
B1	Securities & Exchange Commission (SEC)	Kanuri	Hausa
B2	Nigerian Deposit Insurance Commission (NDIC)	Tiv	Hausa
B3	Nigerian Deposit Insurance Commission (NDIC)	Yoruba	Yoruba
B4	Central Bank of Nigeria (CBN)	Edo	Yoruba
B5	Nigerian Stock Exchange (NSE)	Hausa	Hausa
B6	Corporate Affairs Commission (CAC)	Urhobo	Yoruba
B7	Institute of Corporate Governance of Nigeria (ICGN)	Igbo	Igbo
B8	Securities & Exchange Commission (SEC)	Igala	Hausa
B9	Institute of Corporate Governance of Nigeria (ICGN)	Igbo	Igbo

geographical regions. The remaining participants (about 38 %) belong to ethnic minorities. Most minority ethnicities are subsets of the major ethnic groups (Ukiwo, 2007). As Table 1 shows, we interviewed 7 participants of Hausa origin, 5 participants of Igbo extraction, and 9 Yoruba participants. In the table (Table 1), we present the specific ethnicities of participants to reflect the country's multi-ethnic structure. In sum, 21 participants representing 11 ethnicities participated in the study.

Securing access to respondents was challenging. We used 'personal contacts' (complying with the selection criteria) to access participants. As the principal investigator had extensive industry experience in Nigeria, we selected our first set of participants from a pool of directors and regulators with whom the author has had prior corporate relationship. We then employed the snowballing strategy (Denscombe, 2010) to identify and recruit additional participants who met the agreed-upon criteria. We initially identified and engaged with 6 participants who introduced us to other participants with the requisite profile. Considering the collectivist nature of Nigerian society (Hofstede *et al.*, 2010), the technique proved helpful in attracting more participants. Overall, we identified 38 respondents and contacted them via email. However, due to a lack of response, 21 interviewees eventually took part in the study, comprising 12 executives and 9 regulators (Table 1). The number of participants is consistent with similar qualitative studies (e.g., Piekkari *et al.*, 2015; Nakpodia *et al.*, 2018).

3.2. Data collection

We collected data using semi-structured interviews, the most used technique for collecting qualitative research data (Bryman, 2015). It enabled us to ask questions and seek clarification to ensure data relevance. It also allowed us to ask further questions in reaction to replies considered vague, unclear or significant (for further exploration). With this procedure, the collected data provided answers and helped us explore our research question.

Before the interviews, we sent participants an interview guide (see Appendix 1) along with a cover letter that conveyed the study's objectives. A 'no obligation' clause was inserted in the letter, allowing participants to withdraw from the interview if they felt uncomfortable. While we acknowledge the risk of interview bias when the questions are sent before the interview, using a semi-structured interview approach allowed researchers to use follow-up questions to interrogate the responses provided. This strategy generated emergent themes/questions, provoking more comments from participants. The average duration of the interviews was 47 min, and all the interviews were tape-recorded. The interviews occurred in Lagos (Nigeria's commercial capital) and Abuja (Nigeria's administrative capital). Most interviews with executives took place in Lagos, whereas interviews with regulators took place in Abuja. Thirteen interviews were conducted between January and June 2019 (as part of a larger project), and an additional eight interviews were conducted in the third and fourth quarters of 2022. This temporal spread allows for reflection on the impact of the 2018 NCCG, particularly in understanding the evolving responses to regulatory reforms in relation to board ethnicity practices.

The interviews began by asking participants to provide a brief overview of CG in Nigeria, followed by their views on CG relative to ethnicity (see Interview Guide). After conducting the 18th interview, we observed data saturation, as distinct themes and newer insights no longer emerged from subsequent interviews. The decision to continue with the interview after the 18th participant was made to verify if successive comments were consistent with those of previous participants. We maintained strict confidentiality and anonymity throughout the data collection process, as promised to the respondents.

3.3. Data analysis

The data analysis was inductive and interpretive, generating richer insights into the drivers of ethnicity logic and how ethnicity impacts board members. We used thematic analysis to analyse the interview transcripts because coding categories emerged directly from the data (Nowell et al., 2017). This technique is particularly suitable for studies where existing literature on a phenomenon is limited (King, 2004), as is the case with ethnicity and CG. We split the data analysis into two main stages. The first stage commenced with the manual transcription of interviews, yielding 210 pages of text. We read the data repeatedly to achieve 'data immersion' (Vaismoradi et al., 2016) and generate a 'mental repository' of relevant codes/comments. To improve validity, we used qualitative data analysis software (NVivo) to organise and code the text data. We utilised NVivo features, including nodes, word frequencies, and cross-comparisons of themes, to conduct the analysis. Fig. 1 shows the original themes from the interviews.

The next stage involved coding and categorisation. We adopted [Elo and Kyngäs' \(2008\)](#) three-step approach. The first step is 'open coding.' Using the 'query' and the 'word cloud' features in NVivo, we identified the most referenced themes in our data. These themes, representing the areas of interest among participants, were subsequently coded as sub-categories (see [Fig. 2](#)).

The second step involves creating categories. These categories, i.e., generic (see Fig. 2), demanded further categorisation of related

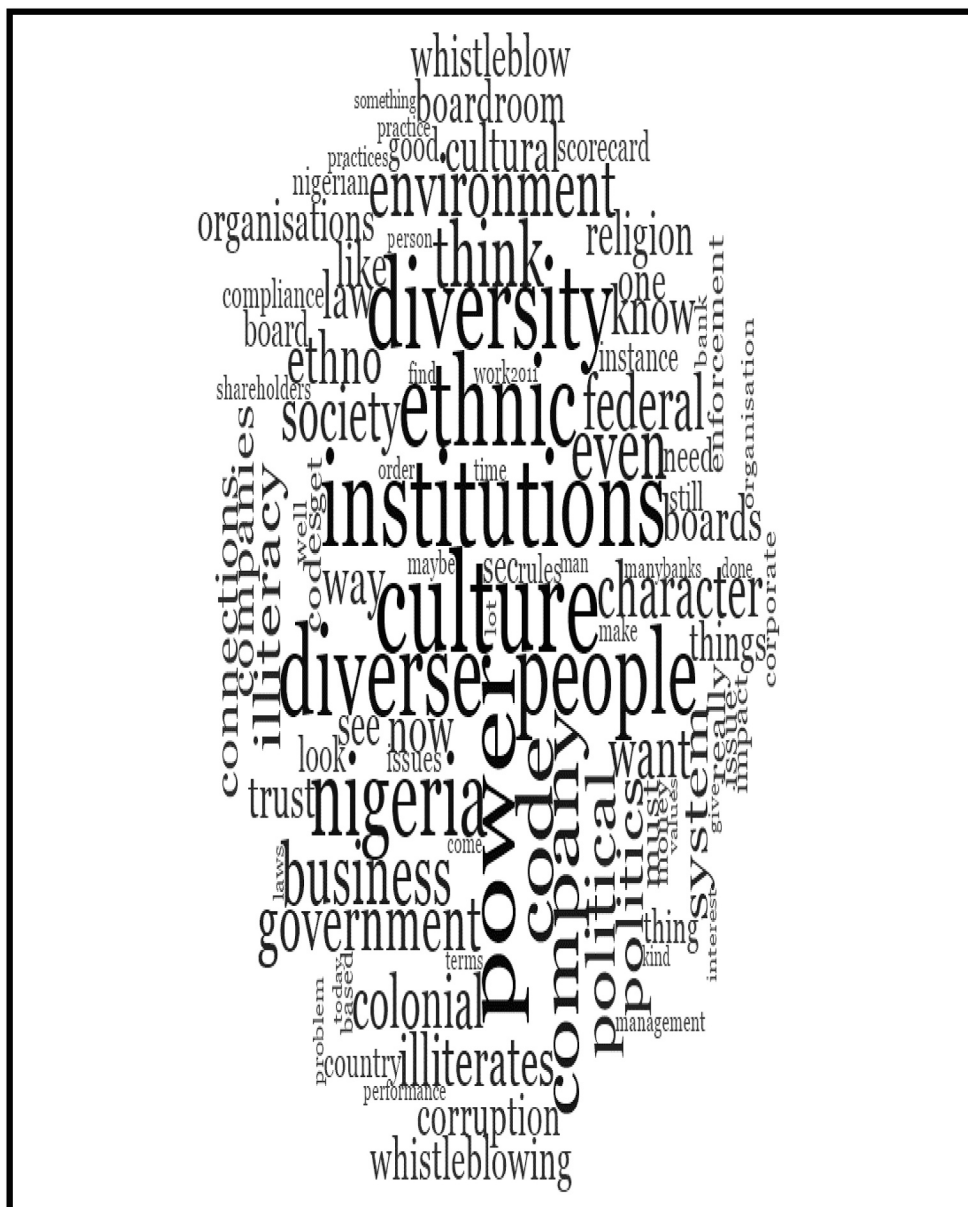


Fig. 1. Main Themes from the Data.

comments from the 'open coding' process. The emergence of these categories follows the axial coding procedure (Williams and Moser, 2019), which involves linking and merging codes to create more complex and nuanced categories. This procedure facilitates the linking of codes to the concepts or themes they relate to, enabling us to identify the relationships and connections between codes. For instance, we created a generic category (ethnocentric inclination) that combines sub-categories such as ethnic diversity, ethnic prejudice, and ethnocentrism. At this stage, we also identified some sub-category items which could fit into other generic categories (Fig. 2). Participants indicated that culture, for example, influenced colonialism as well as the informal business environment. Finally, in the third step of data analysis, the generic codes were further categorised as the main category to explain the nexus between ethnicity and CG mechanisms (Fig. 2). To further improve data validity, each author independently assessed the coding of the data and the assignment of codes to categories. We discussed codes, meanings, and categorisation until a consensus was reached. Wherever we observed a disagreement, categories were reviewed and modified to maximise inter-coder reliability (Gioia et al., 2013).

4. Findings

We categorise our findings into two groups. In Section 4.1, we present four factors that drive ethnicity logic in corporate Nigeria, while in Section 4.2, we demonstrate how ethnicity logic influences board composition and whistleblowing mechanisms. We present these findings with anonymised extracts from our data.

4.1. Drivers of ethnicity logic

A dominant theme emerging from our data was the underlying factors contributing to the formation of ethnicity logic. Specifically, we identified several key drivers, including the ethnocentric inclinations of board members, the government's FCP, colonialism, and the informal business environment.

Ethnocentric Inclinations of Board Members.

Our data suggests that board members consider race, ethnicity and culture in their board activities, thus driving an ethnicity logic in corporate Nigeria. A4 posits that:

Very few people in this country disregard ethnic affiliations when making decisions, even in companies. I think our diverse ethnicities create consciousness towards ethnicity in the corporate place.

Respondents note that the ineffectiveness of the country's institutions means that ethnicity offers an alternative to trust and loyalty within these institutions. Board members are open to engaging with individuals with similar cultural and racial backgrounds. Consequently, ethnocentric inclinations present a normative pressure that redefines national logic in multi-ethnicities. According to respondent A12:

There is a belief that certain ethnicities may not perform ... in specific (endeavours). For instance, most Hausas (who are from the less educated North) would prefer political positions to an academic career. But Yorubas (from the South, with more Western education) will typically prefer white-collar jobs. If you take the statistics of board members by their ethnicities, the Hausas will be the least.

This encourages ethnocentrism, as members of one ethnic group assume their ethnic group is superior to others (Cornelius and Esheya, 2013) and find it expedient to deal with those from a related ethnicity (Ukiwo, 2007). According to B3, this contributes to a flawed board recruitment strategy that relegates experience and qualification.

B3 provides an example:

In some (organisations), most employees and directors share ethnic connections with the owners (majority shareholders). Some of these (organisations) sacrifice competence to achieve employee distribution that favours a particular ethnicity.

Furthermore, ethnocentric inclinations in Nigeria serve as a trust compass for CG principles, but challenge universalist rules (Thornton and Ocasio, 2008) and global best practices for boards. B7 notes that *such practices mean that boards neglect their fiduciary duties, favouring decisions that sustain ethnic dispositions*. However, two directors (A1 and A9) whose boards are dominated by a specific ethnic group challenge this notion. They argued that ethnicity fosters board cohesiveness. A9 explains that:

The success of a corporation depends on a good working relationship with colleagues. There are no ethnic criteria in our recruitment strategy. But, working with someone from a similar culture and work ethic may benefit the company.

A1 adds that:

Our board composition is 'strategic', offering us the best opportunity to maximise our shareholders' wealth. Ethnic background is not a yardstick in our board recruitment; it is the ability to contribute to organisational wealth.

When questioned on the use of 'strategic,' A1 explained that 'strategic' might include *prior business connections and the ability to secure 'good deals*. However, for most of our respondents, the views of A1 and A9 may engender a lack of independence and a weak CG oversight mechanism.

Respondents also highlight the tension between ethnic loyalty and meritocracy, which is evident in corporate board recruitment. Several interviewees reported that firms justify ethnic-based appointments by emphasizing organizational efficiency and cultural cohesion, arguing that shared linguistic and cultural backgrounds reduce misunderstandings and improve internal communication. According to A11:

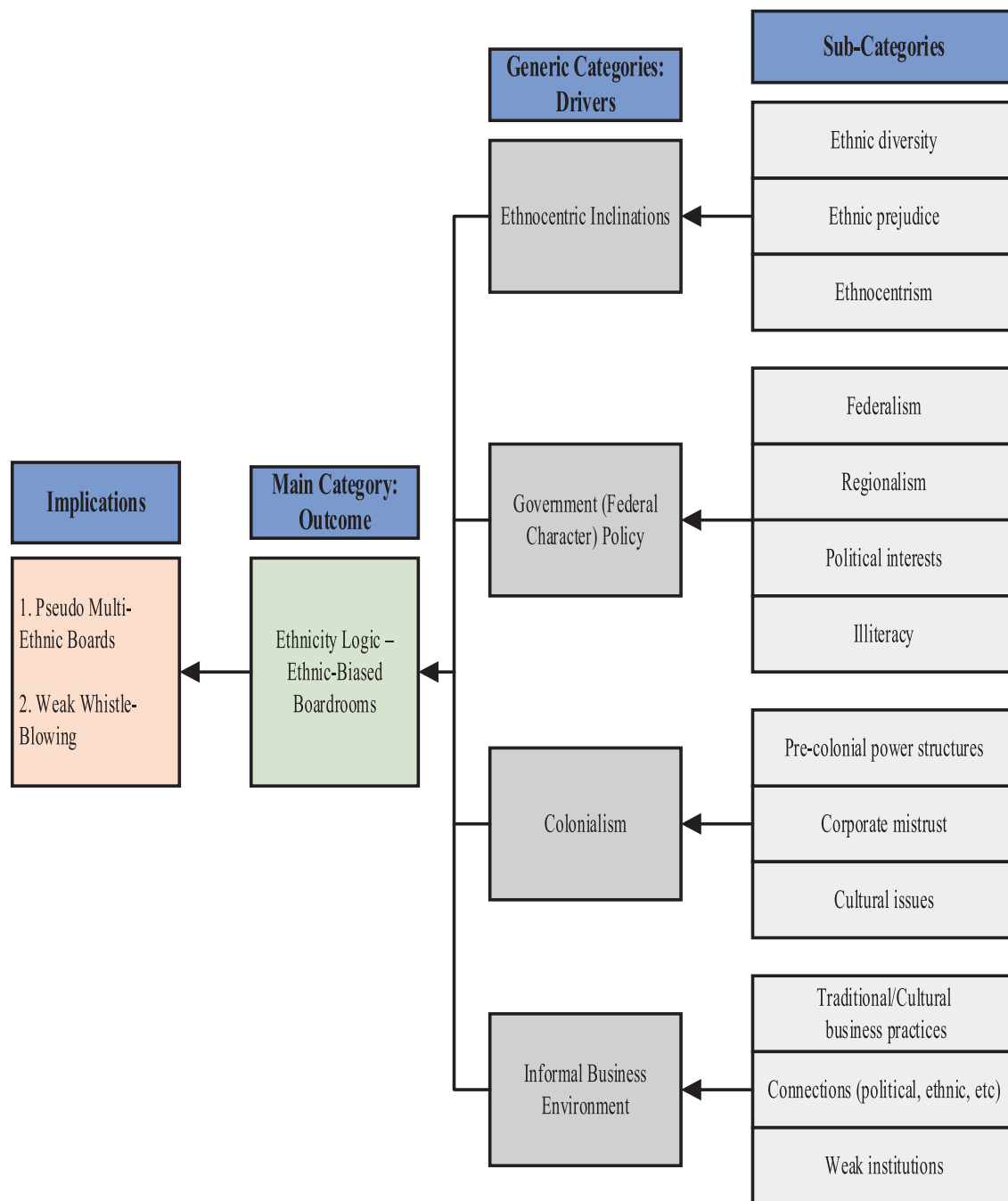


Fig. 2. Ethnicity and Corporate Governance.

In reality, board appointments are rarely just about expertise. If you bring in someone from outside the group, it takes longer to build trust and alignment in decision-making. When people share the same background, they work better together.

However, this perspective contrasts with market-driven governance expectations, where investors and regulatory bodies push for independent, performance-driven board appointments. Per A5:

We have to show that our board is diverse to satisfy international investors, but internally, the real decision-making happens within the dominant ethnic network. External appointments sometimes have limited influence in strategic governance.

These findings illustrate that while market logic influences governance reforms, ethnicity logic remains deeply embedded in

boardroom culture, often shaping actual decision-making more than formal regulatory structures suggest.

Government's Federal Character Policy.

Some respondents state that the Nigerian government's introduction of the FCP intensified ethnicity's impact on corporate Nigeria. They note that while the FCP is a macro-level diversity management initiative, it has permeated corporate Nigeria. A4 informs that:

Because of federal character, we share corporate portfolios not because of what people can offer but because of their ethnicity. The policy disallows competition, favouring a biased recruitment strategy that undermines fairness among boards.

A11 adds that:

The federal character fortified ethnic politicking in corporations...reminds (the directors) of where they are from. Instead of seeking ethnic coexistence, ethnic consciousness has encouraged (directors) to promote their ethnic interests.

Among respondents, the policy bears significant implications that can have detrimental effects on CG and boards. According to respondents B6 and B3,

Many boards' appointments, especially in government corporations, rely on the federal character, hence (unqualified directors) assume (board positions). When appointed in this manner, there is (a chance) that appointees may have little regard for CG (B6). Federal character heightens ethnic competitiveness, even among companies. You find situations where a dominant ethnicity implements policies that favour certain ethnicities. An example is branch expansion among banks. Also, board independence is diluted as they may offer 'favours' based primarily on ethnicity (B3).

Colonialism.

Respondents indicate that because colonialism in Nigeria was hegemonic, combining with traditional ethnic, ideological and cultural machinery to serve the preferences of colonial masters, it drives ethnicity logic. Respondents highlight how colonialism nurtured ethnic consciousness. For example, B6 states that:

Indirect rule (in Northern Nigeria) reinforced our traditional and cultural beliefs and our ethnic philosophy. The indirect rule policy allowed traditional rulers and chiefs to promote ethnocentrism, favouring members from their traditional (ethnic) domains. However, Southern Nigeria had a direct rule system, which meant a different philosophy in the South (of Nigeria).

The colonialism-inspired ethnic consciousness led to a competing IL that imposes different demands on socio-economic agents from diverse parts of Nigeria. A10 alludes thus:

Sometimes, you feel comfortable among people who share similar cultural traits or from a similar ethnic background. As a (name of an ethnicity), we listen more to our elites, making me feel more comfortable doing business with another (same ethnicity). We can attribute some of our thinking to colonialism, which joined us as a country.

For respondents, the mistrust fostered by colonialism drives board members from similar ethnicities to pool together. A2 notes:

I desire to work with people whom I share history or other characteristics (ethnicity). Before the colonial era, we, as ethnic people, made more unifying decisions. This reasoning remains as we are yet to accept ourselves as one country. Associating with people from the same ethnicity leads to less conflict and promotes more understanding, faster decision-making, and board cohesion.

A3 also noted the role of language (an essential feature of ethnicity) in corporate trust/mistrust:

Though I am not a big advocate of ethnic boards, it has its benefits, especially in a country like Nigeria. I believe that social relationships enhance the success of boards. A key element of social relations in this country is language. You can get the best out of a Hausa or an Igbo if you can communicate in their language. It creates trust and bonding, which helps in boardrooms.

Informal Business Environment.

Respondents suggest that the Nigerian corporate environment's informal nature accelerates the influence of ethnicity on CG. B4 shares a traditional business practice that feeds ethnic considerations in corporations:

We are more likely to abandon formal business practices in favour of our traditional ways of doing things. Look at the selection (recruitment) of independent directors, for example. How many independent directors in Nigeria are truly independent? Some are business associates, some are old schoolmates, and some are from the same ethnicity. These practices are prevalent. Any attempt to question director independence is often opposed by using corporate resources and external business 'connections.'

Respondents argue that the informal business environment and the country's weak institutions accentuate the difficulty in assessing director independence. B1 queries that:

How do you confirm that an independent director is unconnected to other board members? How can you verify the independence of directors?

This aligns with [Adegbite and Nakajima \(2011\)](#), who also report that weaknesses in Nigeria's institutional frameworks undermine its CG system. A10 explains that:

Because the rules are manipulated, board appointments are not undertaken according to the principles stated in CG codes. Sometimes, these things are done in connivance with regulators. As a result, the dominant shareholder can appoint anybody, including people from their ethnic backgrounds.

Concerning the foregoing, A7 and B1 identify 'connections',³ which may be viewed as 'networks' or 'Nigerian guanxi'. B1 suggested that the informal business environment:

Aids political, religious, and ethnic connections that shareholders could access. This allows them (majority shareholders) to engage in practices that are inconsistent with CG, as they can use their 'connections' to evade punishments.

'Connections' is a common feature in Nigerian society, given its predominantly collectivist structure. Thus, in Nigeria, ethnicity grows in importance in social and economic exchanges. Ahunwan (2002) notes that political connections and ethnic loyalty overtake efficiency and qualifications during board appointments. Likewise, in place of formal political, social, and economic regulations, economic agents rely on 'connections' to manipulate private and public resources. The ability to stress ethnicity in these 'connections' smoothen agents' power to secure economic rent in informal business environments.

4.2. Effects of ethnicity logic on corporate boards

Our data revealed two effects of ethnicity logic on corporate boards: pseudo-multi-ethnic boardrooms and ineffective whistleblowing.

Pseudo-Multi-Ethnic Boardrooms.

While participants allude to trust, which ethnicity logic breeds, they emphasise that ethnic-biased boards emerge despite multiple ethnicities on Nigerian boards. Research suggests that ethnic diversity in Nigerian corporate boards is often superficial. Saidu (2020) found that Yorubas dominated board compositions in firms listed on the Nigerian Stock Exchange (2011–2016), undermining true ethnic inclusivity. Similarly, Ujunwa, Okoyeuzu, and Nwakoby (2012) observed that while ethnic diversity exists, its impact on firm performance is ambiguous, concluding that mere representation does not equate to effective governance or meaningful decision-making influence. In Nigeria, ethnicity logic allows specific ethnicities to dominate in supposedly multi-ethnic boardrooms. This is because the dominant director's ethnic group ensure that directors from other ethnicities are silent (Piekkari et al., 2015). A3 sheds insights:

If you look at how they recruit fellow board directors, they influence the process. If you look around, you will observe that an ethnic group often dominates some boards' membership in this country.

Our data suggest that key directors on some corporate boards are typically from a specific region. Respondents argue that the ethnic-biased structures persist over the long term, as future board appointment favours appointees from the board's dominant ethnic group. B5 notes that:

I have seen that boards of quoted companies where (the majority of) the members are from an ethnic block, they dominate and continue to dominate.

Nevertheless, while there are concerns about pseudo-multi-ethnic boards, participants such as A11 reflect on the roles of pseudo-multi-ethnic boards in promoting board cohesiveness (Murray, 1989):

While I am open to engaging in business relationships with anyone, I feel more comfortable doing business with people with similar convictions. Most times, language, race, tribe, ethnicity, religion, culture, etc., are key to successful interactions.

Considering the lack of trust in institutions in Nigeria, some interviewees suggest that it is impractical to depart entirely from ethnic-biased boardrooms. A6 offered that:

I do not see anything wrong with an ethnic-biased board. Most Nigerians always promote their ethnicities (relative to) others. In this country, ethnic competitiveness is everywhere. As long as board appointment processes align with the company's selection criteria, I think it helps overall board performance.

However, A8 challenges A6's view:

My concern is that, due to ethnic affiliations, some board members may be unwilling to challenge dominant opinions. This is unhealthy for effective board performance.

While A8's response implies that ethnic consciousness in boardrooms impacts CG, more respondents focus on issues that directors must address, given their ethnicities. We also observed variations in the views of directors and regulators regarding ethnic-biased boards. Most regulators stress the difficulties in pseudo-multi-ethnic boards (e.g., B1, B2, B5, and B7), whereas some directors (e.g., A4, A7, and A11) emphasise the benefits of such arrangements. While this requires further investigation, the contrasting perceptions of ethnicity's role threaten the emergence of a reliable CG system.

Consistent with the emergence of pseudo-multi-ethnic boardrooms, our data indicates a persistent tension between ethnicity logic and market/investor logic, notably in board appointment processes. While market-oriented reforms advocate for merit-based selection and board independence, ethnic affiliations remain a powerful influence. According to A11:

³ Connections is a local Nigerian slang to emphasise an individuals' political and economic links.

It is easier to work with someone who speaks your language, even if others are more qualified. There is comfort and trust that come with that.

This explains why the ethnicity logic has persisted, continuing to shape board processes, despite the neo-liberal/market reforms. Similar to comment by A6, another board member (A4) noted:

I do not have a problem canvassing for someone from within my ethnic circle for a board position. I believe this ensures loyalty and allows for smoother communication.

These insights show that ethnicity logic remains a dominant institutional force that often overrides the formal emphasis on competence, independence, and performance in director selection.

Moreover, participants described how pressures from foreign investors and regulators occasionally compel boards to adopt the appearance of diversity without modifying underlying ethnic dynamics. A CEO (A3) recounted:

Sometimes, foreign investors complain, but we have to maintain balance in the boardroom to avoid tribal issues that could have (massive) implications for our corporate performance.

These accounts reveal an accommodation between logics, where meritocratic ideals are acknowledged but subordinated to the need for ethnic cohesion. This duality reflects how Nigerian boards selectively draw from multiple institutional logics, strategically aligning with external expectations while retaining internal coherence rooted in ethnicity.

Ineffective Whistleblowing.

Many respondents referenced how ethnicity logic can negatively influence the accountability mechanism of whistleblowing in corporate Nigeria. According to B2:

The whistleblowing mechanism (is) shut down because they now see themselves (board members) as a single body (i.e., dominance by a particular ethnic group while others stay silent). As a result, they lack the courage to question one another, allowing corporate misdeeds to be overlooked.

Respondents argue that ethnicity logic denies stakeholders the benefits presented by cognitive dissonance. For respondents, cognitive dissonance becomes evident when boards refuse to admit new information if it contradicts prior beliefs and ideas (Mooney, Holahan and Amason, 2007). Yet, cognitive dissonance should exist naturally in multi-ethnicities. B4 and B5 provide further implications of ethnicity logic on whistleblowing:

Whistleblowing suffers not only from the (social) cultural elements of age and status but also from ethnic affiliations (B4).

Stakeholders prefer not to report suspected offenders from the same ethnicity. However, they will be willing to share similar information regarding suspected offenders' activities from other ethnic backgrounds (B5).

The Nigerian collectivist society explains why stakeholders pursue group (ethnic) interests. Respondents argue that the logic at play is that ethnic members protect themselves, choosing not to blow the whistle on their defaulting ethnic member. The dominant ethnic group believe that reporting infractions of members of the same ethnicity may undermine the dominant ethnic group's competitiveness relative to other ethnic groups. This affirms that groups of people from collectivist cultures display greater cooperative behaviour (Cox, Lobel and McLeod, 1991). Our data show that, due to this collective culture, individual infractions are addressed in-house (within the group), and in many cases, factors such as the status and ethnicity of the erring member determine the severity of the sanctions. However, whistleblowing becomes effective when other ethnic members err, as this offers additional avenues to deepen the dominance of one ethnic group relative to others. Therefore, ethnicity logic can fuel ethnocentrism, allowing for a dichotomised operational dynamic in corporate boards. When ethnocentrism develops as a corporate culture (Chand, 2012), it produces conditions where ethnicity logic impedes whistleblowing's capacity to stimulate accountability. According to B9 and A6:

The (weak) institutions in Nigeria have failed to provide the necessary support and protection for individuals who engage in whistleblowing (B9)

Ethnicity may provide an avenue to perpetuate oneself in an organisation. This is because when a director vacates the office, that director engages his/her ethnic affiliates to mask their corporate misdeeds. The 'new' director has an unwritten and implied mandate to frustrate any whistleblowing attempt aimed at the outgoing director. Ethnic alliances help in sustaining this practice over the long term (A6)

The failure of institutions in Nigeria to protect whistleblowers fuels greater reliance on ethnicity logic in organisations. As whistleblowing is a governance tool, ethnicity logic hampers its effectiveness because key stakeholders can access and manipulate it.

These findings suggest that the practice of whistleblowing is conceptually framed within the IL perspective, with particular attention to how competing logics, i.e., ethnicity and market/investor, either enable or constrain disclosure behaviour. Whereas the market/investor logic emphasizes transparency, accountability, and ethical governance as a basis for legitimacy (Thornton et al., 2012), the ethnicity logic focuses on loyalty, in-group protection, and relational obligations. Our empirical findings reveal that whistleblowing is rarely a neutral act. Rather, it is embedded in the socio-cultural expectations of ethnic allegiance. Board members from dominant ethnic groups are often reluctant to expose wrongdoing involving co-ethnics, even when such behaviours violate governance norms. As one participant noted: "When it's someone from your region, you weigh the consequences before speaking up. You don't want to be seen as betraying your own people." This form of ethnic solidarity often undermines the whistleblower's obligation to uphold CG standards. As a result, the presence of whistleblowing mechanisms in corporate policy may reflect compliance on paper (a form of substantive compliance) but fails to translate into meaningful action due to informal ethnic expectations. Several participants admitted that board-level whistleblowing tends to occur only when misconduct affects multiple factions or threatens broader firm survival. In this regard, the ethnicity logic suppresses whistleblowing unless it aligns with the firm's collective interest or receives external pressure from investors or regulators.

5. Discussions

Our findings indicate that the logic of ethnicity produces both positive and negative effects. Regarding the positive impacts, ethnocentric inclination (a driver of ethnicity logic) reinforces corporate survival in weak institutional settings through ethnic self-identity in boardrooms. This way, our data endorses Thornton and Ocasio's (1999) view of IL as agents manipulate institutions to establish meaning to their realities. Furthermore, our data suggest that pseudo-multi-ethnic boards minimise conflicts in corporations, allowing for swifter decision-making (Godos-Díez et al., 2018). Thus, ethnicity logic offers insights into how agents focus on issues and solutions that produce logic-consistent decisions (Misangyi et al., 2008; Zhao and Lounsbury, 2016).

Furthermore, our data reveal how the government's FCP influences the ethnicity logic in corporate boards by triggering an ethnic bias that overwhelms CG mechanisms. Rather than meritocracies and unification, the policy encourages groupthink in multi-ethnic boards, promotes ethnic interests, and fosters nepotistic practices, as evident in fierce ethnic conflicts for boardroom power and control, ultimately leading to poor corporate decisions (Marimuthu, 2008). We contend that the policy drives ethnicity logic, providing an alternative understanding of the linkage between subjects, practices, and objects (Friedland and Alford, 1991; Thornton et al., 2012). This understanding stems from the economic rents that directors can access due to their ethnicity and the ethnic coalitions they form in boardrooms.

Our data also suggests the enduring impact of British colonialism on Nigeria. Ethnicity played a significant role in Britain's colonial approach. This approach meant political power resided in the North, whereas the South dominated economic power. Likewise, ethnic blocs in Nigeria adopt contrasting corporate principles – the South embraces Western ideals, whereas the northern majority employs Sharia principles. The inconsistency creates confusion, providing opportunities for organisations and individuals to elaborate (Friedland and Alford, 1991) and adopt practices that deviate from CG guidelines (Nakpodia et al., 2018), such as when they recruit independent directors. Despite policies to bridge the North-South divide, pre-colonial structures such as political and economic power distributions persist, reinforcing a colonial mindset that underpins ethnicity logic in the country as well as strengthening ethnic consciousness in its organisations (Zhao and Lounsbury, 2016).

According to our data, the informal business setting also activates ethnicity logic in corporate boards. Society is a complex arrangement of inter-institutional relations based on explicit IL (Scott, 2014). Ethnicity logic inspired by informal business settings incentivises business practices that draw on social elements like ethnicity. For example, ethnicity-inspired 'business connections' are prevalent in Nigeria. While Nakpodia and Adegbite (2018) suggest that political and religious logics characterises business connections in Nigeria, the significance of ethnicity logic is maturing. Ethnicity logic, spurred by the informal business context, implies that, in certain instances, it can coexist with competing logics (Dunn and Jones, 2010). Thus, the informal business setting lends itself to situations where deviant logic compromises taken-for-granted assumptions.

In addition to unmasking the drivers of ethnicity logic, our data allows us to reflect on the links between ethnicity logic and organisations. First, we observe that in a multi-ethnic setting, ethnicity logic creates a pseudo-multi-ethnic board, which helps firm actors gain board legitimacy and social acceptance. Therefore, ethnicity logic offers a social protection mechanism, reinforcing organisational survival in weak institutional settings. We also find that, in Nigeria, pseudo-multi-ethnic boards promote firm loyalty, which helps sustain corporate reputation. Local stakeholders develop a sense of identity when a particular ethnic group dominates a board. Also, while ethnicity may undermine the independence and accountability of board directors, they often employ an ethnicity logic to expand their networks and social capital, secure improved access to business opportunities, enhance career progression, and promote a sense of identification and belonging. This is evident in attempts to leverage ethnic relationships to secure board appointments.

We further find significant tensions and accommodations between ethnicity logic and market/investor logic in Nigerian boardrooms. While formal governance frameworks advocate for meritocratic appointments and diversity policies, board members frequently rationalize ethnic-based recruitment as a means of ensuring organizational stability, trust, and effective communication. Many interviewees emphasized that appointing board members from the same ethnic group reduces internal friction and accelerates decision-making, particularly in contexts where trust deficits exist. This perspective reflects an accommodation of ethnicity logic within formal corporate structures, where ethnic representation is framed as a functional necessity rather than a governance limitation. Conversely, other respondents highlighted instances where market/investor logic was imposed due to regulatory requirements or foreign investment pressures. For example, some firms strategically appointed ethnically diverse directors to meet global governance expectations, yet decision-making remained concentrated within dominant ethnic factions. This shows a hybrid governance model, where firms symbolically comply with market-driven governance expectations while informally adhering to ethnic loyalty norms.

Our findings also show how ethnicity logic frustrates a CG accountability mechanism, i.e., whistleblowing. While whistleblowing emphasises checks and balances, responsibility, feedback, and feedforward, whistleblowing regulation in Nigeria remains rudimentary. For example, a key concern for whistleblowing is whistleblower victimisation (Cassematis and Wortley, 2013). In Nigeria, ethnicity logic dictates that social actors are more comfortable seeking protection from their ethnic groups (Okafor et al., 2020). As such, owing to groupthink, ethnicity logic reduces in-group disagreements that whistleblowing may trigger, thereby eroding the gains of cognitive conflict (Mooney et al., 2007) and promoting hegemony. Another impediment to whistleblowing on account of ethnicity logic is the reporting procedure. In many organisations, supervisors and compliance officers (or a confidential hotline) manage whistleblowing reports. We observe that these officers are usually members of a dominant ethnic group or answerable to an ethnically sympathetic agent in multi-ethnic boards. Therefore, consistent with Aguilera et al.'s (2018) deviant logic, actors engage with ethnicity logic to deviate from established accountability mechanisms (i.e., whistleblowing) in weak institutional settings. This aligns with Rehge et al.'s (2008) account of how IL (in this case, ethnicity logic) may deter whistleblowers from disclosing unethical practices due to potential retaliatory actions from those embodying the dominant IL.

Through in-depth interviews with board members and regulators, we uncover how the cultural meanings attached to whistleblowing vary depending on whether the action supports group solidarity or undermines it. For example, participants described instances where board members chose not to report irregularities due to the potential backlash from their ethnic communities, highlighting the informal sanctions that accompany whistleblowing in such contexts. These findings suggest that ethnicity logic does not merely influence who sits on boards but also how board members behave when faced with governance dilemmas.

Our findings further highlight that in Nigeria's multi-ethnic corporate sector, board members often hesitate to report wrongdoing involving individuals from their ethnic group due to fears of reputational damage and ethnic-based retaliation (see [Onyango, 2021](#)). This dynamic raises concerns about the effectiveness of regulatory whistleblowing frameworks such as the *Whistleblower Protection Act*, which assumes that formal reporting structures operate independently of social and ethnic influences. Our study suggests that unless regulatory agencies acknowledge and address the role of ethnicity in whistleblowing decisions, CG enforcement will remain inconsistent. Strengthening independent oversight bodies and introducing anonymous reporting channels may mitigate these challenges, improving board accountability in multi-ethnic firms.

6. Contributions

6.1. Research implications

We make several important contributions to theory and literature. First, we use ethnicity logic as a conceptual lens to investigate the role of ethnicity and its embeddedness in organisations' CG mechanisms. This allowed us to unpack four (4) drivers of ethnicity logic to demonstrate how board members' ethnicity influences critical board activities such as decision-making and whistleblowing. Also, we extend the institutional theory-based CG literature (e.g., [Friedland and Alford, 1991](#); [Thornton et al., 2012](#); [Armitage et al., 2017](#); [Aguilera et al., 2018](#)) to advance ethnicity logic as a distinct IL influencing board practices. We show that, in trying to conform to global board diversity standards and business exigencies, boards in Nigeria are increasingly embracing ethnic diversity. However, ethnicity logic leads to a pseudo-multi-ethnic boardroom in corporate Nigeria that has positive and negative effects. Our findings challenge studies like [Brammer et al. \(2007\)](#) and [Guest \(2019\)](#), which suggest that ethnicity has no significant implications for organisations' performance. This contributes to a growing body of literature ([Marimuthu, 2008](#); [Ntim, 2015](#); [Nasir et al., 2019](#)), which demonstrates how multi-ethnic settings provide a distinct operating environment that stresses the significance of ethnicity in corporate contexts. Our findings validate ethnicity as an institutional pillar ([Scott, 2014](#)) and uncover a logic that allows ethnicity to inform board decisions in multi-ethnic settings.

Furthermore, it is essential to note that the literature examining corporate boards has primarily focused on their composition, as well as their impact on corporate performance ([Rao and Tilt, 2016](#); [Naciti, 2019](#)). In this regard, many studies have investigated board size, gender distribution, independence, age, experience, foreignness, and, to a lesser extent, ethnicity. While most of these studies have employed a quantitative methodology to investigate these board variables, this research adopts a qualitative approach to explore ethnicity and board relationships, thereby generating nuanced and contextualised insights that extend the literature. Besides, studies examining ethnicity and CG linkages have done so from a board diversity perspective, reporting positive effects on firm performance ([Carter et al., 2010](#); [Ntim, 2015](#)). Findings from this research (e.g., the role of FCP) uncover other motives (e.g., ethnic balancing or ethnic representation) that promote ethnic consciousness among boards, even where a business case for such ethnic considerations is lacking.

We also want to emphasise that ethnicity logic hampers the benefit of cognitive conflict, thereby weakening CG mechanisms such as the whistleblowing mechanism. We note that the whistleblowing literature (e.g., [O'Sullivan and Ngau, 2014](#)) profits from studies that emphasise its supply side, i.e., the proliferation of whistleblowing. In contrast, its demand side (i.e., the increased demand for its adoption) has attracted scant attention. To extend the demand-side whistleblowing scholarship, we offer insights into the effects of ethnicity on whistleblowing. We contend that ethnicity logic contributes to the low demand for effective whistleblowing in traditional multi-ethnic societies.

Our findings further suggest that ethnicity logic isolates the 'practices and symbols' in multi-ethnic settings. Due to institutional variations, we argue that insights from multiethnic societies, such as Nigeria, support a better grasp of ethnicity as a dimension of IL. Also, by investigating ethnicity as a 'practice and symbol' instrument, we contribute to [Friedland and Alford's \(1991\)](#) elaboration and manipulation of variables (relating to CG). This allowed us to employ ethnicity logic as a conceptual lens to clarify the role of ethnicity, its connection with other institutional frames, and its embeddedness across interinstitutional systems. While this aligns with [Gumusay's \(2017\)](#) religious logic, the cooperative ([Goodrick and Reay, 2011](#)), dominant ([Beta and Storey, 2019](#)), interactive ([Mahmood and Uddin, 2021](#)) and competing ([Reay et al., 2006](#)) character of ethnicity logic enables actors to elaborate, manipulate or gain an advantage in corporate domains. This strengthens the value plurality dimension in [Gumusay et al. \(2020\)](#), which suggests that logic (such as ethnicity) not only provides meaning but is also created through meaning because it is differently understood and believed.

Despite governance reforms aimed at enhancing board independence, diversity, and performance-based appointments, ethnicity logic remains entrenched in Nigerian CG. A key reason for this persistence is weak institutional enforcement, because while CG codes advocate for meritocracy, enforcement mechanisms remain ineffective ([Adegbite, 2015](#)). Moreover, ethnic-based patronage networks ensure that board appointments continue to reflect ethnic allegiances rather than being founded on competency. Studies suggest that regulatory agencies and corporate leaders often accommodate ethnicity logic to maintain political and economic stability within firms ([Nakpodia and Adegbite, 2018](#)). Beyond formal governance structures, cultural and social norms reinforce ethnic loyalty, making it difficult for governance reforms to override ingrained practices. As a result, ethnicity remains a powerful determinant of board composition, often conflicting with market-driven governance expectations.

6.2. Articulating ethnicity as an institutional logic in Nigerian corporate governance

Building on the institutional logics perspective (Thornton et al., 2012), this study extends the conceptualisation of ethnicity beyond its demographic framing to develop a theoretically grounded articulation of ethnicity as a distinct institutional logic in the context of CG in Nigeria. By leveraging interview data and Nigeria's multi-ethnic corporate environment, we demonstrate that ethnicity functions as an institutional order with its own logic of action, rooted in long-standing cultural, social, and political traditions. This approach allows for a more nuanced interpretation of how ethnic considerations persistently shape governance behaviour, often in competition with dominant global market logics.

Drawing on Thornton et al.'s (2012) delineation of ideal-type institutional logics, we define the dimensions of the ethnicity logic through four characteristics: source of legitimacy, source of authority, basis of identity, and basis of strategy. First, the *source of legitimacy* in the ethnicity logic arises from communal belonging and the desire to preserve group representation in positions of power. Board appointments are seen as legitimate when they uphold informal expectations to "represent" ethnic groups, even in the absence of formal mandates. Interviewees repeatedly highlighted the importance of "representing our people" or "ensuring balance among ethnic blocs." Second, the *source of authority* in ethnicity logic lies not in formal board procedures or regulatory guidance, but in tribal elites, community leaders, and kinship networks. Appointments and boardroom influence are often guided by informal endorsements from influential ethnic actors, sometimes external to the firm. These actors act as gatekeepers to ethnic loyalty and determine who is deemed trustworthy or qualified to occupy governance roles. This was reflected in several accounts of directors being nominated "through the influence of our ethnic association leaders."

Third, the *basis of identity* under this logic is anchored in one's ethnic affiliation rather than in role-based or professional identities. Board members identify first and foremost as Igbo, Hausa, Yoruba, or members of other ethnic groups, which informs interpersonal trust, collaboration, and board alliances. This shapes boardroom dynamics and communication, as members often form sub-groups along ethnic lines. Finally, the *basis of strategy* is centred on the preservation of intra-ethnic trust, reciprocal obligations, and network-based resource sharing. Strategic decisions, including recruitment, board nominations, and whistleblowing responses, are filtered through an ethnic lens. One executive noted, "You do not embarrass your own people publicly... that is not how we operate."

This articulation of ethnicity logic contrasts significantly with the market/investor logic, which draws legitimacy from global performance metrics, regulatory codes, and shareholder interests. The market logic privileges meritocracy, board independence, and universal governance principles, typically associated with the expectations of foreign investors and transnational governance frameworks (Adegbite, 2015). Table 2 presents a comparative overview of the ethnicity and market/investor logics. The juxtaposition of these two logics reveals a key source of governance tension in Nigeria's boardrooms. While reforms and regulatory expectations push towards a market-oriented meritocracy, the embedded influence of ethnicity logic continues to shape appointments and boardroom conduct. This tension creates hybrid practices in which formal structures coexist with informal, ethnically-driven decision-making processes. By articulating ethnicity as a full-fledged institutional logic, this study provides a theoretical lens to understand how informal norms can override or reshape formal CG mechanisms in developing, multi-ethnic contexts.

While we articulate the characteristics of ethnicity as a logic operating within the Nigerian corporate governance context, we recognise that this represents an emergent rather than fully established institutional order. Our analysis shows that ethnicity increasingly shapes organisational practices and decision-making in ways that extend beyond demographic representation. However, unlike the fully theorised institutional orders identified by Thornton et al. (2012), the ethnicity logic here remains evolving, contextually embedded, and shaped by Nigeria's socio-political history. We therefore position our contribution as a step towards developing an emergent ethnicity logic within the CG field, rather than proposing a complete institutional order.

Although ethnicity logic shares some communal features with the family, religion, and community logics identified by Thornton et al. (2012), it is analytically distinct. For example, family logic emphasises kinship and household-based authority, religion logic draws authority from spiritual doctrine, and community logic is rooted in local social solidarities. By contrast, ethnicity logic derives legitimacy from ethno-political identity and collective group representation within the wider societal power structure. Its authority is reinforced not through household or religious values, but through ethnic group expectations, informal patronage networks, and historically embedded competition for socio-economic resources. Accordingly, the ethnicity logic observed here reflects a context-specific hybrid that intersects with, yet remains distinguishable from, existing institutional orders.

6.3. Managerial and policy implications

This study offers critical implications for corporate managers, regulators, and policymakers seeking to strengthen CG in Nigeria and similar multi-ethnic economies. While ethnicity logic can engender trust, cohesion, and smoother communication in pseudo-multi-ethnic boardrooms, it also carries significant governance risks, undermining board independence, constraining constructive debate,

Table 2
Comparative Dimensions of Ethnicity Logic and Market Logic in Nigerian CG.

Dimension	Ethnicity Logic	Market/Investor Logic
Source of Legitimacy	Communal belonging; ethnic representation	Shareholder value; adherence to global CG standards
Source of Authority	Tribal elites; ethnic leaders; kinship-based networks	Regulatory codes; board charters; investor guidelines
Basis of Identity	Ethnic affiliation (e.g., Yoruba, Hausa, Igbo)	Professional/role identity (e.g., director, auditor)
Basis of Strategy	Intra-ethnic trust; loyalty; reciprocity; group cohesion	Performance orientation; merit-based appointments

and limiting the cognitive diversity that enhances decision quality (Marimuthu, 2008; Piekkari et al., 2015). Our findings reveal that ethnic homogeneity often fuels nepotism, entrenches loyalty-based decision-making, and erodes the strategic benefits of diverse perspectives (Baskerville et al., 2016).

To address these challenges, revisions to Nigeria's NCCG should move beyond generic diversity recommendations toward explicit guidelines on integrating ethnic representation into governance frameworks. The Financial Reporting Council of Nigeria (FRCN) should require transparent, competency-based board appointment processes and enforce mandatory disclosures on the ethnic composition of boards and their governance implications (Haniffa and Cooke, 2005). Such transparency would expose tokenistic diversity and reduce the scope for ethnic favouritism. Strengthening the oversight role of independent directors, coupled with robust monitoring mechanisms, can further counterbalance ethnicity-driven governance practices and ensure that diversity contributes to strategic effectiveness rather than perpetuating narrow in-group interests (Deng, Zhang, and Liu, 2023).

To ensure effective implementation, reforms should be phased and benchmarked against global best practices. For example, South Africa's B-BBEE policy demonstrates how structured diversity targets, linked to measurable governance outcomes, can drive more inclusive leadership appointments. Nigeria could adopt a similar tiered compliance model, introducing initial voluntary reporting on ethnic composition, followed by mandatory disclosure and compliance-linked incentives or penalties. Capacity-building initiatives for nomination committees, focused on inclusive recruitment strategies and merit-based selection, would help shift board culture away from ethnocentric reliance toward evidence-based decision-making. These reforms would not only align Nigerian CG practices with international expectations but also enhance investor confidence by signalling a genuine commitment to governance transparency and meritocracy.

Policymakers should also recognize the dual nature of ethnicity logic, wherein it serves both as a mechanism for representation and a potential driver of governance inefficiencies (Ashiru, Adegbite, and Nakpodia, 2023). One potential policy intervention is the establishment of independent *Board Oversight Committees* to monitor the implementation of diversity initiatives and prevent pseudo-multi-ethnic boards from reinforcing ethnic patronage networks (Afzali and Silvola, 2025). Furthermore, whistleblowing protections should be reinforced to ensure that board members and employees can report governance malpractices without fear of retaliation motivated by ethnic bias (Adegbite, 2015; Okafor et al., 2020). Moreover, rotating board leadership structures and independent director quotas could be introduced to prevent ethnic dominance and encourage merit-based representation. Ultimately, regulatory frameworks must acknowledge the embedded nature of ethnicity in CG while actively working to neutralize its adverse effects. By doing so, policymakers can enhance governance resilience in multi-ethnic economies, ensuring that board diversity translates into more effective decision-making, corporate accountability, and long-term institutional stability.

7. Conclusion and future research suggestions

Ethnicity-driven boards are well-documented in CG research across Nigeria and other developing economies (Adegbite, 2015; Nakpodia & Olan, 2022; Kimani et al., 2021). These studies highlight how boards often prioritize ethnic affiliations over meritocratic considerations, reinforcing governance structures shaped by informal trust networks. While this phenomenon is not surprising, our study moves beyond describing its existence by examining the mechanisms that sustain ethnicity logic in boardrooms, even amidst ongoing governance reforms. Specifically, we investigate how ethnic considerations persist in decision-making rationalizations, governance accommodations, and resistance to global best practices. By focusing on these mechanisms, our research advances the discussion from ethnicity as an observable governance pattern to ethnicity as an entrenched IL, shaping corporate leadership structures despite increasing regulatory pressures for reform.

This study further contributes theoretically by refining the IL framework to illustrate the tensions and accommodations between ethnicity logic and market/investor logic in Nigerian CG. While formal regulatory principles advocate meritocratic board selection, independence, and diversity, our findings show that governance practices often integrate both logics, resulting in hybridized decision-making processes. We also extend the literature by exploring micro-level processes through which ethnic considerations influence board decisions, including narratives of trust, group cohesion, and efficiency rationalizations. Moreover, in cases where foreign investment requirements or regulatory mandates impose market/investor logic, we shed insights into whether firms genuinely adopt meritocratic processes or merely symbolically comply while maintaining informal ethnic dominance. By focusing on these nuanced relationships, we provide a more granular understanding of how ethnicity logic operates at the intersection of informal governance structures and formal regulatory mechanisms.

While we observe that ethnicity logic dominates board processes in Nigeria, there are instances where firms attempt to deviate from ethnic-based norms due to external pressures. For instance, multinational corporations and companies with significant foreign investment often face stricter governance expectations that prioritize independence, meritocracy, and international best practices. Some firms, particularly those listed on the NSE with foreign board representation, have sought to adopt more transparent and competitive board processes. Adegbite (2015) and Saidu (2020) note that organisations such as MTN Nigeria and Lafarge Africa, have adopted more meritocratic board processes to align with international CG standards, driven by pressure from foreign investors and regulatory bodies like the FRCN and the SEC. However, resistance to these changes is evident, as firms navigating local institutional realities often struggle to balance global governance expectations with domestic cultural norms. Even when external mandates promote meritocracy, ethnic loyalty continues to influence informal power structures within boards, resulting in superficial compliance rather than substantive governance transformation.

This research is not without its limitations. First, the limited literature in this space focuses on corporate boards but isolates the effects of ethnicity on concepts such as whistleblowing. Therefore, while recognising ethnicity problems in multi-ethnic societies, we invite scholars to investigate strategies for improving whistleblowing regulation. Future studies can develop the drivers of ethnicity

logic identified in this article into quantifiable measures and test them against appropriate CG mechanisms. Second, exploring the role of government policies and regulations in mitigating or exacerbating the effect of ethnicity on CG would be a valuable dimension to investigate, as it could offer practical recommendations for policymakers and corporate leaders aiming to foster inclusive and effective governance practices in (ethnically) diverse environments. Third, some of our interviewees favour ethnic consciousness in the business place. The extant literature is yet to compare (or contrast) the implications of homogeneous/heterogeneous ethnic boards on corporate performance, especially in extreme institutional settings. Lastly, evidence (e.g., [Kenny and Briner, 2007](#)) suggests that ethnicity influences human actions. However, as this study demonstrates, the existing literature on the connection between ethnicity and CG practices is limited, presenting opportunities for further investigation into the ethnicity-CG relationship in other institutional and regional settings.

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.

Appendix 1

Interview Guide.

1. Interview Background

- a. As a stakeholder in Nigeria's corporate governance, how would you assess the state of corporate governance in Nigeria?
- b. What are the challenges confronting corporate governance in the country?

2. Ethnicity and Corporate Governance

- a. What is your assessment of (board) ethnicity (diversity) in the Nigerian business environment? (How does ethnicity impact boards and board members' decision-making?)
- b. How do you perceive the influence of ethnic considerations on corporate governance practices in Nigeria, and to what extent do you believe ethnicity affects decision-making processes within corporate boards?
- c. What elements or factors promote the influence of board ethnicity (diversity) on corporate governance practice in Nigeria?
- d. Do you think that (board) ethnicity (diversity) has affected corporate governance practice in Nigeria (positively or negatively)?
- e. In your experience, can you identify specific instances where ethnicity has played a role in board decision-making? How do you think these ethnic dynamics impact the overall effectiveness of corporate governance?
- f. What specific areas of (board) ethnicity (diversity) would you say have shaped corporate governance in Nigeria?
- g. Can ethnic (board) diversity(diversity) promote good corporate governance practices?
 - a. If yes, how?
 - b. If no, why not?
- h. Is there any other issue you may want to share with me that affects the relationship between (board) ethnicity (diversity) and corporate governance?

3. Necessary Reforms

- a. In your opinion, what governance reforms are required to improve corporate governance in the Nigerian business environment considering its multi-ethnicity?

Data availability

The authors do not have permission to share data.

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