THE INFLUENCE OF BOARD MECHANISMS TO THE PERCEIVED PERFORMANCE OF LISTED FIRMS IN NIGERIA

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ABSTRACT

The formation of the board of directors has led to the ever growing debate in the area of corporate governance in Nigeria. Essentially, there is a growing concern about the effectiveness of the board of director to firm performance. This study attempts to investigate an empirical study on the influence of board mechanisms on the perceived firm performance of listed firm in Nigeria. The underpinning theory of the study is rooted in agency theory, supported by three theories of corporate governance such as stewardship, resource dependence, and stakeholder theory to increase the understanding of the influence of board mechanisms to perceived firm performance. The data were collected through proportionate stratified random sampling techniques. The questionnaires were sent to the respondents. Out of 476 questionnaires sent, 401 returned. The number of valid questionnaires is 362. Data were analyzed using partial least squares structural equation modeling (PLS-SEM). Empirical findings showed that board size, independence non-executive director, CEO duality, female gender diversity, board competence, board professional knowledge, and experience were positively associated with perceived firm performance. Also, board ethnicity conflict was found to be negatively and statistically significantly related to perceived firm performance. However, director skills did not show any significant link to perceived firm performance. The findings contributes theoretically to the knowledge of corporate governance. In the context of corporate governance, this is the first study that focused on the issues of methodological changes by using primary data to investigate the influence of board mechanisms on the perceived firm performance of listed firm in Nigeria. The findings provide policymakers, stakeholders, and government with a better picture of the formation of the board of directors. The study also offers some suggestions for future research.

Keyword: board size, independence non-executive director, CEO duality, board diversity, perceived firm performance

ABSTRAK

Pembentukan lembaga pengarah telah menjurus kepada perdebatan yang berterusan dalam tadbir-urus korporat di Nigeria. Akhir-akhir ini terdapat keperluan yang bertambah terhadap keberkesanan lembaga Pengarah kearah prestasi firma. Kajian empirikal ini bertujuan untuk menyiasat pengaruh mekanisme lembaga terhadap tanggapan prestasi firma tersenarai awam di Nigeria. Teori asas kajian ini adalah berdasarkan kepada teori agensi yang di sokong oleh tiga teori tadbir-urus koperat. Teori-teori tersebut ialah teori "stewardship", "resource dependence" dan teori "stakeholder". Teori-teori ini digunakan untuk menambahkan kefahaman pengaruh mekanisma lembaga terhadap tanggapan prestasi firma. Data telah dikutip melalui kaedah pensampelan rawak berstrata. Sejumlah 476 soal selidik telah dihantar kepada responden. Hanya 401 soal selidik dikembalikan, dan 362 soalselidik sah untuk dianalisa dalam kajian ini. Data telah dianalisa menggunakan "partial least squares structural equation modeling" (PLS-SEM). Penemuan empirikal menunjukkan saiz ahli lembaga, kebebasan lembaga, dualiti "CEO", kepelbagaian jantina, kecekapan lembaga, pengetahuan profesional lembaga, dan, pengalaman lembaga mempunyai hubung kait yang positif dengan tanggapan prestasi firma. Disamping itu konflik di antara lembaga mempunyai hubung kait yang negatif dan secara statistiknya ianya signifikan kepada tanggapan prestasi firma. Walau bagaimanapun kemahiran lembaga tidak menunjukkan hubung kait yang signifikan kepada tanggapan prestasi firma. Penemuan dari kajian ini telah menyumbang secara teori kepada tadbir urus korporat. Dalam tadbir-urus korporat, kajian ini adalah yang pertama, fokus kepada isu-isu perubahan kaedah dengan menggunakan data utama untuk mengkaji pengaruh di mekanisme lembaga terhadap tanggapan prestasi firma tersenarai awam di Nigeria. Penemuan kajian ini menyumbang ke arah pembuat dasar, golongan yang berkepentingan, pihak kerajaan, dan gambaran terkini pembentukan lembaga pengarah. Kajian ini turut menawarkan beberapa cadangan untuk kajian di masa depan.

Keyword: saiz lembaga, pengarah bebas bukan eksekutif, dualiti CEO, kepelbagaian lembaga, tanggapan prestasi firma.

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TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

LIST OF APPENDICES

LIST OF ABBREVIATIONS

AVE	Average Variance Extracted
B.Sc	Bachelor of Science
BC	Board Competence
BEC	Board Ethnicity Conflict
BGD	Board Gender Diversity
BI	Board Independent
BPKE	Board Professional Knowledge and Experience
BS	Board Size
CBN	Central Bank of Nigeria
CB-SEM	Covariance Based Structural Equation Modelling
CD	CEO Duality
CD	Compact Disclosure
CEO	Chief Executive Officer
CFA	Confirmatory Factor Analysis
CG	Corporate Governance
CMV	Common Method Variance
DMB	Deposit Money Banks
DS	Director Skills
DSE	Dhaka Stock Exchange
f^2	effect size
FM	Firm Performance
GDP	Gross Domestic Product
ICT	Information and Communication Technology
IMF	International Monetary Fund
IRRC	Investor Responsibility Research Centre
LSE	London Stock Exchange
MCCG	Malaysia Code of Corporate Governance
MD	Managing Director
NAICOM	National Insurance Commission
NCC	Nigeria Communication Commission
NDIC	Nigeria Deposit Insurance Cooperation
NEDs	Non-Executive Directors

NSE	Nigeria Stock Exchange
OECD	Organization for Economic Co-operation and Development
PENCOM	Pension Commission
Ph.D	Doctor of Philosophy
PLS-SEM	Partial Least Squares Structural Equation Modelling
Q^2	Construct Cross Validated Redundancy or Predictive Relevance
R^2	Coefficient of Determination
ROSC	Report on the Observance of Standards and Codes
SSE	Sum of Squared Prediction Errors
SSO	Sum of Squared Observations
SEC	Security and Exchange Commission
SMEs	Small Medium Enterprises
SPSS	Statistical Package for the Social Science
UK	United Kingdom
USA	United State of America
USD	United State Dollar (Currency)
VIF	Variance Inflation Factor

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

The world has uncovered prominent corporate scandals and unexpected corporate failures, unprofessional conduct of the chief executive officer and managers that led to a series of prestigious corporate failures and protuberant bankruptcies, notably in developing and emerging economies. The global financial crisis and economic meltdown began in the United States of America followed by the United Kingdom when the global credit market came to a halt in July 2007 (Avgouleas, 2008). Avgouleas (2008) states that the crisis brewing for a while really started to show its effects in the middle of 2008. Failure of the corporate institutions resulted in a freeze of global credit markets which obligatory required world interventions and bailout (Adamu, 2009).

The collapse of the One in Tel 2001, Enron in 2001, HIH insurance, Commerce bank in 2001; Tyco, World Com, Global Crossing in 2002 respectively, Cooper, in 2003; Marconi in 2005; Norther Rock in 2007, Goldman Sachs in 2007, Fanny Mae in 2008, Lehman Brothers in 2008 and Freddy Mac in 2008 are among of the examples well cited in the corporate governance literature (Adegbite, 2015; Al-matari, 2014; Ehikioya, 2009; Harvey Pamburai, Chamisa, Abdulla & Smith, 2015; Lawal, 2012; Rossi, Nerico & Capasso, 2015; Samaduzzaman, Zaman & Quazi, 2015). It has been suggested that the scandals at Enron, WorldCom, Qwest, Tyco and other corporate entities in the US resulted in a loss of more than USD 7 trillion of investors' funds (Donaldson, 2003; Global Issue, 2009; Lawal, 2012). The estimated value of the companies that were wound up during the

2008 global financial crisis as a result of the scandals at Lehman Brothers and other giant corporate entities stood at USD 14.5 trillion (Adamu, 2009; Global Issue, 2009; Sikka, 2009). Globally, financial institutions which are considered as engine of every economy all over the world are at the brink of collapsing and were continually to be bailing out by different Government agencies, World Bank, IMF, among others during and after this global financial crisis, the debt crisis, crude oil crisis and economic crisis (Adamu, 2009; Global Issue, 2009).

In Africa, some developing and emerging economies begin to face the impact of the second round of the global economy crisis and the most severe financial crisis since the great depression of the last century the fall and risk of global recession has discriminating significantly and instability of commodity prices, which is the backbone of most developing countries where corruptions, unethical financial practices including the inflation of revenue the distortion and manipulation of financial statement, diversion of bank funds and granting of unsecured credit facilities without proper authorization were is still found operating in the Nigeria firms (Central Bank of Nigeria {Hereafter CBN} 2011 Sanusi, 2012). Adamu (2009), states that the initial response to the financial crisis was not taken seriously by both the government and policy maker in Nigeria. Adamu contended that the market capitalization of Nigeria had dropped from N12 trillion to less than N9 trillion.

Nigeria is the Africa's largest economy, the most populous nation in sub-Saharan Africa, the seventh largest exporter of oil, among the world top five of exporting of Liquefied

Natural Gas and the eighth most populous nation in the world have seen its economy depreciated during the second round effect of the economic and financial crisis as the stock market collapsed by 70 per cent in the year 2008, and severally Nigerian firms, especially banks, petroleum, and insurance companies among others sustained huge losses, as a result of their exposure to the capital market and corporate scandal (CBN, 2014; National Bureau of Statistic, 2013; Sanusi, 2012). Although, Nigeria government takes some unspecified 'drastic and unusual action' to stem the global financial crises from causing havoc in the Nigerian firms (Adamu, 2009). The magnitude of insider abuse in some of the failed banks in 1994 and 2002 before the pronouncement of bank consolidation and reforms is presented;

Table 1.1: Insider credits in some selected liquidation banks.

S/No	Banks (in- liquidation)	Ratio of insider loans to total loans
1	ABC Merchant Bank Limited	50.66
2	Alpha Merchant bank Plc	55.00
3	Commercial Bank Plc	52.00
4	Commercial Trust Bank Plc	55.90
5	Credit Bank Limited	76.00
6	Financial Merchant Bank Ltd	66.89
7	Group Merchant Bank Ltd	77.60
8	Kapital Merchant Bank Ltd	50.00
9	Nigeria Merchant Bank Ltd	99.90
10	Prime Merchant Ltd	80.70
11	Prime Merchant Ltd	64.90
12	Royal Merchant Bank Ltd	69.00
13	United Commercial Bank Ltd	81.00

Source: Nigeria Deposit Insurance Cooperation (NDIC), 2002

The impact of the global financial crisis and the scandal uncovered in the Nigeria firms, especially financial services during the 2008, 2004 and 1994 fail banks spurred to collapses of different financial services. The total number of commercial banks that collapsed between 1994 and 2010 as a result of varying degrees of corporate malpractice stood above fifty firms, with the recent additional of eight banks collapses in 2009 which were later rescued from impending bankruptcy and corruptions by the Central Bank of Nigeria (CBN, 2011; Sanusi, 2012). The eight collapsed banks caused an entire nation (Nigeria) to be rendered bankrupt due to the practices of numerous corporate scandals, corruptions, reckless loan without paying back, bad debt and manipulation of financial statement among others (CBN, 2011; Sanusi, 2012, Sanusi, 2003).

Table 1.2: The ₦25 billion minimum capital base Reform 2006

Bank	Bank	Bank	Bank	Bank
Access Bank	First City Monument Bank	IBTC-Chartered Bank	Skye Bank	Sterling Bank
Afribank	Fidelity Bank	Intercontinental Bank	Spring Bank	Union Bank
Diamond Bank	First Bank plc	Nigeria International Bank	Stanbic Bank	Unity Bank
Ecobank	First Inland Bank	Oceanic Bank	Standard Chartered Bank	Wema Bank
Equitorial Trust Bank	Guaranty Trust Bank	Platinum Bank	United Bank for Africa	Zenith Bank plc

Source: Central Bank of Nigeria, 2006

The Nigeria financial services have continued to undergo a serious reform arising from the Central Bank of Nigeria's minimum capital requirement for banks to increase their capital base (share) to a level of twenty-five billion (N25B) Naira (Alford, 2010; Obeten, et al 2014; Ogbeche, 2006). However, this prompted to several mergers and acquisitions that reduced the number of banks from eighty-nine (89) to twenty-five (25) banks in 2006

(Kama, 2006). Therefore, it is essential to note that at the beginning and the end of the consolidation reform or exercise, the total capitalization of the equities of the banks increased to N775.0 billion, compared with N327 billion before the consolidation exercises in 2004 (Adedipe, 2004; Alford, 2010; Obeten, et al 2014;). Therefore, the successful banks recorded and accounting for almost about 93.5% and 97% total deposit liabilities and total assets of the banking sector respectively (Sanusi, 2003 and CBN, 2006).

In the same vein, before the consolidation exercise in 2004, the banking sectors had 89 active banks whose overall performance led to sagging of customer's confidence, as there was lingering distress in the industry (CBN, 2006). The supervisory structures were inadequate, as they were cases of official recklessness amongst directors, managers, and the industry for their financial abuses (Sanusi, 2003). Hence, in November 2005; the CBN blacklisted six managing directors/officers of banks, including a chairman and some directors, for unethical practices and professional misconduct (CBN, 2006).

Again, in 2005 reforms, 110 cases of fraud and forgeries totaling N1.5 billion were stated by various Banks and fifty-six (56) of the fraud amounted to about N1.38 billion, which represent 91.8% of the total amount of N1.50billion (CBN, 2006). Poor corporate governance was identified as the major factors in virtually all the cases (Sanusi, 2003). Sanusi (2003) contended that other cases of bad corporate governance were reckless loans, insider abuses, poor quality services and weak supervisory structures. Therefore, the issue of corporate governance is very important and indispensable for the realization of the corporate governance principles and objective of profitability and liquidity as a whole (Lawal, 2016; Nuhu & Ahmad, 2016).

Table 1.3: Big Fourteen (14) of the sixty-four (64) Liquidated Banks 2006

Bank	**Bank**	**Bank**	**Bank**
ACB International	City Express Bank	Hallmark Bank	Triumph Bank
Afex Bank	Eagle Bank	Liberty Bank	Lead Bank
Allstate Bank	Fortune Bank	Metropolitan Bank	-
Assurance Bank	Gulf Bank	Trade Bank	-

Source: Central Bank of Nigeria, 2006

Interestingly, one of the characteristics or major factors between the banks that easily met the ₦25 billion capital base and those that did not meet are due to the concentration of ownership and management in a core set of a few individuals (CBN, 2006; Sanusi, 2003). Therefore, the banks that had a dispersal of ownership and control could not survive, because the CEO especially directors of the banking industry were not the principal investors, which often created in the executive directors a materialistic desire to accumulate enough to set up their own banks or to store up reserves for the raining day when they were kicked out of their office or positions (CBN, 2006). Also, bank owners who were also the managing executives knew that any profits from insider trading, insider loans and abuses, and racketeering still kept within the 'family' and flowed back into the bank (CBN, 2006).

In addition, CBN rescues eight of the collapsed banks in 2009 through capital and liquidity injections, as well as removal of their top executive directors and prosecution of those who committed some breaches and lack of corporate governance practice (CBN, 2011; Sanusi, 2010; 2012). Hence, a holistic investigation into what went wrong in the Nigeria firms, especially, financial services and other companies are found guilty of major failures of corporate governance in the banking industry, insurance, and mortgage with a macroeconomic instability caused by large and sudden capital inflows (CBN, 2011; Sanusi, 2012).

Again, major failures in corporate governance practices, lack of investor and consumer sophistication, inadequate disclosure of the statement and transparency of the financial position of banks, critical gaps in the regulatory framework, irregular supervision and implementation, unstructured governance and management processes and weaknesses and financial manipulation are still existing in the Nigeria environment, especially listed firms (Sanusi, 2012). Sanusi (2012) argued that each of these factors is serious in its own right and acted together they brought the entire Nigerian economy and firms system to the brink of collapse. Incidences of corporate scandal extended to other sectors such as insurance companies, mortgage banks, and others microfinance banks due to an overstatement of the profit, share price manipulation and balance sheets had become the most famous cases of unethical practices in Nigeria firms (Adegbite, 2015; Sanusi, 2012).

Many Nigeria firms are seriously still undergoing an extraordinary restructuring, collapsed, deficiencies, defaulters, publication without Nigeria Stock Exchange (NSE's) Prior Written Approval and Non-Disclosure of Information in recent year. Nigeria Stock Exchange X-Compliance report (2015) on 17 April 2015 released 2014/2015 Audited Accounts; extremely disappointed of those firms that are not imbibed of corporate governance practices which created a serious question about the efficacy of different monitoring devices that were presumed to protect investors' interests (NSE's, 2015). The exchange reported default Filings of Audited Accounts, publication of financial statements without NSE's prior written approval and non-disclosure of information and 21 firms are undergoing restructuring due to the scandal and brink of collapsed of the following firms in Nigeria.

Table 1.4: Collapsed and Default Financial firms in Nigeria 2015

Bank/Insurance	**Bank/Insurance**	**Bank/Insurance**	**Bank/Insurance**	**Bank/Insurance**
Unic Insurance plc,	Ecobank	Aso Savings and Loans Plc	Continental Reinsurance Plc	Lasaco Insurance Plc
Goldlink Insurance Plc	Sterling Bank Plc	International Energy Insurance Plc	The Law Union & Rock Insurance Plc	Mutual Benefits Assurance Plc
Bank of the North Plc	LASACO Insurance Plc	Regency Alliance Insurance Plc	Sovereign Trust Insurance Plc	Unity Kapital Assurance Plc
Bank PHB Plc	Oasis Insurance Plc	WAPIC Insurance Plc	Fortis Microfinance Bank Plc	-
Fin Bank Plc	Intercontinental Bank Plc	Oasis Insurance Plc	Linkage Assurance Plc	-
Afri Bank Plc	Intercity Bank	AIICO Insurance Plc	Guinea Insurance Plc	-
Oceanic Bank Plc	Community Bank	Niger Insurance Plc	Prestige Assurance Plc	-

Source: Nigeria Stock Exchange X-Compliance report (2015)

Many countries in the globe have taking measured to response to these corporate scandals in their countries and internal agencies by introducing a series of legislations, mechanisms, and guidelines otherwise known as the "codes of best practices" (Security and Exchange Commission, 2003 Hereafter SEC). These guiding principle are a set of norms that controls the behavior and structure of the board of directors in exercising their monitoring and supervisory roles (Alvaro, 2002; Azeem, Hassan & Kouser, 2013; Lawal, 2012; Mörth, 2004; Rani, Yadav & Jain, 2014; Rossi et al., 2015).

Some of the existing codes across the globe include UK Cadbury Code, (1992); South Africa King Report, (1994); Organization for Economic Co-operation and Development (OECD) Principles of Corporate Governance, (1999); Nigeria Security and Exchange Commission Codes, (2011); Central Bank of Nigeria Code, (2014); Pension Commission Code, (2008); National Insurance Commission (NAICOM) Code (2009), US Sarbanes-Oxley Act, (2002), Russian CG Code, (2002); GCC Code, (2002); Malaysian Code on Corporate Governance (2012); MCCG, (2000) and Bursa Malaysia Listing Rules (BMLR) 2009 among others. Globally, countries strictly review and put on this corporate rule, but yet corporate scandals and collapse are on the increase side.

The codification of governance practices strives to mitigate the deficiencies for lack of effective shareholder protections (Alvaro, 2002). Lawal (2012) stated that many nations has taken these initiatives by introducing this code of best practice, new listing/disclosure rule, mandatory training for board of directors, enforcement and mandatory of code of governance, and voluntary code among others as a measures to address and enhance the issue of corporate governance practice in order to deal with corporate scandal in their various countries to step up the performance of their firms. Also, International Organizations such as the International Monetary Fund (hereafter IMF) is not left out and OECD is very keen on governance issues in Nigeria firms (Akinkoye & Olasanmi, 2014). The IMF demands that corporate governance improvement should be comprised of its debt relief program (Akinkoye & Olasanmi, 2014). In addition, many provisions in the country-level investor protection allow some flexibility in corporate charters and by law (Akinkoye & Olasanmi, 2014). In some countries, firms could either choose to "opt out" and decline specific provisions or decided to adopt additional provisions not listed in their legal law or code (Akinkoye & Olasanmi, 2014).

Align with International Best Practices and ensure good corporate governance in Nigeria firms, an international organization (the International Monetary Fund and World Bank) has an emphasis that corporate governance improvement in Nigeria should channel its main objective towards the effectiveness of every board of directors (Akinkoye & Olasanmi, 2014; Marshall, 2015). The above recommendation is what gives birth to the issuance and approval of a code of Best Practice for firms in Nigeria by the Security and Exchange Commission in 2003 in collaboration with Corporate Affair Commission and Nigeria Stock Exchange. The SEC Code (2003) issued by the SEC was therefore felt in the corporate scene in Nigeria, which is the first corporate governance code to be produced and issued by the regulatory body and the code is also applicable to all public companies in Nigeria (Demaki, 2011; Lawal, 2016; Marshall, 2015; Nuhu & Ahmad, 2017; SEC 2003).

The code was designed to entrench respectable business practices and principles for chief executive officer, directors, stakeholders, among others, by inducing firms into increased transparency to avoid scandal, collapses, easiness the exercise of shareholder rights, avoid the adoption of instruments that hinder the control of corporate governance of the market environment and ensuring representation of a multiplicity of the shareholders' interest as regard the decision-making procedure (Marshall, 2015; SEC, 2003). With the rapid variations and fluctuations in the corporate world together with the various corporate scandals across the globe made the provisions of the SEC code, 2003 inadequate to address or solve many challenges and collapses in the Nigeria firms (Demaki, 2011; Lawal, 2012; Marshall, 2015).

Despite several efforts to reduce these challenges in the corporate entity, the SEC has not made any attempt to look into and amend its existing code in others to address the collapses and challenges faced by the new trend of development. Failure and like of actions on the part of SEC to act in readjusting the provisions of the code in line with the standard and current realities face by many sectors in Nigeria gave room and birth to other regulators of specific sectors such as CBN code, 2006; NAICOM code, 2009 and PENCOM code, 2008 followed and add to the effort of SEC by issuing codes that were company specific in Nigeria and more also, others to issue a specific corporate governance code in order to deal with the corporate challenges and problems which were not taken into consideration and account by the SEC 2003 Code (Nuhu & Ahmad, 2016; 2017). The Nigeria government also launches Economic and Financial Crime Commission, which was established to combat corporate malpractice and mismanagement (CBN, 2914; Ehikioya, 2009; Lawal, 2014). Despite all this code's by different sector, the challenges did not end the scandal within the various sectors in the Nigeria firms (Nuhu & Ahmad, 2016; 2017).

Table 1.5: Issues and Challenges of Code of CG in Nigeria 2016

Some CG Mechanism	SEC Code	CBN Code	NAICOM Code	PENCOM Code	NCC Code
Auditors Body (local or Int'l	Both	Int'l only	Both	Both	Both
Separation of CEO from Chairman (CEO Duality)	Yes (Separation)	Yes (Separation)	Yes (Separation)	Yes (Separation)	Yes (Separation)
Board Size	Minimum =5	Maximum=20	Min=7; Max=15	No Limit	No Limit
Board Terms/Tenures	No Limit	Min=4years; Max=8years	No Limit	No Limit	No Limit
Composition of the Board	Mixed	More Non-Executives	Exec. Dir. < = 40%	Equal Ratio	Mixed
No. of Independent Directors	≥1	≥ 2	≥ 1	≥ 1	≥ 1
Gender Diversity	Nill	Nill	Nill	Nill	Mixed
N0 of Committees	Min=3	Min=5	Min=5	Min=4	Min=4
Name of Committees	(Audit, Remuneration, Governance & Risk)	(Audit, Credit, Risk, Finance & General Purpose)	(Audit and Compliance, Financial and General Purpose, Investment, Enterprise Risk Management & Establishment and Governance)	(Audit, Investment Strategy, Risk Management and Nominating)	Risk Mgt, Internal Audi, Internal control, Audit Committee
Code Compliance	**Voluntary**	**Mandatory**	**Voluntary**	**Mandatory**	**Maudatory**

Sources: Lawal, 2016, Marshall, 2015, SEC, 2014, NCC, 2015, CBN, 2014, NAICOM, 2008, PENCOM, 2011

The economic and debt crisis of 2008 had exposed various weaknesses in operating the affairs of various firms in Nigeria firms. In 2009 CBN and NDIC special examination of all the 24 banks in Nigeria revealed that 10 banks were critically distressed as a result of many factors including weak macroeconomic and prudential management, poor corporate governance practices, inadequate disclosure and transparency regime, weak regulation as well as inadequate supervision and enforcement, amongst others. Hence, this manifest corporate governance failure in the banking sector prompted CBN to review the CBN 2006 code of corporate governance by rename and launch the new code in 2014 (Code of Corporate Governance for Banks and Discounts Houses in Nigeria and Guidelines for

Whistle Blowing in the Nigerian Banking Industry 2014) in order to align with the international best practices, eliminate perceived ambiguities and further strengthen governance practices.

The major issue that prompts review of CBN 2006 Code is the results or outcome of CBN and NDIC joint panel banking examination, which revealed a series of corporate abuses and failure to address corporate governance mechanisms (Marshall, 2015). Directors, manager, regulators, stakeholder, shareholders, society, policymakers and the general public need to adequately pay more attention to corporate governance practices in financial services (CBN, 2014; Marshall, 2015). In line with the above crisis, CBN Governor on the 14 August 2009 announced the dismissal of CEOs of five commercial banks and their board of directors and further dismissed three others and their board of directors on 2nd October 2009 and replaced them with CBN-appointed CEOs and directors. Table 1.1 below is the joint report of CBN/NDIC.

Table 1.6. Deposit Money Banks Examined/Petitions Investigated For the Period 2011-2014

Year	Joint CBN/ NDIC Routine/RBS Examination	Joint CBN/ NDIC Maiden Examination	Joint CBN/ NDIC/ FOREX Examination	Joint CBN/ NDIC/ Target Examination	Joint CBN/ NDIC/ Risk Assessment Exercise	Joint CBN/ NDIC/ Monitoring Exercise	Special investigation/ Verifications	Special Exams. Discount Houses
2014	24	3	24	-	24	15	32	-
2013	20	2	20	-	20	16	11	2
2012	16	5	-	-	19	11	75	-
2011	16	-	-	24	-	-	29	-

Source: Bank Examination Department, NDIC 2015; Marshall, 2015

The report shows that various examinations conducted revealed the following weaknesses persisted in some of the banks: Poor corporate governance practices; Non-implementations of Examiner's recommendations; Loans and Deposits concentrations; Contraventions of Banking rules and regulations; and Noncompliance with approved Net Open Positions and inadequate documentations for imports (NDIC, 2015). In line with the above issues, the CBN 2014 code addressed the issues of Size and Composition of the Board of Directors, which they are considered as one of the major factors of poor CG but shortcoming still exists (CBN, 2014; NDIC, 2015).

Despite several shortcomings of SEC Code, 2003; CBN Code, 2014; NAICOM Code, 2009 and PENCOM Code, 2008, they continue to be existent in Nigeria not until 2014 when the SEC later review and substituted its code with Code of Corporate Governance in Nigeria on April 1, 2011. But In line with the mechanism nature of various scandals and many challenges in the corporate world, the SEC further amended the 2011 code to reflect the international best practices which came into force on May 12, 2014, as SEC Code of Corporate Governance for all listed Companies in Nigeria. Today, Nigeria did not have a unified code's existing.

In response, the federal government has set up an inter-agency *ad-hoc* committee to work closely with the various regulators that have issued industry-specific codes (CBN, NAICOM, NCC and PenCom) and with SEC to produce a more generally applicable set of corporate governance guidelines (Lawal, 2016; Nuhu & Ahmad, 2016; 2017). The unification of these corporate governance codes, according to Alayande (2010), will make the codes more effective in terms of their enforceability and applicability. While the four codes issued in the last ten years all have some things in common, especially with respect to internal board structure, there are key differences that are creating implementation difficulties for the companies concerned due to corruptions within the policy makers (Demaki, 2011; Marshal, 2015; Nuhu & Ahmad, 2017; Nwokoji, 2012).

Hence, these differences of the industry specific codes involve board size, composition, corporate, multiple and interlocking directorships, and the protection of minority shareholders among others have created administrative bottleneck in the board mechanism implementation in Nigeria firms due to corruption by CEO and management (CBN, 2014; Lawal, 2016; Sanusi, 2012). Hence, one of the major reasons that lead to collapse of high-profile corporate firms is as a result of various specific industry code practices and the corruption by high profile CEO's of the listed firm in Nigeria (CBN, 2015; Transparency International Corruption Index, 2017)

Nigeria remains one of the most corrupt countries in the world (Transparency International Corruption Index, 2017). Despite Nigeria anti-corruption efforts, especially in the financial institutions in the past decade, the practice corruptions continue to increase (TIC Index, 2017). Furthermore, World Bank's Report on the Observance of Standards and Codes (ROSC) on the corporate governance practices in Nigeria and highlights significant weaknesses in an institution in terms of compliance, regulation, and enforcement capacities of the corporate governance mechanisms (ROSC, 2014). Corruption practices by the individual firm have been identifying as the major hindrance in the Nigeria listed firms.

Table 1.7: The Transparency International Corruption Index, 2017

Year	Country (No)	Nigeria (Rank)	Score (Economic)	Percent (%) (High Corrupt/Clean)	Score (Sub-Saharan Africa Firms)	Percent (%)
2011	183	143	24	78.57	28/46	60.87
2012	174	139	27	79.89	27/43	62.79
2013	175	144	25	82.29	35/48	72.92
2014	174	136	27	78.16	19/33	57.58
2015	168	136	26	80.95	17/33	51.52
2016	176	136	28	77.27	11/31	35.48
2017	No country gets close to a perfect score in the TIC Index 2017					

Source: TIC Index, 2011; 2012; 2013 2014; 2015; 2016; 2017

The numerous corporate governance scandals in the past decade and the limited success of regulatory reforms and prosecution of offenders further help to underscore the usefulness of a Nigerian as a case study for this research inquiry (Adegbite, 2015; Adegbite et al., 2013; Akinkoye & Olasanmi, 2014; Amao & Amaeshi, 2008; Demaki, 2011; Lawal, 2012; Okike, 2007; Onakoya, Fasanya & Ofoegbu, 2014; Yakasai, 2001). Various prior studies contended that poor corporate governance is as a result of lack of board mechanism at both the supervisory and operator levels that result in corporate governance failures as evidenced in globe, for example, the Baring (UK), Enron (USA), and collapses of many high profile firms in Nigeria (Lawal, 2016; Nuhu & Ahmad, 2017).

Corporate governance mechanism such as board mechanisms has been regarded as the major instrument to improve firm performance (Adegbite, 2015; Lawal, 2016). There has been a strong assumption that the effective use of the board mechanisms as internal governance mechanism is vital to improving firm performance (Adegbite, 2015; Bhagat & Black, 1999; Lawal, 2012; Johnson et al., 1996; Nuhu & Ahmad, 2016; 2017; Weisbach, 1988, Zahra & Pearce, 1989). The empirical investigation is yet to justify the solutions to the financial scandal in the various companies as ambiguous findings continue to dominate studies on the influence of corporate governance to firm performance (Adegbite, 2015; Lawal, 2012; Nath, Islam, & Saha, 2015; Rossi, 2015). Therefore, the interest in the corporate governance research to improve firm performance have continued to be the topic of debate further due to its importance for the economic growth and health of every firm (Nath et al., 2015; Nuhu & Ahmad, 2017; Rossi, 2015).

In Nigeria, realizing distinctiveness that exists, characteristics, uniqueness, and context, had provide this study with useful empirical context for this research due to the distinctiveness of its scandal in the process of corporate governance practices which is characterized by founding ownership that frequently retains control on the boards and on the management (Adegbite, 2015; Ehikioya, 2009; Lawal, 2016). Hence, the board of directors is usually responsible and regarded as corporate strategic decision makers that influence performance outcomes of public listed companies (Adegbite, 2015; Adegbite et al., 2013; Al-Ghamdi & Rhodes, 2015; Harvey Pamburai et al, 2015; Lawal, 2012).

Although, there is a very little study that investigates the link between board mechanisms and firm performance in Nigeria with mixed finding and inconclusive (Adegbite, 2015; Akinkoye et al., 2014; Lawal, 2012; Onakoya et al., 2014). Again, previous studies have ignored to investigate the influence of the board mechanisms to the firm performance in Nigeria (Adegbite, 2015; Akinkoye et al., 2014; Lawal, 2016; Onakoya et al., 2014). This study investigates an empirical study on the influence of board mechanisms on the perceived firm performance of listed firm in Nigeria. The next section is the problem statement.

1.2 Problem Statement

Against the background of the study, the extensive body of related empirical research on corporate governance has so far yielded conflicting and ambiguous results (Daily, Dalton & Cannella, 2003; Harvey Pamburai et al., 2015; Huse et al., 2011; Ingley & van der Walt 2005; Salama & Zoubi, 2015; Van Ees, Gabrielson & Huse, 2009). Thus, previous studies could not provide concrete evidence of what constitutes effective corporate governance especially in the mixed research findings that could not give concrete results on the hypothesized influence of internal board's mechanism on firm performance (Finkelstein & Mooney, 2003; Hambrick et al., 2008; Lawal, 2012; Monks & Minor, 2008; Wan & Ong, 2005). Thus, research findings in the literature could not transform effective corporate functioning, misleading and inconclusive. Hence, from current literature, this study identified the following major gaps.

Theoretical gap:

The need for a paradigm shift to allow for empirical investigation into the relevance of the corporate governance concept from multiple theoretical perspectives is justified. The over-reliance on one theory function at the expense of the multidimensional roles boards of director's play in the contemporary business environment has limited the depth of research in corporate governance (Finegold, Benson & Hecht, 2007). This study intends to build on recommendations from previous studies, specifically those that have called for a greater research focus on other theoretical frameworks, by examining the effect of board mechanism on firm performance using agency theory as underpinning and supporting theories such as stewardship, stakeholder, and resource dependency theory (Lawal, 2016; Lawal 2012; Nicholson & Kiel, 2003; Rhoades, Rechner & Sundaramurthy, 2000).

Most of the successive researchers in the field of corporate governance have thus explored different approaches. Some of the theoretical perspectives that have dominated the literature in recent years include the agency, stewardship, stakeholder, stockholder, managerial hegemony, organizational and resource dependency theories (Lawal, 2012; Nicholson & Kiel, 2003; Nuhu & Ahmad, 2016). Just as in the case of the concept itself, the theories that underpin corporate governance has been a subject of intense discussion in both academia and professional practice (Kirkbride, Sun & Letza, 2004). The majority of the prior studies took an only one theory approach, focusing mainly on one issue of managerial self-interested behavior at the expense of other supporting theory, such as resource co-optation, harmonization of stakeholders' interests and executive stewardship among others (Musa, 2005; Kajola, 2008).

To narrow the gap, this study extends the current literature by broadening the theoretical framework. This research work was guided by agency theory as the major theory or the major root theory supported by stewardship, stakeholder and resource dependency theories in order to facilitate our understanding of governance fundamentals and to fill the identified gap whilst avoiding the simplistic and narrow view that has defeated previous work in this vital management field (Abdullah & Valentine, 2009; Lawal, 2012; Nicholson & Kiel, 2007; Nuhu & Ahmad, 2016).

The choice of these supporting theories is based on their relevance in the context of the study, which is the effect of the recommended board structure on firm performance. This approach is also consistent with previous empirical studies and peer reviewed in the area of corporate governance (Allen & Carletti, 2009; Aoki, 2005; Collier, 2008; Donaldson & Preston, 1995; Dulewicz & Herbert, 2004; Fassin, 2009; Freeman, 1984; Heracleous, 2001; Jackson & Moerke, 2005; Lawal, 2016; Lawal, 2012; Nicholson & Kiel, 2007; Nuhu & Ahmad, 2016; Rose, 2007; Sadowski et al., 2005; Sikka, 2008).

Therefore, the agency theory as an underpinning theory for the study and supported by others theories within a single study will allows for an in-depth analysis that covers every aspect of the board structure debate and provides an empirical basis for more robust hypotheses development regarding the direction of causality between the board mechanism and firm performance, something that has not been acknowledged in previous studies in the Nigerian context.

Methodology gap:

The majority of the previous studies that have investigated the effect of board structure on firm performance have shown inconsistent findings because of methodological limitations, including erroneous model estimation, the use of single performance measures, the elimination of key variables and the absence of mechanisms to control for endogeneity effects, amongst others (Campbell & Mínguez-Vera, 2008; Finegold et al., 2007; Van den Berghe & Levrau, 2004; Muth & Donaldson, 1998). In order to enhance the validity and robustness of future research outcomes, some current studies have recommended certain methodological changes in the application of primary data for investigating and measuring CG and firm performance (Appuhami & Bhuyan, 2015; Lawal, 2016; Johl et al., 2015; Nath et al., 2015).

This study was encouraging due to conflicting results which are attributed to the way and manner, quantitative models of corporate governance are developed in some prior studies (Adegbite, 2015; Rossi et al., 2015; Miko & Kamardin, 2015; Afolabi, 2015; Aliyu, Jamil & Mohamad, 2014; Onakoya et al., 2014; Nur'ainy, Nurcahhyo, Kurniasih & Sugiharti, 2013, Harrison et al., 2012; Lawal, 2012). The condition of assumed "Secondary sources" instead of primary approach is a serious challenge that mitigates consensus findings (Aliyu et al., 2015; Lawal, 2016; Daily et al., 2003; Shleifer et al., 1997). Most of the recent studies that carry out a study on the influence of board's mechanism on firm performance are inconclusive (Aliyu et al., 2015; Nuhu & Ahmad, 2016; Rossi et al., 2015).

Based on the knowledge and current literature review of this study, this study may be the first of its kind in the Nigeria context in conducting the study on the influence of board's mechanism on firm performance of the entire listed firms in Nigeria using primary sources. On the methodology contribution, this study uses primary (Survey) instrument as against secondary (in place of the usual archival data) source dominate by prior studies. Using these suggestions, recommendations and the Nigerian environmental context as a case study, this study is designed to offer new evidence in corporate governance research by examining the study on the influence of board's mechanism on firm performance from a different methodological viewpoint, that involve the use of primary data.

Practical gap:

A critical review of the Nigerian companies over the years have shown several of the problems confronting the various sector that have been in poor corporate governance. From the closing reports of banks liquidated between 1994 and 2002, the evidence established were clearly that of poor corporate governance which led to their failure. As reveal in closing reports, many owners and directors abused, misused their positions and breached their judicial duties by engaging in self-serving activities (CBN, 2002). The abuses are granting of unsecured loans, reckless loan, credit facilities to owners, the directors and their related firms which are in some cases were in excess of their bank's statutory lending power or limits in abuse and violation of the law (Sanusi, 2003; Sanusi, 2012).

In response to the collapse of some leading firms thorough investigations had been conducted and one of the main reasons behind collapsed was the major failures in corporate governance practice, macroeconomic instability caused by large and sudden capital inflows, lack of investor and consumer sophistication, inadequate disclosure and transparency, accountability about the finance of the banks, the gaps in the regulatory body framework and regulations, rough supervision and uneven enforcement, unstructured governance and management processes in the financial services, weaknesses in the business environment, bankruptcy, publishing fraudulent, misleading financial statement, manipulation of their financial statements mismanagement, reckless loan, loan giving to friend and family members without paying back, abused of office among others are well cited in Adegbite (2015); Adeoye (2015); Sanusi (2012); Lawal (2012); Ehikioya

(2009). Hence, since the crisis, a great attention has been given to corporate governance to provide a mechanism that protects investors by ensuring proper CG practices (Akinkoye et al., 2014; Sanusi, 2012).

The numerous corporate governance misconduct that affected banks caused hurt, pain, and sorrow that lead to the suffering of many stakeholders, especially to some shareholders and depositors, which are not their problem or fault (Sanusi, 2003). The examination of some banks in operation continues to engage in an unethical, unprofessional and misconduct in practicing non-implementation of examiners report and recommendations, continual violation of banking, legal laws, rendition of inaccurate returns, rules and regulations and failure to disclose their transactions which preventing detection of emerging difficulties and problems with the regulatory bodies (NDIC, 2002; CBN, 2002). Therefore, many bank examination reports exposed many banks, which were yet to imbibe or abide by the ethics and legal aspect of good corporate governance (Obeten, Ocheni & John, 2014). However, it is obvious that corporate governance faces enormous challenges in the Nigeria firms which, if not addressed properly could have serious negative implications for the overall success of the firm activities especially financial services (Sanusi, 2003).

In addition, with the growing interests in banking and insurance industry by the investors, corporate governance performance has become a serious issue and challenge due to the scandal facing Nigeria financial institutions (CBN, 2015; Sanusi, 2012). The relative development in the Nigerian capital market is that corporate governance in Nigeria is seemingly far from perfect as financial institutions still record incidence of financial scandals and performance resulting from mismanagement, manipulation of financial statement and misappropriation of fund (Adegbite, 2015; Adeoye, 2015; Adeyemi, 2011; Akinkoye & Olasanmi, 2014; Sanusi, 2012; Quadri, 2010).

Again, in 2009 CBN revoke the licenses of the ten banks and witnessed another high corporate collapse in 2016 of some major banks that lead CBN to dismiss and prosecute the Chief Executive Officers of the ten collapse banks (CBN, 2016). Hence, CBN injected 620 billion nairas into the collapse banks in the form of a subordinated loan approximately US$ 4.1 billion, which representing 2.5% of Nigeria's entire 2016 Gross Domestic Product (GDP) of US $ 167 billion (CBN, 2016). CBN referred the CEO and managing directors to face the Economic and Financial Crimes Commission for further prosecution of a criminal action and appointed new managing directors for each of these eight banks (CBN, 2016).

Table 1.8: CEO Dismiss/Prosecute (The 10 collapse, banks) between 2009 and 2016

Banks	Collapse/Exist	CEO Dismiss/Prosecute	CEO Replace	CEO Name
Afribank	Collapse	Dismiss/Prosecute	-	Sebastian Adigwe
Finbank	Collapse	Dismiss/Prosecute	-	Okey Nwosu
Bank PHB	Collapse	Dismiss/Prosecute	-	-
Bank of the North	Collapse	Dismiss/Prosecute	-	-
Standard bank	Collapse	Dismiss/Prosecute	-	-
Oceanic Bank	Collapse	Dismiss/Prosecute	-	Cecilia Ibru
Intercontinental Bank	Collapse	Dismiss/Prosecute	-	Erastus Akingbola
Union Bank	Exist	Dismiss/Prosecute	Replace	Barth Ebong
Skyebank	Exist	Dismiss	Replace	-
Savannah Bank	Collapse	Dismiss	-	-

Source: CBN 2016

Again, the issue of corporate scandal has been extended to insurance firms. The insurance industry's recapitalization exercise prompt insurance industry's capital base from 200 billion Naira to 670 billion Naira have led to the number of insurance firms reduces drastically from 104 to 49 and the reinsurance firm from four to two, but the long-run survival of many of the firms was in questions (National Insurance Cooperation, 2014).

Furthermore, the debate had continued to become a serious issue on the performance of corporate governance, which has been a contemporary issue in the financial institutions in Nigeria. Lack of adequate studies on corporate governance mechanisms has become a series of great economic failures that had led to the loss of investors' confidence in managers' ability of leading the great corporations and public institutions (Adeyemi, 2011; Akinkoye et al., 2014; Gîrbinǎ & Albu, 2013; Sanusi, 2011). Since then, there has been a continuous care for improving corporate governance as to avoid new bankruptcies and improve in Nigeria financial institution on the code of best practice (Adegbite, 2015; Gîrbinǎ et al., 2013; Sanusi, 2012; Ogbechie & Koufopoulos, 2010).

Also, Nigeria listed firm's loss N400 billion in 2015, due to mismanagement and bad debts by several individuals who have a tier with the corporate manager, and CEO of the banking firms (CBN 2015; Chiejina, 2015). Hence, governance malpractice within banks and unimpeded at consolidation became a CEO way of life in the banking sector in Nigeria to enriching few individual at the expense of the owners, depositors, and investors (CBN, 2015; Sanusi, 2012).

In addition, corporate governance performance in many banks failed because the corporate manager and CEO ignored the practices of board mechanisms in line with the international code of best practice (CBN, 2015; Sanusi, 2012). The chronic debtors by some shareholders and corporate manager are among the bad debtor creating anxiety in the banking industry in Nigeria (CBN, 2015; Chiejina, 2015).

Incidences of corporate scandal and mismanagement have been extended to the manufacturing company, oil and gas sectors (Lawal, 2016). The overstatement of the financial statement of Cadbury Nigeria PLC and Fort Oil PLC (formerly known as African Petroleum) and other evidence of share price manipulation, manipulation of profit and balance sheets of Cadbury Nigeria PLC and Fort Oil PLC ensured that the two major companies became well-known and the most famous cases of unprincipled and unethical practices in Nigeria context (Egene, 2009; Lauwo & Otusanya, 2010; Lawal, 2016).

Since the collapse of high-profile listed firms in Nigeria, in line with the called and suggestion by many researchers across the globe, have prompted researchers to investigate corporate governance study in Nigeria (Akinkoye & Olasanmi, 2014; Lawal, 2016; Marshall, 2015). Hence, corporate governance studies in Nigeria remain scanty with mixed results for the link between corporate governance mechanism and firm performance (Adegbite, 2015; Akinkoye & Olasanmi, 2014; Marshall, 2015; Onakoya et al., 2014)

Consequently, international organizations, nations' regulatory authorities, public and private firms, and academicians have become more concerned about governance issues. Thus, empirical investigation and solutions have been attempted through documented contributions to the endemic problems of poor governance within their respective intellectual capacities. Scholarly academic efforts (i.e Al-Ghamdi & Rhoders, 2015; Bebchuk & Hamdani, 2009; Bhagat, Bolton & Romano, 2008; Brennan & Solomon, 2008; Claessens, 2006; Collier, 2008; Fama & Jensen, 1983; Fassin, 2009; Eisenberg et al, 1998; Gordon, 2007; Jensen & Meckling, 1976; Jones, 1995; Klapper & Love, 2004; Lawal, 2016; Nuhu & Ahmad, 2017; Okike, 2007; Okpara, 2010; Pearce & Zahra, 2000; Rashidah & Mohammad Rizal, 2010; Sikka, 2008; Shleifer & Vishny, 1997; Yermark, 1996) advocate for sweeping reforms of governance practices. The outcomes are mixed findings and inconclusive between board mechanisms and firm performance.

Motivational gap:

Just as in the case of both developed and other emerging economies around the world, the issues of corporate governance have been the subject of public exchanges in Nigeria, but with little emphasis on empirical studies. The collapse of numerous corporate entities in the country's short history as an independent nation speaks volumes regarding the magnitude of governance problems that the country faces. Until 2003, when the Nigerian SEC issued its first Code of Corporate Governance, little or nothing was known about corporate governance in the Nigeria (Okike, 2007).

Empirical case studies on corporate governance in Nigeria remain scarce. Very little documented literature can be found discussing this subject in the context of Nigeria (Adeyemi & Fagbemi, 2010; Babatunde & Olaniran, 2009; Duke & Kankpang, 2011; Nuhu & Ahmad, 2016). The majority of the existing literature in the country has adopted an explanatory, rather than an empirical approach, further creating doubts over the authenticity of some of the findings resulting from these research works (See. Al-Faki, 2006; Demaki, 2011; Lawal, 2016; Nuhu & Ahmad, 2016; Suberu & Aremu, 2010; Okeke, 2007; Quadri, 2010; Inyang, 2009; Olayiwola, 2010).

Consistent with the trend in developing economies, empirical studies in examining the influence of specific board mechanisms on the firm performance in Nigeria showed conflicting evidence in the literature (Adegbite, 2015; Lawal, 2016). The prior researcher's focus has been on the specific component of the economy to identifying the issues and challenges of corporate governance mechanisms (Adegbite, 2015; Lawal, 2016).

In addition, one aspect that is neglected in the literature is the study of the influence of board mechanisms on the performance of firms in Nigeria (See. Aliyu et al., 2015; Lawal, 2012; Nuhu & Ahmad, 2016). In addition, literature also reveals that studies in Nigeria are based on some specific corporate governance components and not on the key component of corporate governance (Adegbite, 2015; Lawal, 2016; 2012).

Least empirical studies of corporate governance in Nigeria firms and other corporate firm with weak legal framework will be of high importance to the field of research (Adegbite 2015; Adeyemi & Fagbemi, 2010; Duke & Kankpang, 2011; Ehikioya, 2009; Kama & Chuku, 2009; Lawal, 2016; 2012; Love, 2010; Musa, 2005; Nuhu & Ahmad, 2016; Sanda, Mikailu & Garba, 2008, 2005; Uadiale, 2010).

Over the years the lack of adequate documented evidence of African perspective, especially the economies within the continents like Nigeria undoubtedly impaired policy makers in falsifying appropriate cause of improving corporate governance (Ogbechie, 2011). Ogbechie (2011) contended that corporate governance study in the Nigeria context is needed, particularly on the effectiveness of board mechanism on firm performance.

Again, corporate governance in Nigeria is notably unimpressive across all groups, despite some achievements in the past. Sanusi (2012) argued that corporate enterprising and governance in the Nigeria has been polluted with many high-profile corporate scandals, failures and corruption in all aspects of the economy; weakness of the board encompasses lack of the sufficient ability, independence body and heterogeneity in board composition, false board reputation and non-robust board evaluation.

In addition, the weakness of the executive monitoring and accountability occur due to the corrupt shareholder by shareholders' associations and lack of vibrant institutional shareholders; and corporate corruption between the board and managers, mostly at the cost of uninformed minority shareholders. Sanusi contended that this allows for an opaque executive recompense or compensation structure that encourage and strengthens corruption (CBN 2015; Sanusi, 2012). Hence, public and private corruption which also involves by collaborating with the regulators in the corporations to circumvent regulatory provisions and perpetrate corruption (Sanusi, 2012).

There is a strong belief that the use of the board as the internal governance apparatus is vital to improve firm performance and their profitability (Adegbite, 2015; Bhagat and Black, 1999; Brickley, Coles & Terry, 1994; Harvey Pamburai et al., 2015; Johnson et al., 1996; Lawal, 2016; Nuhu & Ahmad, 2016; Rosenstein & Wyatt, 1990; Weisbach, 1988; Zahra & Pearce, 1989). Therefore, to justify the above postulation or assumption as equivocal findings continue to increase and dominate empirical studies on the influence of board's mechanism on firm performance globally (Harvey Pamburai et al., 2015; Johnson et al., 1996; Lawal, 2016; Nuhu & Ahmad, 2016).

Still, the separation of ownership and control, which limits the extent of shareholders' participation in the management of enterprises, the inclusion of the board of directors in the firm governance equation is seen as the most efficient way of resolving the agency problems (Adegbite, 2015; Harvey Pamburai et al., 2015; Lawal, 2012; Burton, 2000; Ong and Lee, 2000; Jensen & Meckling, 1976).

Having an appropriate board configuration will improve the directors' performance on the applicability of codes of corporate governance practices (Amupitan, 2015; Cadbury, 2000; Lawal, 2012; Terjesen, Sealy & Singh, 2009; Rose, 2005). This is imperative, as findings from the investigations into previous corporate scandals have shown the passiveness of boards of directors in discharging their fiduciary responsibilities to have been the key trigger of the unethical practices. Boards of directors have been accused of apathy, with the management team given free rein to run corporations as they deem fit (Burke, 2003).

There has been lingering debate regarding the relevance of these features to firm value and financial performance (Muth & Donaldson, 1998). Specifically, questions have been asked as to what are the appropriate board membership, composition and leadership structure that can stimulate directors to discharge their corporate gatekeeping functions (Lawal, 2016; Nordberg, 2011). Severally, attempts have been made to investigate and empirically examine the important board features to firm governance, but the empirical findings from prior studies set in Nigeria have been vague (Duke & Kankpang, 2011; Lawal, 2016; Sanda et al., 2005; Uadiale, 2010).

Therefore, the effectiveness of the board of directors as shareholders' monitoring mechanism can only be effective and efficient only if limited to a suitable size, composition, diversity and leadership (Lawal, 2016; 2012). Many codes of best practices and corporate governance mechanisms, guidelines tend to focus on the above board mechanism as to achieving the needed board effective and efficient. Although, board mechanism of various firms may vary depending on the sector or industry arrangements just as performance between companies within the same sector or economic or country varies (Laing & Weir, 1999).

Again, code of corporate governance for best practices may be or should be implemented in a way that suits or complement each sector or industry (SEC, 2011). In Nigeria for instance, realizing the distinctiveness that exists, while there is SEC code of best practices for all listed companies on the ground of the Nigeria Stock Exchange (NSE), Insurance firms and Banking sectors, each have their codes of corporate governance that takes into their sectors or industrial peculiarities on their board configuration.

Again, the recent investigation reveals that ambiguous findings still dominates most of the previous studies on key corporate governance mechanisms and firm performance (Lawal, 2012). Hence, the need to consider the connection between board mechanisms and performance would for a long time remain a legitimate and interesting area of investigation (Lawal, 2016; 2012).

Taking into account Nigeria's institutional climate and prior literature, this study investigates empirical studies on the influence of board's mechanism on firm performance of listed firms in Nigeria which is still deficient and inconclusive in the corporate governance literature. This is consistent with the called, recommendations and suggestions by Appuhami and Bhuyan, (2015); Lawal, (2016); Johl, Kaur & Cooper (2015); Nath, Islam, and Saha, (2015); Yuan and Hua, (2015). Hence, the previous empirical studies, the majority of which has been conducted in developed economies (e.g. the US and the UK), have failed to yield consistent results on the relevance of these board mechanisms to firm performance (Lawal, 2016).

Today, any discussion on corporate governance mechanisms without the incorporation of the board mechanisms would seem out of place (Appuhami and Bhuyan, 2015; Lawal, 2016; Nordberg, 2011). The relevance of the board can best be appreciated by looking at the magnitude of attention it has received (Amupitan, 2015; Berghe & Levrau, 2004;

Lawal, 2016). Lawal (2016) state that the effectiveness of the board of directors as shareholders' monitoring mechanism can only be efficient if bounded with appropriate size, composition, CEO duality and leadership configuration.

In support of the above, Berghe & Levrau (2004); Lawal (2016), suggested that any investigation of board mechanisms should focus on board size, independence, CEO duality and diversity to avoid endogeneity. In addition, several prior studies argued that corporate governance mechanisms such board size, CEO duality, board composition and board diversity have a serious great influence on firm performance (Appuhami & Bhuyan, 2015; Berghe & Levrau 2004; Ehikioya, 2009; Johl et al., 2015; Lawal, 2016).

For the purpose of this study, an empirical study on the influence of board mechanisms, namely board size, independent non-executive director, CEO duality female gender diversity, director skills, board professional knowledge and experience and board ethnicity conflict on the perceived firm performance of listed firm in Nigeria has been investigated. The choice of these board mechanisms is consistent with the works of Amupitan, (2015) Berghe & Levrau, (2004); Ehikioya, (2009); Lawal, (2016) and the Nigerian Security and Exchange Commission (SEC) recommendations with reference to appropriate board mechanisms. This study investigates the influence of board mechanisms on the perceived firm performance of listed firms in Nigeria based on agency theory as major theory and other three supporting theories of corporate governance which are the focus of this study. The next section is research questions.

1.3 Research Questions

In view of the above problems, the following questions were developed to answer and provide solutions to the stated research problems. The questions are:

1. Is there any influence of board size on the perceived firm performance of listed firms in Nigeria
2. Is there any influence of independent non-executive director on the perceived firm performance of listed firms in Nigeria
3. Is there any influence of CEO Duality on the perceived firm performance of listed firms in Nigeria
4. Is there any influence of female gender diversity on the perceived firm performance of listed firms in Nigeria
5. Is there any influence of director skills on the perceived firm performance of listed firms in Nigeria
6. Is there any influence of board competence on the perceived firm performance of listed firms in Nigeria
7. Is there any influence of board professional knowledge and experience on the perceived firm performance of listed firms in Nigeria
8. Is there any influence of board ethnicity conflict on the perceived firm performance of listed firms in Nigeria

1.4 Research Objectives

In view of above research questions, the main objective of this study is to investigate the influence of board mechanisms on the perceived firm performance of listed firms in Nigeria. The specific objectives are:

1. To identify the influence of board size on the perceived firm performance of listed firms in Nigeria.
2. To identify the influence of independent non-executive director on the perceived firm performance of listed firms in Nigeria
3. To identify the influence of CEO Duality on the perceived firm performance of listed firms in Nigeria
4. To identify the influence of female gender diversity on the perceived firm performance of listed firms in Nigeria
5. To identify the influence of director skills on the perceived firm performance of listed firms in Nigeria
6. To identify the influence of board competence on the perceived firm performance of listed firms in Nigeria
7. To identify the influence of board professional knowledge and experience on the perceived firm performance of listed firms in Nigeria
8. To identify the influence of board ethnicity conflict on the perceived firm performance of listed firms in Nigeria

1.5 Significance of the Study

This study presents its contributions in terms of theory, methodology, and practices. Theoretically, this study extends the use of stewardship, stakeholder and resource dependency theories as a supporting theory to the major underpinning theory were used by previous researchers which are an agency theory (Abdullah & Valentine, 2009; Lawal, 2012; Nicholson & Kiel, 2007).

Specifically, those that have called for a greater research focus on other theoretical frameworks, by examining the effect of board mechanism on firm performance using a major root theory of corporate governance and called for more supporting the theory (Lawal, 2016; Rhoades, Rechner & Sundaramurthy, 2000).

These three supporting theories to the major underpinning theory which is the agency theory within a single study allows for an in-depth analysis that covers every aspect of the board structure debate and provides an empirical basis for more robust hypothesis development regarding the direction of causality between the board mechanism and firm performance. Thus, the study believes that the theoretical framework has offered a significant contribution to knowledge in the context of CG.

Methodological significance, in order to enhance the validity and robustness for future research outcomes, some current studies have recommended certain methodological changes in the application of primary data for investigating and measuring CG and firm performance (Appuhami & Bhuyan, 2015; Johl et al, 2015; Nath et al, 2015). The results of this methodology will be immense to the policymaker and researchers.

Practical significance, the study is immense value to all regulators, investors, academics and other relevant stakeholders. Investigating the empirical studies on the influence of board's mechanism on firm performance have provided future firms with an alternative trend in their performance. This study also provides a foundation for all listed firms stands in relation to the principles of corporate governance. It further provides an insight into understanding the degree to which the companies reporting on their corporate governance practicing with a different mechanism where they are experiencing difficulties. Boards of directors will find the information of value in benchmarking the performance of their firms, against that of their peers. The result of this study serves as a database for further researchers in this field of research. The outcome is an important landmark for policy maker in Nigeria as well as a corporate manager.

The analysis of this study has led to new findings that have become a reliable for the prediction of future outcome, especially for the academics, investors, employees, creditors, customers, firms, and regulators for policy implications.

1.6 Scope of the Study

Considering the year 1995, 2004, 2011 and 2015 reform in the various sectors by regulators such as CBN SEC, NAICOM, PEMCOM, NCC, among others in Nigeria as the year of initiation of post-consolidation in the financial services and other industries.

This study investigates the influence of board mechanisms on the perceived firm performance of listed firms in Nigeria for greater managerial control to protect the interests of shareholders, employee, management, and other non-shareholding contractual stakeholders. The study limits its scope to all listed firms that comply with the listing requirements to be quoted on the Nigerian stock exchange. In other words, all quoted in the Nigerian Stock Exchange regulated by the Securities and Exchange Commission. The board of director of listed firms had been the target respondent in this study. The use of the board as a respondent are due to their perceived knowledge of the study focus, thus the study surveys the perceptions of the board of director of the organization as participants in the Nigerian listed firms.

1.7 Definition of Terms

Below are some of the terms that are used commonly or widely throughout the study. This is crucial as the definition of the terms would provide a better understanding in discussing the pertinent issue in hand.

Corporate Governance (GC) is defined as a set of guided principles used to increase corporate accountability whilst promoting investors' protection (Harvey Pamburai et al., 2015)

A Code of best practice refers to the degree to which a person believes that there is transparency, fairness, and accountability in using a particular technology (SEC, 2014; CNB, 2014).

Board of Directors is defined as an internal monitoring mechanism, is designed in line with the agency doctrine to oversee how the executive team manages the firm in the absence of direct participation from the shareholders (Adjaoud, Zeghal & Andaleeb, 2007; Heracleous, 2001).

Corporate Governance structure these are mechanism or features of the board of director internal monitoring mechanisms (Lawal, 2012; Nuhu & Ahmad, 2016).

Board Mechanisms are Board size, composition and CEO Duality or leadership, diversity, etc (Berghe & Levrau, 2004; Lawal, 2012; Ong & Lee, 2000; Jensen & Meckling, 1976)

Board size is defined as the count number of head or peoples that constitute on the board of director (Nuhu & Ahmad, 2017). In another word, board size is the total number of the director in the board (Conyon & Peck, 1998; Solomon, 2007).

CEO Duality is defined as a leadership structure in which one executive member, i.e the CEO, occupies the position of managing director and at the same time, chairs the board of directors (Boyd, 1995; Lawal, 2012).

Independent, non-executives director are those outside directors who have no any tier with the firm or CEO or management team (Dalton et al., 1998).

Female gender diversity is defined as the percentage of women on the board of director to reduces agency conflict, and transparency in the firm (Nielsen & Huse, 2010; Rossi et al., 2015)

Director skills are individual directors' with cognitive educational qualifications of individual director possess bring to the firm (Darmadi, 2013).

Board competence are board of director level of competence is seen as a prerequisite for the ability to function effectively (Kim & Lim, 2010; Lawal, 2016; Ulum et al., 2014)

Board professional knowledge and experience are defined as professional, knowledge and experience acquired or have from previous membership (Goodstein et al., 1994).

Board diversity conflict is defined as the scale of group conflict and assessed how often board members have conflicts or disagree within the board (Nielsen & Huse, 2010)

Perceive Firm Performance is defined as the measurement of what a firm had and expected to accomplish that could be used to assist in the decision making process. In another word, firm performance defined as industry-adjusted stock returns or industry-adjusted accounting profits (Chidambaran, Palia & Zheng, 2007)

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a literature review of the major issues in the study, the surfs of financial institutional reforms in developing countries, like Nigeria context concept of corporate governance have become a vibrant topic of public debate. However, the focus is a specific focus on internal governance mechanisms, particularly the board of directors. One of the purposes of this chapter is to provide a review of the corporate governance literature within the context of documented empirical findings relating to the effects of board mechanism on firm performance.

Another purpose is to review and identify the necessary gaps that still exist between the methodology, theory and practice of corporate governance regarding the board mechanisms effectiveness (board size, independent non-executive director, CEO duality female gender diversity, director skills, board professional knowledge and experience and board ethnicity conflict) and how they have affected the performances of firms operating under the Nigerian Security Exchange Commission (SEC) Code. In addition, another purpose of reviewing the literature is to provide support for the hypotheses that guide the empirical investigation. This chapter cover introduction, Underpinning Theories, the concept of Performance, Performance Measurement by the previous study, Corporate Governance concept, Corporate Governance mechanisms, Board internal mechanisms and firm Performance and Chapter Summary.

2.2 Underpinning Theories

The underpinning theory that explains the empirical studies on the influence of board's mechanism on firm performance is rooted in the agency theory (Lawal, 2014; Nicholson & Kiel, 2003) and supported by stewardship, stakeholder, stockholder, and resource dependency theories. These theories are mostly regarded as the main theories generally adopted in corporate governance researchers.

The choice of the major theorists and other three theories is based on their relevance in the context of the study, which is the effect of the recommended board structure on firm performance. This approach is also consistent with previous empirical studies in this area of corporate governance (Dulewicz & Herbert, 2004; Heracleous, 2001; Lawal, 2014; Nicholson & Kiel, 2007; Rose, 2007).

2.2.1 Agency Theory

The review of the existing literature on corporate governance points towards the overwhelming dominance of agency theory in the study of board structure (Hillman & Dalziel, 2003; Lawal, 2014; Muth & Donaldson, 1998; Ong and Lee, 2000). Most of the previous empirical studies of the empirical studies on the influence of board's mechanism on firm performance have taken the agency approach (Lawal, 2014; Nicholson & Kiel, 2007). The reason is that many of the codes of corporate governance issued in the last twenty years have followed the agency path (Chen et al., 2009). Agency theory affirmed that the evolution of modern corporations had created a dispersed ownership structure that had made it difficult for shareholders to personally run their firms' affairs. Ong and Lee

(2000) noted that shareholders' objectives are three-fold, including maximizing returns on investment, dividend yield and enhancing the market value of the stock held. Achieving these objectives requires effective monitoring so as to lessen potential residual losses and ensure that agents (i.e. executive management/professional managers) stay on course while avoiding moral hazard. The latter refers to the agent's tendency to minimize the amount of effort made towards achieving the principal's goals.

The issue of agency conflicts resulting from the self-interested attitude of corporate managers was detailed in the work of Jensen & Meckling in 1976. It is pertinent to note here that, whilst the concept of the separation of ownership and control was first highlighted in studies by Berle and Means in 1932, modern empirical studies on agency theory are derived from the influential works of Jensen and Meckling (Guerra, et al., 2009). Their studies offered clarity as to the nature of the conflict of interests arising from the fragmentation of the dual functions of firm monitoring and control.

The agency theory was built on the fundamental belief that corporate managers are self-interested and ought to be monitored, especially in the face of the existing institutional structure, where dispersed ownership and control reign (Burton, 2000; Lawal, 2014; Ong & Lee, 2000). Because owners are often not directly involved in the management of the firm whose equity they hold, the agency theory states that corporate managers, being human, will naturally look for any financial opportunities available to them and take advantage of this inherent gap to promote personal gain at the expense of the shareholders (Burton, 2000; Lawal, 2014; Letza et al., 2004). The divergences of interests are, however, not only limited to the separation of ownership and control but extend to the firm's dividend policies (Ayuso & Argandona, 2007). The more profits are declared and shared among the equity holders, the fewer funds are available for the management team to pursue an expansion strategy (Nicholson & Kiel, 2007). This practice creates the perfect conditions for conflict, as the opportunities for executives to pursue their self-interested agenda become limited (Grant, 2003).

The agency assumption is that, because corporate managers are agents and not principals, they may lack the motivation to steer the corporation in the most efficient direction (Carney et al., 2011; Lawal, 2014). The agency model is based on the idea that, in the absence of the owners' watchful eyes, corporate managers do not do their utmost to protect the interests of the principal. There is a consensus in agency theory that this discretion, if not monitored, may be subject to abuse by the delegated agents who shoulder the corporate decision-making responsibilities in the absence of the owners (Lawal, 2014; Shan & McIver, 2011). Corporate governance problems are not only limited to disproportions in the power distribution between the corporate managers and owners but extend to the quality of corporate decisions that are usually made in the governance process (Byrd & Hickman, 1992; Hsu, 2010; Lawal, 2014; Shan & McIver, 2011).

The reasoning here is that executive behaviour, if not checked, may erode the shareholders' market value and ultimately the expected return on investment (Muth & Donaldson, 1998). The primary goal of a firm under the agency theory is to ensure the protection of the shareholders' interests. Achieving this goal entails certain associated costs, especially given that the owners do not participate in the firm's management (Lawal, 2014; Weir, Laing, & McKnight, 2002). Agency costs and the costs of sub-optimal decisions are some of the most researched areas in corporate governance. Because the scattered ownership structure makes it virtually impossible for shareholders to be directly involved in the actual running of the firm, equity holders invariably have to incur the unavoidable costs of hiring and rewarding corporate managers who run the firm as representatives on the one hand and equally pay on the other hand, for any possible losses resulting from the agents' negligence or deliberate acts in the corporate decision-making process.

Under the contemporary institutional structure, these corporate managers are given the power to make strategic decisions on behalf of the various shareholders. Muth & Donaldson (1998) contended that the most astonishing features of modern corporations lie in the fact that too many powers are assigned to corporate managers who, in the majority of cases, are neither part owners nor hold significant stakes in the firms they manage. Second, these corporate managers tend to have their own personal interests at heart and the owners' interests are likely to take second place. Firms typically incur additional costs of governance whenever these interests become misaligned. This is evident when the agent makes sub-optimal strategic corporate decisions due to their general appetite for risk (Ayuso & Argandona, 2007; Bonazzi & Islam, 2007; Burton, 2000; Lawal, 2014).

Burton (2000) argued that shareholders incur two different kinds of costs as a result of the managerial mindset towards risk. On the one side, there is the cost of unexploited chances due to a risk-averse predisposition and, on the other, there is the cost resulting from losses incurred due to managerial recklessness or self-interested behaviour. Professional managers tend to be more risk-averse in a developed market for managerial control due to a fear of failure, even when such decisions are likely to lead to favourable outcomes. The managerial role is therefore reduced from one which strives for the best possible outcome, to one whose objective is just to keep the boat afloat.

Managerial recklessness occurs when the agent's own interests are combined with a growing appetite for risk due to a desire for personal gain at the expense of the owner. Here, the managerial decisions are not guided by what is perceived to be in the best interests of the shareholder but rather what is in it for those who manage the company. From these two extreme points, the imminent risk resulting from a division of ownership and control is a cost to the shareholders who must rely on the board of directors to instill discipline in the management team by providing checks and balances. The cost of setting up this effective monitoring apparatus is the "*agency cost*", which company owners have to incur in an attempt to ensure that their shareholding interests are being protected at all times (Burton, 2000).

A review of previous studies on the agency theory shows that shareholders have adopted two basic approaches in addressing issues regarding divergences of interests. The use of the executive incentive systems and non-executive-dominated board configurations are the techniques most often used for aligning the interests of agent and principal. The executive reward system, where corporate managers are both extrinsically and intrinsically motivated, is one paradigm of shareholders' efforts to reduce the agency problem (Lawal, 2014; Letza et al., 2004; Nuhu & Ahmad, 2017). Agency theorists are of the opinion that executive equity ownership can help to reduce the interest variations that usually exist between the shareholders and the executive management team (Bonazzi & Islam, 2007).

The focus of this study, however, board composition is defined in terms of the proportion of executive and non-executive members, and the effect of such configurations on board effectiveness. The mixture of both executive and non-executives on the corporate board is crucial to information dissemination and monitoring (Klein, 1998; Lawal, 2014; Rhoades et al., 2000). The key driver of agency cost is the lack of sufficient information that allows owners (or the board) to exert the expected level of control over the entity they own. Shareholders suffer from information asymmetry, which makes the monitoring of the executive management team even more tedious. Although they own the firm, they lack adequate current information because they do not partake directly in the running of the corporation. The executive management is at liberty to bring to their notice only the information they wish to share, and the owners have no way of knowing whether the information is correct or not (Lawal, 2014; Nicholson & Kiel, 2007; Ong & Lee, 2000). In order to curb the exploitative tendencies of managers resulting from information asymmetry, agency theorists advocate board reforms to bring about an appropriate composition.

The agency model favours an independent board made up of directors who share no family or business ties with the management team and who are motivated to exercise their monitoring power diligently and without sentiment (Heslin & Donaldson, 1999; Nuhu & Ahmad, 2017). The increasing presence of non-executive directors (NEDs) is believed to be beneficial, both in terms of reducing the agency cost and in maximizing shareholders' returns (Ayuso & Argandona, 2007; Bonazzi & Islam, 2007; Lawal, 2014; Muth & Donaldson, 1998; Nicholson & Kiel, 2007; Nuhu & Ahmad, 2017). Greater representation of NEDs provides the appropriate platform for the board to put into effect the desired control over management activities and discretion (Burton, 2000). Bonazzi & Islam (2007) argued that the agency theory sentiment for boards entrenched with non-executive independent directors grew in the wake of ineffective or absent market control mechanisms to discipline erring corporate managers. Attention has shifted, however, from merely having a representation of non-executives on the corporate board. More emphasis is now placed on the cognitive characteristics of these independent NEDs as this determines the value they add in terms of the quality of the contributions they are likely to make in the boardroom (Byrd & Hickman, 1992; Erhardt et al., 2003; Hsu, 2010; Shan & McIver, 2011).

Agency theory also makes a case for CEO non-duality as an approach that can diffuse the enormous powers conferred on the CEO. The non-duality principle involves the separation of the board chair role from the CEO's fiduciary responsibilities, such that the two positions are held by two separate individuals. This recommendation has been extremely popular in view of the recent corporate scandals, so much so that the majority of developed and developing nations have tilted towards this philosophy in their guidelines for corporate best practices (Lawal, 2014; Nicholson & Kiel, 2007; SEC, 2003; UK Combined Code, 2012). The underlying notion here is that this kind of corporate arrangement of non-duality largely reduces the CEO's tendency to dominate.

Achieving the goal of monitoring and control, as prescribed under the agency theory, is highly dependent on the synergy between these proposed internal governance mechanisms and other external market control measures, such as capital market efficiency, the market for corporate managers, shareholder activism and institutional investors, amongst others (Burton, 2000). These external market control mechanisms provide effective corporate discipline measures that lessen a manager's inclination to abuse the power ascribed to him/her by virtue of the separation of ownership (Carney et al., 2011). The inability of external market control governance mechanisms to provide the much-needed support to internal governance arrangements, especially in developing economies, means that the inefficiencies of the executive management continue to be accommodated. Bonazzi & Islam (2007), observed that a well-developed capital market provides a reliable means of determining a firm's worth. An active market for corporate managers, on the other hand, offers a competitive platform on which only the best performers can survive.

2.2.2 Resource Dependency Theory

One of the first supporting theory of this study is resource dependency theory. The concept of dependency originated from the influential research of structural economists Hans Singer and Raul Prebisch (Jeffrey, 2012). However, the evolution of this model occurred in developmental economics and can be traced to the Marxists and world system theorists Andre Gunder Frank (1966) and Immanuel Wallerstein (2012). Dependency represents the extent to which the economic development of a given state is dependent on the interactions between factors in the external environment, such as political, economic and cultural forces amongst others (Sunkel, 1969).

In corporate governance, resource dependency theory was first used and captured in the work of Pfeffer & Salancik (1978), where they contended that a firm's power independent of a number of resources at its disposal and that wealth comes from the outside environmental context. Hence, a corporation is seen as an entity whose success, growth and survival hinge on the developments in the environment they operate. However, every corporation looks at the environment they recite for the sourcing of resources such as capital, raw materials and human resources (Pfeffer & Salancik, 1978).

The role of the corporate board in the dependency model is that of attracting the resources necessary for the firm's competitiveness and long-term survival. Resource dependency theorists classify corporations as an open system that is largely dependent on the effectiveness of various sub-units that make the whole. Regarding corporate boards' responsibility for firm governance, the focus of the resource dependency theory is on the social capital of individual directors, i.e. the resources that board members can offer to enhance the value of the firm (Arthur, 2001; Kim, 2007; Lawal, 2014; Luan & Tang, 2007). Directors' nominations to the corporate board, according to the resource dependency doctrine, are governed by both human and rational resource considerations.

The directors' competencies are measured in terms of the portfolio of their external network (Hillman *et al.*, 2000).

According to Hillman et al., (2000) taking resources as the only determinant of board effectiveness in corporate governance, there are four types of directors in a typical boardroom. These are executives, business experts, support specialists and community leaders. *Executive directors* are professional corporate managers who oversee the affairs of the corporation on a daily basis and, by virtue of their direct involvement in the day-to-day administration, are custodians of vital insider information which guides the board in its strategic policy choices and directions. *Business expert directors* are regarded as subject matter connoisseurs who bring industry-specific knowledge to the board. The skills usually displayed by these business expert directors are those acquired based on previous work experience, either in the same corporation or a similar one.

Support specialist directors are drawn from those firms that offer auxiliary services to corporations. These include venture capital providers such as investment bankers, mutual fund operators, insurance companies and risk managers etc. Directors from these firms serve as professional advisors who offer guidance to the board in the area of finance, risk management, and investment evaluation. Directors from the *community* are representatives of the general public, especially those from the locality in which the firm operates. There are usually influential members of pressure groups and opinion leaders in close proximity to the firm (Hillman et al., 2000). For these individuals, the role on the corporate board is one of offering appropriate counsel, and the ratification of executive policy choices and directions (Lawal, 2014; Markarian & Parbonetti, 2007; Nuhu & Ahmad, 2017; Stiles & Taylor, 1996; Zona & Zattoni, 2007).

The resource dependency theory favours boards that are composed of both executive and non-executive members with a wealth of experience, expertise, network connections and access to funds, as well as vital corporate information (Markarian & Parbonetti, 2007). Hsu (2010), observed that these cognitive characteristics add impetus to the manner in which corporate decisions are made.

Advocates of the resource dependency theory encourage a situation whereby board membership appointments are guided by the individual's influence and reputation as well as a prospective director's ability to both generate resources and provide critical information that will give the firm a competitive edge (Stiles, 2001). Information is crucial to a firm's success, especially in the area of strategic business decisions. However, accessing the required information is just one side of the coin. The board of directors needs highly qualified and experienced individuals who have an excellent understanding of the business if the information accessed is to make a difference in helping the firm to achieve a better performance. Therefore, attracting diverse and competent human resources at the board level is seen as one of the most vital aspects of a corporate board's oversight function (Dowen, 1995; Li & Ang, 2000).

The resource dependency theory calls for a high-quality and diverse board with a majority of outside directors who have the ability to mobilize both material and human resources as and when required for the firm's operations (Cornforth & Edwards, 1999; Myllys, 1999). Proponents argue that a well-diversified board configuration with resourceful members provides a firm with a social capital of strategic importance to a firm's performance and ultimate survival, especially during difficult times (Hillman & Dalziel, 2003). There is an underlying belief amongst resource dependency theorists that boards composed of members with these rare human and rational resources are better positioned to play the monitoring role as described under the agency theory. In addition, such directors' help in providing other support services to the management team, such as advice, access to strategic information, and enhancing the firm's legitimacy and reputation (Jonsson, 2005; Kula, 2005; Markarin & Parbonetti, 2007).

2.2.3 Stakeholder Theory

Stakeholder theory is the second supporting theory. The stakeholder theory, according to Kirkbride et al., (2005) is driven fundamentally by the humanitarian sense of purpose. It focuses on the role of corporations in the context of the society within which they operate. In essence, issues of corporate social responsibility and adherence to corporate governance, as well as the making of corporate decisions that engender societal well-being, are at the centered of the stakeholder theory (Letza et al., 2008). In contrast to the agency theory's philosophy of corporate governance centered on the protection of the owners' vested interests, the stakeholder theorists expanded the set of interested parties beyond the immediate shareholders and managers (Ayuso & Argandona, 2007; Lawal, 2017).

In the words of Gomez-Mejia et al., (2005) the stakeholders of the corporation are not only groups of owners, but rather extend to all individuals or groups who have either an interest in or are affected by a firm's strategic choices and performance, including the way in which it sources and uses resources. The obligations of corporate managers should not be limited to the creation of value for the shareholders but should take into account other auxiliary stakeholders such as employees, customers, suppliers, creditors, and citizenry. Sternberg (1997) noted that these categories of people are assumed to be determinants of a firm's success or failure, and are the people that corporations should be receptive towards as a going concern. Contrary to the agency argument that classifies shareholders as the prime residual risk holders, stakeholder theorists highlight other groups that have an interest, as they also put their resources at risk in order for the firm to succeed.

Most of the stakeholders, unlike the shareholders, are contractually restricted from participating in the firm's actual governance. Carney et al., (2011) observed that these apparent restrictions placed on some stakeholders, especially the suppliers of venture capital, limit their ability to monitor the level of efficiency in the management and utilization of funds disbursed to the corporations. The lack of key stakeholders' involvement and consideration in strategic decision making creates a monumental risk, particularly to venture capitalists, who are often left at the mercy of professional managers.

Under the stakeholder theory, the fundamental objective of a firm is changed from the maximization of shareholders' value to the creation of wealth for its key stakeholders. The argument is centered on achieving a balance of power that brings about proportional equality of various interest groups in corporate decision making. It is important to note that, not only do the shareholders bear the moral burden of corporations, but other affiliates share it too. These groups, therefore, qualify to share in whatever returns are accrued in the process. For the purpose of income distribution, stakeholder theorists advocate that firm constituency should include all those groups that participate in the creation of value. This extension of the spectrum of interested parties by stakeholder theorists introduces another dimension to corporate governance, especially at the board level.

Since corporations are regarded as societal entities, the roles of the board of directors have to shift from solely protecting the interests of the immediate owners as prescribed in the agency arguments. Boards must play a more active role across the corporate value chain (Payne et al., 2009). The stakeholder theory is associated with a large board configuration, usually dominated by diverse outside NEDs (John & Senbet, 1998; Nuhu & Ahmad, 2017; Zingales & Rajan, 1998). These NEDs cut across various stakeholder groups, besides the immediate shareholders, ranging from politicians to venture capitalists, professional bodies, employees and community representatives.

2.2.4 Stewardship Theory

Stewardship theory is the third supporting theory of the study. The stewardship theory of corporate governance explores the intrinsic value orientation of management. Corporate stewards, according to Abdullah and Valentine (2009), represent the professional managers hired to run corporations since the staggered ownership structure has made it practically impossible for the shareholders to manage firms themselves. The structures of modern corporations are said to be much more complicated than the agency theorists have portrayed. Corporate managers, according to the stewardship theory, are not necessarily motivated by extrinsic rewards so much as non-financial gains, such as achievement, growth, self-actualization and acknowledgment (Burton, 2000). The agency notion that managers are corporate rent seekers who are always on the lookout for an opportunity to extract rent from a corporation is said to be parochial and also undermine the intrinsic value aspect of human motivation (Daily et al., 2003; Davis & Donaldson, 1994; Clarke 2004; Lawal, 2014; Nuhu & Ahmad, 2017).

The stewardship theory adds another dimension to the understanding of corporate governance, with an emphasis on the aforementioned intrinsic value corporate managers' place on other benefits besides financial gain (Muth & Donaldson, 1998). According to the proponents of stewardship theory, professional managers derive their satisfaction, not from the substantial benefits they earn, but rather from the success the firm has achieved under their leadership (Davis et al., 1997). The demand for professional managers in the labour market depends solely on how well they have performed in their most recent assignments. Stewards are usually motivated by the existence of the external market for corporate managers, which provides an appropriate platform for assessing and disciplining poorly performing executives (Ahunwan, 2002). As professional managers, the executive management team also have their reputations at stake and it is argued that they will, therefore, do everything humanly possible to ensure that the firm they govern succeeds.

The advocates of stewardship theory argue that the agent/principal conflict of interests resulting from the split of ownership and control due to the growing size of corporations may well not be inherent after all (Muth & Donaldson, 1998; Lawal, 2014). This is especially true given that, when faced with uncertainty, stewards are more likely to protect the shareholders' interests first in order to salvage their own professional reputations.

Davis et al., (1997) further observed that executives, as stewards, usually engage in a "*trade-off*" whereby they sacrifice individual pursuits under the strong conviction that personal desires will be met when the corporation itself excels. Chen et al., (2009) contended that the theory of corporate stewardship is built on the belief of the convergence of shareholders' and management's interests. The conviction is that both parties, although motivated by different sources, work collectively towards achieving predetermined firm objectives. While the executives bring to bear their internal knowledge of the firm and the industry, outside directors offer experience and external connections that give firms a competitive edge above the other participants in their operating environment (Cravens & Wallace, 2001).

Hence, rather than design a mechanism that checkmates managerial activities, stewardship proponents argue that shareholders, through the board of directors, should extend more power to corporate managers (Lawal, 2014; Letza et al., 2004; Ong and Lee, 2000). As good corporate stewards and professionals with a clear understanding of business, the executive management requires adequately backed control powers in order to make strategic decisions that will benefit the shareholders. As part of the managerial empowerment, stewardship theorists advocate CEO duality as a mechanism that allows one person to head up both the management team and the board of directors (Abdullah & Valentine, 2009). The underlying assumption here is that merging the two positions enables management to make crucial business decisions without necessarily having to wait for board ratification since the same individual is at the helm of the two structures. Dahya and Travlos (2000), asserted that the consolidation of the two positions offers firms the opportunity to reduce the cost of governance and put a more robust focus on shareholder protection.

2.3 Concept of Performance

Performance has been considered as a terminology that is most recurring in the domain of firms, business, or industry. However, every company's achievement was evaluated based on its financial performance and other factors such as credibility and existing standard of the companies that might have pursued in the quest for market dominance. Performance is the outcomes, end results, and achievements of either negative or positive arising out of organizational activities (Guest, Michie, Conway & Sheehan, 2003: p.291). Hofer (1983) contended that performance is contextual that associated with the objectives being studied.

There are four critical challenges in assessing company performance: the situational nature of value creation, company performance on multiple dimensions, the understanding of performance is from the observer's perspective, and predictions to ensure the performance impact on the understanding of current values (Carton & Hofer 2006). In addition, Mir and Nishat (2004), state that higher leverage gave an adverse light or signal about the performance of the company, but Ahuja and Majumdar (1998) see the optimistic relationship between the debt levels of the company and performance.

2.3.1 Approaches in Defining Performance

Carton and Hofer (2006) defined company performance as a mechanism for measuring the change of firm financial outcomes that lead or result from a management decision to the execution of those ideas or decisions by members of the firm. Moreover, a performance by stating that corporate performance was the ability of a company to reach its goals by using resources effectively and also comprised the output of management, operational strategy and the implementation of that strategy in the company plan leading to performance measurement (Daft, 1991).

Yuan and Hua (2015) contended that performance is the study of the area of efficiency of governance of listed firms, which include the financial performance or market performance as the measure of the efficiency of corporate governance or the structure of the corporate governance index in determining the corporate efficiency of corporate governance. It is difficult to quantitatively reflect the level of corporate governance, due to the different indicators selected and techniques or methods in corporate governance index construct which lead to the different results (Yuan & Hua, 2015 p.604).

2.3.2 Performance Measurement

Performance can be measured either by quantitative or qualitative methods (Ngulumbu, 2013). Ngulumbu (2012) stated that the performance provides organizations with a technique to manage success and progress towards achieving objective or goals, defining the indicators of organizational performance. In addition, Ngulumbu (2012), performance measurement measures the progress made towards achieving the performance goals. However, performance measurement is described as the quantification of the action's effectiveness and efficiency (Neely, Gregory & Platts, 2005). It is the change of the complex reality of firm performance into a chronology of limited symbols or sign that are communicable and reported under the same or similar situations (Lebas, 1995). Presently, there is no generally accepted measure of firm performance (Johnson et al., 1996).

In contemporary management, performance management occupies a more significant position that goes beyond quantification and accounting (Koufopoulos, Zoumbos, Argyropoulou & Motwani, 2008). Performance measurement facilitates managers' monitoring of performance, a progress update, improve motivation and communication and discern issues (Waggoner, Neely & Kennerley, 1999). According to Harvey Pamburai et al., (2010) the ability to monitor and report on performance are gradually becoming important for the successful industry. Being it individuals, group, or organizations or systems or sector cannot improve their success unless shortcomings are recognized and solutions are identified to improve (Kawira, 2012).

For-profit organizations, countless number of ways has been brought and frequently used as measurements of firm performance, whether accounting based measurement or market-based measurement. The accounting based measurement; Earnings per Share, Operating profit, Growth Sales, Return on Assets, Return on Equity, Return on Sales, Return on

Investment, Profit Margin, Operating Cash Flow, Return on Capital Employed among others. While for market-based measurement includes Abnormal Returns; Annual stock return, Dividend Yield, Price-Earnings Ratio, Tobin- Q, Market Value, Market to Book Value etc. Therefore, some of these are frequently being used as measurements for firm performance.

Many existing kinds of literature has adopted either marketing based measure of firm performance (Tobin's Q) or the accounting-based measure of performance (ROA). The previous study employs ROA (*See* Drago, Millo, Ricciti & Santella, 2015; Tai, 2015; Johl et al., 2013; Onakoya et al., 2014) and for the previous study employs Tobin's Q (See Yuan & Hua, 2015; Rossi et al., 2015; Kapopoulos & Lazaretou, 2007; Chung & Pruitt, 1994). Moreover, some previous study adopted both Tobin's Q and ROA in the same study (See Al-ghamdi & Rhodes, 2015; Harvey Pamburai, et al., 2015; Dharmadasa, Gemage & Herath, 2014; Yoo & Jung, 2014; Heenetigala & Armstrong, 2011; Najid & Abdul Ralman, 2011; Lin, 2011; Chowdhury, 2010; O'Connell & Cramer, 2010; Bhagat & Bolton, 2007; Ehikioya, 2009)

Edwards (1998) said there are some questions needed to be answered when measuring financial performance. Edwards, formulated the following questions for every firm to ask before embarking on performance measurement; Am I in financial trouble? Do I have the financial capacity to weather the storm? How do I know? And how do I assess the financial performance of firms? Edward (1998) contended that it's not supported to be difficult if the firm know exactly what to look or assessing.

Table 2.1 shows the important list of measures used in a firm performance description of the company. Firms measures their performance, by developing a benchmark for assessing their firm current financial position (Edwards, 1998). Whether, the firm already have access to these measures, or the firm calculates the measure from documents uses to report financial information of company for income taxes or to support a loan request (Edwards, 1998). See table 2.1

Table 2.1: Descriptive measures of financial position and performance

Financial description

S/N	Variables	Measure	Interpretation
1	Total Asset	The market value of all financial and capital resources owned by the business as reflected on the year-end balance sheet.	The size of the business's financial resources in terms of overall plant capacity.
2	Total Liability	The value of total debt obligations at year-end as reflected on the balance sheet	The financial claims of lenders, input The financial claims of lenders, input
3	Owner's Equity	The value of the owner's financial claims on total assets as determined by subtracting total liabilities from total assets. Often referred to as "net worth"	The owner's financial stake in the business - his or her financial claim to the business.
4	Gross Revenue	The total value of products produced by the business on an accrual basis (i.e., whether sold for cash or held in inventory) as reflected on principal the income statement.	The income from sales and other sources available annually to cover expenses, loan payments, family living, income taxes, expansion, etc.
5	Total Expenses	The total of fixed and variable expenses incurred during the year as measured by the accrual income statement.	The total costs incurred in producing the revenue this year.
6	Net Income	The net income available on an accrual basis after fixed and variable expenses have been deducted. This income is available to compensate unpaid family labor, management, and equity capital.	The basic measure of the profitability of the sole proprietor farm operation, that is, income available for family living, income taxes, capital investments, and term debt repayment. In order to make financial progress, net income must exceed the owner withdrawals from the business.

Sources: Edwards, W. (1998). "Interpreting Financial Performance Measures", Ag Decision Maker, File C3-56, November. These benchmarks were developed from data for the years of 1990-1996

The common financial performance measures used by analyst indicate what they mean, and provides useful benchmarks for comparison.

Table 2.2: Key Financial measures

S/N	*Financial Measures*	Measure	Interpretation
	Profitability		
1	Operating Profit Margin	Calculated as net farm income plus interest expense minus family living and income taxes divided by gross revenues.	The proportion of earnings or revenues that are operating profit and thus available to compensate debt and equity capital. Indicates the operating margins and reflects the ability to generate revenues and control costs in such a way as to generate a profit.
2	Return on Asset (ROA)	The net income generated by all assets, after labor has been compensated but before interest payments, divided by total assets.	A measurement of profitability that indicates the profitability per dollar of assets, thus allowing comparisons of different size firms and different types of businesses/investment.
3	Return on Equity (ROE)	The net income after all labor and interest charges, that is, the residual return to the owner's investment divided by the equity investment.	A measurement of the return the owner of the business receives on his/her money invested. Can be compared to rates of return in other investment opportunities such as stocks, bonds, or savings accounts. A rate of return on equity that is less than the rate of return on assets indicates the unproductive use of borrowed funds.
	Liquidity		
4	Current Ratio	Calculated as current assets (inventories, cash, accounts receivable, etc.) divided by current liabilities (operating loan payments, accounts payable, unpaid taxes due, this year's payments on term loans, accrued interest and rent, etc.).	A basic indicator of short-term debt servicing and/or cash flow capacity. It indicates the extent to which current assets, when liquidated, will cover current obligations. It does not predict the timing of cash flows during the year or the adequacy of future fund inflows in relation to outflows.
	Solvency		
5	Debt-to -Asset Ratio	Total liabilities divided by total assets.	The basic leverage of the business, (i.e., what proportion of total farm assets is owed to creditors). Measures the ability of the business to repay all financial obligations if all assets were sold.
	Financial Efficiency		
6	Asset Turnover Ratio	Gross revenues divided by total assets.	Reflects how efficiently farm assets generate revenues; indicates the volume of business generated by the asset base (i.e., the flow of revenue through the asset pipeline). Can show wide variation

			depending on the proportion of owned land or other assets.
7	Revenue Per Full-time Labor (FT)	Gross revenue divided by the person-years of labor (both operator and hired) used in the farming operation.	The fundamental measure of labor efficiency; reflects how productive labor is and whether or not it is fully employed.
8	Operating Expense Ratio	Total operating expenses minus depreciation divided by gross revenue.	The proportion of total revenues that is absorbed by operating expenses.
9	Depreciation Expense Ratio	Depreciation expense divided by gross revenue.	The proportion of total revenues that is absorbed by depreciation expense.
10	Interest Expense Ratio	Total farm interest expense divided by gross revenue.	The proportion of total revenues that is absorbed by interest expense.
11	Net Income Ratio	Net farm income divided by gross revenue	The proportion of total revenue that remains as net income after all expenses are paid.

Sources: Edwards, W. (1998). "Interpreting Financial Performance Measures", Ag Decision Maker, File C3-56, November. These benchmarks were developed from data for the years of 1990-1996

Bhagat and Bolton (2007) suggested three alternative measures for the firm to interpret the performance of their companies. Bhagat and Bolton (2007) state that the firm performance could be in a specific period. Second, either risk adjustment is not done properly or, the governance issue might be connected with some unobservable risk factors. Third, the relationship between corporate governance and performance may be endogenous and will raise some doubts about the causality. Core, Guay, and Rusticus (2005) argued that current share returns of firms with big shareholder rights do not outperform those with small shareholder rights. There is a serious important body of theoretical and empirical literature in management; accounting and finance that are mostly used in the corporate ownership structure; corporate governance; performance; management turnover; and corporate capital structure. Therefore, for econometric viewpoint, to do research on the relationship between any two or more of the variables, one need to first formulate a system of concurrent or simultaneous equations that stipulates the relationships among the variables (Bhagat & Bolton, 2007).

Both measurements of performance; accounting based measurement and market-based measurements as Al-ghamdi & Rhodes (2015); Dharmadasa et al., (2014); Yoo & Jung (2014) Al-Matari *et* al., (2012) recommended given focus on the importance of profitability in the short term and value of the market in the long term. Hence, the use of these two measures capture different aspects of firm performance. This is consistent with the recommendation by O'Connell & Cramer (2010 p.396), that "researchers in the field should endeavor to adopt a multidimensional approach to performance measurement as different measures tend to capture different aspects of performance". Some previous studies have adopted Return on Asset and Tobin's Q as a measure of firm performance (Al-ghamdi, 2015; Bjuggren & Wiberg 2008; Demsetz & Villalonga, 2001; Denis & McConnell 2003; Gugler & Yurtoglu 2003; Lehmann & Weigand 2000; Ozkan, 2004).

The previous empirical studies, the majority of which has been conducted in developed economies (e.g. the US and the UK), have failed to yield consistent results on the relevance of these structural features of boards to firm performance. The widespread body of related empirical research on corporate governance has so far yielded conflicting and ambiguous results (Daily et al., 2003; Huse et al., 2011; Ingley & van der Walt 2005; van Ees et al., 2009). Thus, previous studies could not provide concrete evidence of what constitutes effective corporate governance especially in the mixed research findings that could not give concrete results on the hypothesized empirical studies on the influence of board's mechanism on firm performance (Finkelstein & Mooney, 2003; Hambrick et al., 2008; Monks & Minor, 2008; Wan & Ong, 2005). Thus, research findings in the literature could not transform effective corporate functioning, hence misleading and inconclusive (Appuhami & Bhuyan, 2015; Jonl et al., 2015).

2.4 The Concept of Corporate Governance

The word, *Governance* is a term derived from Greek-Latin word *gubernare*, which translates as the act of steering that was first used in a metaphorical by Plato. The steering is an institution of the state through the creation of enabling conditions for the enforcement of the rule of law and collective decision making (Rampersad & Hussain, 2014; Robichau, 2011; Solomon, 2007). Initially, governance was synonymous with the management of political/social units, specifically government institutions. This notion has now transcended from the state focus into a market-based application with the emphasis on the management of corporations, also known as *corporate governance* (Offe, 2009). The introduction of governance in the management of corporations was designed to mitigate unethical practices through the promotion of corporate transparency and accountability (Cadbury, 2000). Corporate governance had been defined in many ways by different researchers, authors, institutions, industries, etc. Corporate governance is defined and practiced differently throughout the world, depending on the power of owners, managers, and shareholders (Doidge, Karolyi, & Stulz, 2005). The concept of corporate governance itself has undergone a series of transformations.

2.4.1 Definition of Corporate Governance

There is no single meaning of corporate governance and certainly no definition that all countries agree on (Myers, 1997). Corporate governance had been defined in many ways by different researchers, authors, institutions, industries, etc (Myers, 1997). Corporate governance is defined and practiced differently throughout the world, depending on the power of owners, managers, and shareholders (Doidge et al., 2005).

The term "corporate governance" reveals different meanings arising from the diversity of perceptions and understandings of both what it is and what it should be. With no universally acceptable definition, corporate governance means different things to different people in different contexts. However, most of the definitions obtained for the purpose of this review showed that corporate governance is defined from three perspectives: the shareholders', the stakeholders' and the structural respectively (Aoki 2001; Shleifer & Vishny, 1997). Each of these perspectives has taken either a narrow view of the concept (Cadbury Report, 1992; Donaldson, 2003; Shleifer & Vishny, 1997) or a broader (OECD, 2004; O'Donovan, 2003; Solomon, 2007; Tricker, 1994)

The shareholder perspective is anchored by the inherent conflict of interests between the enterprise owners and the corporate gatekeepers (Farinha, 2003; Jensen & Meckling, 1976; Parkinson, 1994). Corporate governance is viewed as a mechanism to protect the interests of the shareholders of the perceived self-serving managers. While there are many definitions built on the shareholder orientation, Denis & McConnell (2003 p.2), offered one of the more elaborate when they defined corporate governance as "the set of mechanisms - both institutional and market-based - that induce the self-interested controllers of a company (those that make decisions on how the company will be operated) to make decisions that maximize the value of the company to its owners (suppliers of capital)".

In addition, these mechanisms facilitate the monitoring of management and the alignment of their interests in a manner that guarantees returns for the shareholders (Donaldson, 1990; Shleifer & Vishny, 1997). The shareholders' view of corporate governance is based on the notion of agency problems due to the conventional separation of ownership and control in typical joint stock corporations. Since the owners are not directly involved in the management of the organization they own and financially, those who are entrusted with executive responsibilities need to be adequately monitored so as to achieve value maximization for the absentee shareholders.

Debates on shareholder protection have been at the heart of corporate governance discourse, especially since shareholders seem to be on the receiving end in the event of corporate scandals. However, some scholars have added the stakeholder perspective to the concept, with the underlying presumption that effective governance largely depends, not only on the alignment of the conflicting interests of owners and managers but also on the alignment between a firm and the environment in which it operates and does business (Filatotchev, 2008; John & Senbet, 1998; Tricker, 1994). The OECD (2004) provides what was regarded as a comprehensive stakeholder definition of corporate governance, encapsulating a variety of constituencies (Clarke, 2004; Kajola, 2008).

According to the OECD (2004), "corporate governance involves a set of relationships between a company's management, its Board, its shareholders and other stakeholders". The stakeholder perspective looks beyond the immediate owners' interests and focuses on the overall interests of all parties in the firm's value chain. Corporate governance is therefore seen as a system that moderates the kind of interaction that takes place between the firm and those who have rights in its operation (Tricker, 1994). O'Donovan (2003), also suggested that corporate governance is a mechanism designed to serve the interests of not only the shareholder but of other stakeholders.

The varying interest groups in the firm's value chain, amongst others, include customers, suppliers, creditors, employees and the community within which it resides. Whatever kind of mechanism is adopted, an effective governance system is one which takes into account the differences in the desires of these interest groups.

The third perspective is the structural definition. From this viewpoint, corporate governance is seen as a structure, process that outlines the rights and responsibilities of the parties with a stake in the firm (Aoki, 2001). Essentially, this perspective looks at the structure of governance itself, both the internal and external mechanisms. Solomon (2007 p.14) offered a broader definition of the structural viewpoint, taking into account the overall societal interest and defining corporate governance as "the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activities". The major focus here is the configuration of governance mechanisms used, including the institutional frameworks put in place to induce corporate best practice behavior (Cannon, 1994). The structural perspective has received more attention than the other perspectives in the corporate governance literature, with more emphasis being placed on a firm's internal structure, particularly the board of directors. While there are other definitions of the term "*corporate governance*", and no universally accepted one, there is a global consensus regarding its strategic relevance and importance, as the definitions produced in the literature over the years share some vital similarities in respect of the need for better accountability and a greater level of transparency in the conduct of corporate affairs and business (Solomon, 2007).

Basically, the different countries' systems of corporate governance reflect major differences in the ownership structure of companies differently in the globe and also differences in ownership concentration (Shleifer & Vishny, 1997). Corporate governance represents the system by which companies or firms are directed and controlled (Cadbury Report, 1992). In addition, good corporate governance entails efficient management of resources and provision of responsible leadership; it requires the provision of timely and quality information and the enforcement of sanctions for breaches of ethical standard, regulations, and Code of conduct (Ogbeche, 2006; Ogbeche, 2011). Therefore, the whole essence of corporate governance is to ensure transparency, investor protection, the full disclosure of executive action and corporate activities to stakeholders, assurance of performance related executive compensation and full disclosure of executive compensation (Myers, 1997).

Furthermore, corporate governance as a concept represents the system by which companies are directed and controlled (Cadbury Report, 1992). Therefore, in finance and management terminology, corporate governance is to solve what is called the problem of the agency which exists between stockholders or shareholders and managers. Therefore, that is what corporate governance is intended to resolve in making sure investors get their investment back, given that somebody else (managers or agents) will make ensure that all the decisions making process about how their investment or their money have utilized (Akinkoye & Olasanmi, 2014).

Tai (2015) contended that good corporate governance promotes the efficient and effective use of the capital within the company or firms and their return on their capital or resources. In addition, O Donovan (2003), observed the quality of a firm on corporate governance can influence its operation through its share price and cost of raising funds or capital. Corporate governance has enticed the huge attention of investors, public and private sector, policy makers and researchers across the world. The emphasis is on the need for the practice of good governance both in the public and private enterprises in the world. Corporate governance, which had a positive link to national growth and development have gained growing consensus globally (Dalwai et al., 2015; Mateescu, 2015). Hence, this study has identified the following research gap that still existing in the literature. Table 2.3 below is some of the current research gaps, identify on this study:

Table 2.3: Previous research on Corporate Governance.

	Author, Year & Title	IV, DV, Indicators	Unit of Analysis	Country	Method of Data Analysis	Sample Size	Time Frame	Finding	Future Research
1	Harvey Pamburai, Chamisa, Abdulla & Smith (2015) An analysis of CG & Company performance: A South African Perspective	IV: Board Size, Composition. NED, Meeting. DV: ROA, EVA & Tobin q	Board, Management	South Africa	Multiple regression models	158	2012	Board size is found to be negatively & significantly related to EVA suggesting that firms with smaller board perform better than the large board. Tobin q & proportion of non-executive positive, to board meeting negative & significance to both ROA & Tobin q. relationship btw size & performance (EVA & ROA) both positive suggest that large firms perform better than a smaller firm	Sample cover only one year. Future researcher may increase the sample to many years so that the result can be generalized to other years and firms
2	Appuhami and Bhuyan (2015) Examining the influence of corporate governance on intellectual capital efficiency: Evidence from top service firms in Australia	IV: CEO duality, Size, composition, subcommittee composition. DV: Intellectual Capital Efficiency	Organization	Australia	Multiple regression analysis	300	2004 to 2013 (10 years)	The findings indicate that CEO duality, board composition & remuneration committee composition is significance associated with IC. While no effect on IC either.	The study focuses only on top service firms in Australia therefore, the future researcher may consider using other methods of data collection to separately examine the relationship btw CG Mechanisms (e.g. interviews & surveys).
3	Dalwai, Basiruddin & Rasid (2015)	IV: Corporate Governance Mechanism	Countries	GCC: Bahrain, Saudi, Kuwait,	Analyses of the existing studies on CG practices of GCC countries	Peer Reviewed	2008-2010	The existing research studies have reflected several limitations that accentuate the problem that	The future research should create a focus for measuring the

	A critical review of relationship btw CG & firm Performance: GCC Banking Sector Perspective	DV: Firm performance		Oman, Qatar, UAE				relates to the regulatory setup, compliance & identification of any development in the CG practices. Therefore, regulators will be encouraged to focus on more research studies for the GCC sector development in the field of CG of the banking sector	impact of CG mechanism on firm performance.
4	Mateescu (2015) CG disclosure practices & their determinant factors in European emerging countries	IV: Corporate Governance disclosure practices DV: Determinant factors in European emerging countries	Countries	Estonia, Hungary, Poland & Romania	Descriptive statistic & OLS Regression	51 firms	2012	The finding revealed that there is a strong positive connection btw the country-level variables (rule of law, government effectiveness & regulatory quality) & the coy level of compliance & transparency	The sample is small and limited only in four countries. Therefore, the sample may be increased to other countries.
5	Rossi, Nerico & Capasso (2015) CG & financial performance of Italian listed firms. The results of an empirical research	IV: CEO duality, Size, composition, Age, gender, professional diversity etc DV: ROA, ROE, Tobin Q	Board, Management	Italy	Cross-sectional econometric model (OLS)	215 firms	2012	The finding show that the cross-sectional regression highlights two important results: negative correlation btw Tobin's q & CGQI & positive correlation btw ROE & CGQI	It is possible to extend the analysis temporally & spatially, with a comparison btw diff countries, considering that index is constructed on the basis of CG guidelines of diff countries. Also, CGQI can be useful tool both for investors & reduce risk

6	Johl, Kaur & Cooper (2015) Board Characteristic and firm performance: evidence from Malaysia public listed firms	IV: Board meeting, Independence, size, accounting expertise DV: Financial & Non-financial	Board, Management	Malaysia	Regression Analysis (OLS)	700 firms	2009	The finding shows that board independence does not affect firm performance, whilst board size & board accounting/financial expertise are positively associated with firm performance. Board diligence in terms of board meetings found to have an adverse effect on firm performance. The finding provides some implication for future research on the effectiveness of the board of directors on firm performance.	Future research could explore on board characteristics and firm performance by using different research method. Semi-structured interviews or other primary tools with board members will provide further insights on the effects of board characteristics and firm performance.
7	Al-Ghamdi and Rhodes (2015) Family ownership, CG & performance: Evidence from Saudi Arabia	IV: family ownership, ownership concentration, manager ownership, board size, non-duality, CEO family DV: ROA, Tobin q	Board, Management	Saudi Arabia	Descriptive statistic & Regression	792	2006-2013	The finding has shown some evidence for the link btw performance & board size in family firms. The finding support the view that CEO non-duality is important for performance in family firms	To considered other CG variables
8	Yuan and Hua (2015) Analysis on the governance efficiency of forestry listed corporate & the impact on company performance	IV: Board size, independent director, degree of shares concentration & ration of the largest shareholder DV: Tobin Q	Board, Management	China	DEA-Malmquist index & panel data model/descriptive	198	2004-2012	The finding show CG efficiency is positively related to company performance. there finding a show that the corporate efficiency of forestry corporate was quite a diff, governance was uneven level, the impact of CG efficiency on firm performance has a positive role in promoting	CG structure needs to be further improved; using the individual fixed effect variable intercept model to analyze the relationship btw CG efficiency & performance of the company is appropriate.

9	Salama & Zoubi (2015) Does effective monitoring by the board of directors affect the relationship btw global diversification & financial leverage?	IV: Board independence, number of busy directors, board & related committee size, number of board meeting DV: financial Leverage	Board, management	USA	Descriptive, OLS regression & cross-sectional model	6,188	2002-2006	The finding show that the relationship btw global diversification & financial leverage is moderated by the ratio of outside directors positive, busy board negative, board size negative, audit committee size positive & CEO duality inconsistent. Also, the number CEO serving on the board & board meeting is insignificant	Suggest that a strong CG system increases the degree of financial leverage among globally diversified firms
10	Nath, Islam & Saha (2015) Corporate Board Structure & firm performance: the context of Pharmaceutical Industry in Bangladesh	IV: Board composition, size, ownership & CEO duality DV: Tobin Q, ROA	Board, management	Bangladesh	Descriptive statistics & correlation coefficient	90	2005-2014	Findings from the study show that there is a significance negative relation btw board size & firm's financial performance. Association btw other three variables-composition, ownership & CEO duality with financial performance is insignificant to draw a conclusion.	This study may be improved by including more firms & some other variables that may affect corporate financial performance. This study could be further extended to other industry & a comparative analysis could be performed btw Bangladesh & other developing countries.
11	Yoo and Jung (2014) CG change & performance: the roles of traditional mechanisms in France & South Korea	IV: ownership concentration, family control, state ownership DV: ROA, Tobin's Q	Board, management	France & South Korea	correlation & panel regression	SK: 130 France: 192	SK: 1998-2007 & France: 2002-2009	The finding showed three traditional & shareholder-oriented mechanisms on firm performance, highlights the positive influence of the traditional mechanisms, with the exception of state	Given the inconsistent relationship btw governance mechanisms & performance, future research on CG should examine the

							ownership, on ROA or Tobin q.	dynamics, such as hidden ties & complex system, behind the causal relationship btw governance mechanisms & performance as well as the interacting relationship btw contrasting governance mechanisms
12	Ulum, Wafa, Karim & Jamal (2014) CG practices of insurance companies: attributes & accountability	IV: Rules & Regulation, Role & Responsibility of Directors, Academic Background & Experiences of Directors, Auditors roles, Audit Committee & nomination & remuneration committee DV: Accountability	Board, management	Malaysia/Labuan IBFC	Descriptive statistics	29 firms	The finding of the study reveal that rules & regulations disclosure practice, directors' qualifications, & experiences & audit committee's effectiveness are found to be the key factors that influence the CG regime	The sample size is small & restricted to only Labuan & Malaysia insurance companies. Therefore, future research should attempt a comparative analysis of prominent sectors like banks, insurance, trust company leasing

Source: Author

2.4.2 Corporate Governance Mechanism

In any establishment, good governance starts with the owners, then it extends down through the board and management to the employees. No matter what the ownership is, there is the need for transparency and accountability in its relationship with other stakeholders. In this context, all rules that define the governance responsibilities, incentives and sanctions facing the board, management and staff must be well articulated. Board members should be held accountable and liable for their actions, that impact on the interests of other stakeholders. The first major step in creating good governance is for all players to mutually agree on the common corporate goals, which must be specific, explicit and consistent. In the process, there will be trade-offs and delicate balancing of various interest groups. But once the goals are determined and the respective roles of the various players are explicitly defined, there should be an incentive structure and sanctions, which must be effectively monitored and enforced.

Corporate governance encompasses all aspects of running a corporate body or entity, which includes the use of both internal and external features and mechanisms (Denis & McConnell, 2003; Lawal, 2016; Solomon, 2007; Zaman et al., 2015). However, of the two mechanisms covered in the governance literature, the use of internal mechanisms represented by the board of directors stands out. The majority of the previous research has also targeted this aspect of firm governance. Today, any discussion of corporate governance without the incorporation of the board of directors would seem out of place (Nordberg, 2011). The relevance of the board can best be appreciated by looking at the magnitude of attention it has received (Berghe & Levrau, 2004). This is evident in recent corporate reforms, which show an increasing stakeholder focus, especially the policies on the roles and configuration of corporate boards.

Regarding the board structure, Nordberg (2011) outlined some of the basic questions requiring urgent attention in board studies. Those key to the present study include the following: What is the optimal number of people that should serve on a corporate board? What kind of people should serve as corporate directors? What balance does a board need between executives and non-executives, and between experts and generalists? Should one person head the board and the management team, or should there be some sort of check and balance? How do we make boards more independent of management, and how do we know when a director is indeed independent? Such questions have often been asked by researchers in an effort to determine an appropriate board configuration that will facilitate the protection of the owners' interests and engender superior firm performance. In support of the above fundamental questions, Berghe & Levrau (2004) and Lawal, (2016), suggested that any investigation of board characteristic or structure should merely focus on board size, board composition, cognitive capabilities and diversity and international presence.

The use of internal mechanisms represented by the board of directors stands out. Today, any discussion of corporate governance without the incorporation of the board of directors would seem out of place (Nordberg, 2011). Lawal (2012) state that the effectiveness of the board of directors as shareholders' monitoring mechanism can only be efficient if bounded with appropriate size, composition, CEO duality and leadership configuration. Lawal (2016), the investigation and study of the issue and challenges on the influence of board's mechanism on firm performance will for a long time remain an area of research which are consistent with the current studies (Appuhami & Bhuyan, 2015; Dalwai et al., 2015; Harvey Pamburai et al., 2015; Jonl et al., 2015; Lawal, 2012; Nath et al., 2015; Rossi et al., 2015; Yuan & Hua; 2015).

However, previous empirical studies, the majority of which has been conducted in developed economies (e.g. the US and the UK), have failed to yield consistent results on the relevance of these structural features of boards to firm performance. Different patterns and degrees of empirical studies on the influence of board's mechanism on firm performance have been reported in the corporate governance literature. For the purpose of this study, four board mechanism, namely size, composition, CEO duality, and diversity, are reviewed and discussed in detail. The choice of these features is consistent with the Nigerian SEC Code recommendations on board structure, which are the focus of this study. Therefore, reviewing these board features here to provide a solid background for the empirical investigation. The next section is the influence of the board mechanisms on the performance of listed firms in Nigeria. Hence link between board mechanisms and firm performance.

2.5 Board Mechanisms and Firm Performance

It is important to know and understand the role of the board of directors on firm performance. The multiplicity of shareholding in modern corporations has led to a diffusion of ownership with the pioneers often losing substantial control over the corporations they founded (Kim, 2005). The diffusion of ownership has equally created an administrative bottleneck that has had to be addressed through corporate outsourcing to professional managers who watch over the corporations on behalf of the scattered shareholders (Lawal, 2016; Nuhu & Ahmad, 2016). To ensure companies are being managed in accordance with the founders' and others shareholder rights, corporate governance provides some internal and external mechanisms for instilling discipline.

The board of directors, as one such internal monitoring mechanism, is designed in line with the agency doctrine to oversee how the executive team manages the firm in the absence of direct participation from the shareholders (Adegbite, 2015; Adjaoud et al., 2007; Dalwai, 2015; Heracleous, 2001). The introduction of the board as part of a firm's governance equation is aimed at ensuring accountability and reducing the moral hazard associated with the delegation of authority. Shareholders relinquish some of their decision-making rights to the constituted board that is now responsible for making strategic choices in a way that protects the interests of the owners as well as possible (Molz, 2007). Bozec (2005) noted that the board of directors became a necessary variable in a firm's governance calculation because of the need to address the fundamental problem of corporate entities, the significant diffusion of ownership.

Many debates on corporate governance, in both academia and practice, have focused on the board of directors (Berghe & Levrau, 2004). Often regarded as the most significant constituency in firm governance, the corporate board plays an intermediary role that links the firm and its owners with those who provide professional management and other ancillary support services (Bozec, 2005; Chen et al., 2009). The board of directors shoulders the majority of a firm's management tasks (Filatotchev & Boyd, 2009). Apart from being saddled with the responsibility of stopping executive excesses, the board is the ultimate decision-making body through which the fate of the corporation is determined (Adjaoud et al., 2007; Fama & Jensen, 1983; Salama & Zoubi, 2015; Yawson, 2006).

Because of the renewed focus on the internal governance of corporations, discussion on corporate governance has shifted to the functions of the board of directors (Heracleous, 2001; Jonsson, 2005; Ness et al., 2010; Stiles, 2001). The corporate board, as an internal mechanism, is expected to have a predetermined sense of purpose with clearly defined roles that facilitate the directors' effectiveness in carrying out their fiduciary responsibilities. Nicholson and Kiel (2004) argued that the role of the board varies across industries and countries and that a detailed understanding of these roles is critical in empirical studies on board structure. They observed that irrespective of the divergences, there are some key determinants of the ultimate role that the board of directors plays in the firm's governance. These factors include the institutional setting and the cognitive capabilities of the board members, as well as the degree of interference, are some of the essential determinants that shape the specific role of the corporate board (Nicholson & Kiel, 2004). Therefore, the effectiveness of the board of directors as shareholders' monitoring mechanism can only be efficient if bounded with appropriate size, composition and leadership configuration (Lawal, 2012). For the purpose of this study, the influence of board mechanisms, namely board size, independent non-executive director, CEO duality female gender diversity, director skills, board professional knowledge and experience and board ethnicity conflict and firm performance are reviewed and discussed in detail in the next section.

2.5.1 Board Size and Firm Performance

The issue of appropriate board size has been the subject of intense discussion when it comes to analyzing the efficiency of the internal governance mechanism (Lawal 2016; Goodstein et al., 1994; Jensen, 1993; Shivdasani & Zenner, 2002; Tai, 2015; Yermack, 1996). Board size has been acknowledged as one of the key elements of board effectiveness (Dwivedi & Jain, 2005; Tai, 2015). Board size is even more pronounced in single-tier governance systems configured in such a manner that ensures the representation of both executive and non-executive members (Conyon & Peck, 1998; Solomon, 2007).

Empirical research is divided, however, when it comes to the issue of the size of the board that engenders board effectiveness. According to behavioral group mechanisms, there are two extreme positions regarding the ideal number of individuals that should sit on a corporate board at any one time. There is an ongoing debate between those who believe in small manageable boards and those who favor large boards (Coles, Williams & Sen, 2004; Guest 2009; Tai, 2015). Each of these positions is underpinned by the fundamental theories of corporate governance. Board size is rooted in the agency theory supported by stewardship theory, though they share the view a big and small board (Eisenberg, Sundgren, & Wells, 1998; Harvey Pamburai et al., 2015; Lipton & Lorsch, 1992; Mateescu, 2015; Muth & Donaldson, 1998; Rossi et al., 2015; Yermack, 1996).

The underlying premise of the agency theory is somewhat skewed towards small board orientation, with large boards widely assumed to be injurious to the pursuit of board effectiveness (Conyon & Peck, 1998). In defense of small boards, Lipton & Lorsch

(1992), argued that one of the major challenges of corporate governance lies in the boardroom generally, but resides more specifically in the size of the board itself. They further observed that the trend in the corporate domain is such that boards of directors are becoming increasingly overcrowded, which has significantly dampened their effectiveness in discharging the statutory responsibilities imposed on them (Lipton & Lorsch, 1992). Similarly, Harvey Pamburai et al., 2015 and Yermack (1996) also observed that small boards are more effective at monitoring the CEO, and are more likely to invoke appropriate discipline when necessary, especially in the face of a run of poor firm performance. As the number of director's decreases, moving towards a moderate board size, lower monitoring costs are incurred in firm governance, which in itself increases the chances of improved corporate performance (Bermig & Frick, 2010).

While the critics of moderate board size have argued that small boards are more at risk of CEO dominance and entrenchment (Al-ghamdi et al., 2015; Zahra & Pearce, 1989). The depth of experience, access to resources and vital industry information are all said to be limited in smaller boards due to the constraints placed on the expected number of directors (Coles et al., 2004). These critics favor large boards, which they claim to be ideal for effective firm governance. Advocates of large boards rooted in the agency theory supported by resource dependence theory (Elsayed, 2011; Lawal, 2016; Pacini, Hillison, & Marlett, 2008). They have pointed out the merits of increased quality board membership, including, amongst other things, more alternative courses of action, a pool of experience and expertise in the boardroom, and external network connections which enhance firms' access to critical resources and information (Larmou & Vafeas, 2010; Zahra & Pearce, 1989). Of all the board mechanisms covered in the corporate governance literature, the size of the board remains the most sensitive variable in empirical investigations, probably because it is the only one associated with the majority of firms' "*observed and unobserved variables*" and thus more prone to the endogeneity syndrome than another board mechanism (Bennedsen, Kongsted & Nielsen, 2008).

The fundamental ideas of the agency theory supported by resource dependency and stakeholder theories are aligned in supporting a large board. The ability of a board to co-opt specific resources, as entrenched in the resource dependency theory, is based on a well-diversified board configuration with a high external network density (Klein, 2002). Jackling & Johl (2009), found the large size to be associated with the board role of the resource dependency theory. They reported a positive link between firms with large boards and performance, as a consequence of the effect of resource co-optation and board members' external contacts. A firm's competitiveness hinges on it have the resources available to drive its corporate strategy. These resources are numerous and therefore, co-opting them requires not only a large number of people but also many options. A relatively large board is thus imperative if it is to play the resource dependency role (Elsayed, 2011). The stakeholder theory also advocates large boards. Under this theory, boards are expected to play a balancing role, since corporate entities are seen as the property of not only the immediate owners but also the stakeholders that are affected by the firm's strategic decisions (Ayuso & Argandona, 2007). In order for the interests of all parties to be balanced effectively, each of these groups has to be represented in some way. The increasing number of different stakeholder groups needing to be represented further increases the required size of a corporate board.

Advocates of large boards argue that increasing the number of directors on a corporate board creates a group composed of experienced individuals who have the expertise to provide guidance and, at the same time, are capable of overseeing executive activities (Guest, 2009; Larmou & Vafeas, 2010). A firm's specific knowledge is said to be substantial in large boards due to the high degree of heterogeneity among the members which can engender the effectiveness of the board (Berghe & Levrau, 2004). There is a belief amongst proponents that genuine advice emanates much more frequently from independent outside directors. Therefore, large boards composed of a higher proportion of non-executives are more vigilant and effective in carrying out the board counseling role (Coles, Daniel & Naveen, 2008).

Pacini et al., (2008) noted that the benefit of a large board lies in the fact that corporate strategic decisions are arrived at only after due consideration of the diverse views put forward by the members. This ensures that all the best possible alternatives and the potential consequences are weighed before a particular course of action is adopted. The quality of a board decision is thus enhanced in a large board with an increased number of qualified individuals from diverse backgrounds (Erhardt, Werbel & Shrader, 2003). In support of the above line of thought, Eisenberg et al., (1998) observed that larger boards, with a majority of outside directors, we're likely to be efficient in making corporate strategy choices for non-executive members would have a lot more to lose, compared to the executive directors, should anything go wrong.

Critics of large boards believe that poor communication, a group think-tank syndrome, and potential conflict, resulting from the emergence of splinter groups within boards are likely to reduce their effectiveness (Eisenberg et al., 1998; Pacini et al., 2008). In support of the potential for the emergence of alliances within a large board, Goodstein et al., (1994) argued that a large board that became fragmented would face much more difficulty arriving at a common decision. The large board size can also be detrimental to the monitoring of executives as the increased number of members creates a platform for free-riding behavior (Guest, 2009).

The absence of group cohesiveness and the possible division of ranks amongst board members make it even easier for a powerful CEO to dominate the board and entrench him/herself (Chang, Chou & Huang, 2014; Cheng, 2008; Lipton & Lorsch, 1992). Elsayed (2011) observed that a large board enhances a CEO's dominating influence due to the diffusion of the board's monitoring efficiency. As the board size of the firms grows, its tendency to go away or move from being an active structure or organ to a passive element becomes greater (Hermalin & Weisbach, 2003). The debate on the issue of social loafing has continued to surface in a large portion of the current literature as a negative consequence of a relatively large board size. Hence, there is a tendency for some or certain members to act as box tick to the firm and not necessarily contributing significant value to board discourse. Bozec (2005) contended that, as the size of a board escalates, its inefficiency in monitoring the executives grows proportionately.

According to Eisenberg et al. (1998), the board size debate focuses on two aspects of board effectiveness: communication and coordination. Effective communication among the group is essential during deliberation and interaction. The argument against a large board size is based on the group behavior theory that having too many members in a group is likely to impair the dissemination of information, which is thought to be especially true in the presence of CEO duality (Elsayed, 2011). Lorca, Sánchez-Ballesta, and García-Meca, (2011), emphasized that the benefits to firms with large boards become increasingly less significant beyond a given size, due to the incremental costs associated with impaired information flows and the slow pace of corporate decision making. The larger the board, the more time it takes members to reach decisions on simple issues, irrespective of their strategic relevance (Goodstein et al., 1994). Cheng (2008) argued that corporate decision making in firms with large boards often falls short of optimality. Instead, decisions on corporate strategy at the board level are usually reached after members have made enormous compromises, owing to the inherent risk aversion associated with large boards (Cheng, 2008). Directors' freedom of expression and critical probing of strategic issues may also be infringed upon in a large board due to time constraints during deliberations.

Regarding the coordination of members of a large board, critics have argued that boardroom management might be tedious for the board leadership and this presents the opportunity for the executive to override decisions due to the loss of momentum in monitoring (Guest, 2009). Harnessing the benefits and potential of a large group, in terms of the variety of ideas, experiences, suggestions and constructive comments, may be difficult to achieve when board size becomes excessive. Nordberg (2011) observed that the difficulties of having a purposeful discussion amongst members of enlarged corporate boards eroded the value associated with the large board. As the board grows, even ordinary tasks become difficult to execute (Yawson, 2006). Directors' participation tends to be at its lowest on large boards since the desire to become involved in board deliberations falls off with the increasing size of the group (Berghe & Levrau, 2004).

A review of recent literature shows that discussions on board size are increasingly shifting from a small versus a large board size debate to a "*trade-off*" dichotomy (Bennedsen et al., 2008). In the tradeoff process, firms weigh up the pros and cons by taking into account the benefits of having high-quality directors against the incremental governance costs of an extra director. Assessing the cost implications of appointing a new director to the board *vis-à-vis* the associated benefits will help a firm determine the appropriate board size to have. The trade-off approach is increasingly gaining ground in board research as scholars intensify their efforts towards gaining a clearer insight into the effect of size on board effectiveness and firm performance.

Jensen (1993) led the charge in this relatively new direction with a proposition regarding the existence of board size optimality. While offering support for increased outside director participation in firm governance, Jensen (1993), argued that a board size exceeding seven or eight members is more likely to be passive in carrying out their statutory functions. The implication of a growing board size lies in the fact that it is often accompanied by an increased number of executive directors, which reduces board independence and control over the management team (Bonazzi & Islam, 2007; Heslin & Donaldson, 1999; Lawal, 2012; Nicholson & Kiel, 2007).

Lipton & Lorsch (1992) argued that given the time constraints due to the sporadic nature of directors' tasks, increasing board sizes would make it harder for boards of directors to engage in meaningful discussions during board meetings. They recommended an optimal board size often, allowing for easy coordination and interaction amongst members in a manner that would enhance their participation in board discussions. For firms with large boards, due to the unique operating environment and for which an increase in the number of board members has helped, Lipton & Lorsch (1992), suggested a board size eight or nine which they claimed represents "*the best fit*". This, they said, could be achieved through gradual "*attrition*" and not instant action. In support of the above, Nath et al., (2015) suggested in their work that average board size of eight members, which can only responsible for the financial performance of companies.

In an attempt to identify what the ideal board size should be, researchers have turned to the factors that determine board composition. A firms' characteristics, such as the structure of the industry and the level of competition, are said to be critical in determining the appropriate board configuration (Hermalin & Weisbach, 2003). Larmou & Vafesa (2010), asserted that the stage of a firm's life cycle and internal mechanism, combined with other uncontrollable environmental factors, play key roles in board size. Since firms' environmental conditions differ, board size will vary from one industrial sector to another or as firms move from one stage of their life cycle to another. Eisenberg et al., (1998) argued that the size of a firm, which defines the degree of monitoring and control expected of its directors, is also an essential element in determining optimal corporate board size.

Boone, Coles & Terry (2007, p.66) in what can be regarded as an opposing view, found that board size is influenced by the rate of growth of a firm, its operational complexity and its level of diversification. Using a sample of 1,019 IPO firms, examined over a ten-year period between 1988 and 1998, the study generated another interesting outcome that suggested board size was a function of the "*trade-off between the specific benefits and the cost of monitoring*". They raised three distinct hypotheses (i.e. scope of operations, monitoring and negotiation hypotheses) to explain the determinants of board size and independence. The study found support for all the assumptions that were put forward. For instance, in the scope of operations hypothesis, they argued that a firm with increased complexity in terms of mode of operation and processes, as well as those venturing into new and unfamiliar markets, would require individuals with an excellent understanding and ability to provide the required business support services across the chain. This would entail adding more members with technical knowledge to the board. Therefore, a large board may be of immense benefit for firms operating under such conditions.

Boone et al. (2007), argued that firms operating in an industry with high opportunities for growth were likely to require the services of those with industry knowledge, which would mean increasing the role of the executive directors. Firms operating under these circumstances would be expected to have a small executive-dominated board. However, firms may opt for higher non-executive representation for effective monitoring in the event that executives display self-interested behavioral tendencies and if the monitoring is achieved at a moderate cost. The final hypothesis concerned the negotiating power of the CEO. A high-performing CEO with external connections was posited to be more influential and to determine the composition of the board due to his/her high bargaining power. In this scenario, the size of the board was expected to be small as the CEO would favor the inclusion of executive directors who would be likely to be more loyal, thereby reducing board independence. However, the restricted CEO influence would provide an avenue for more outside appointments to the board.

Many studies have been carried out in recent years to determine the empirical validity of the idea of an optimal or moderate board size and its effects on firm operations and financial performance. In a recent study of Appuhami & Bhuyan (2015), suggest that the average board size is stable over a period of 2004 to 2013 in Australia with the small sample firms, which contain a means of 8 members with a range of 4 to 14. Their finding is consistent with previous studies. In a study of 6,850 Danish firms with limited liability during 1999, Bennedsen et al., (2008) found a robust negative association between board size and firm performance as measured by the return on assets (ROA). Board sizes in small and medium firms were, however, found to be positively linked to the size of CEO's family. After controlling for the effects of firm size, age, business group, CEO ownership, CEO age and ownership structure, they reported that the negative result could be attributed to the pattern of large board sizes in those firms with six or more board members. Firms with small boards (i.e. those with between three and five members) exhibited no such negative effects.

Interestingly, this empirical result was also consistent with Yermack's (1996), findings in respect of large corporations. Bennedsen et al. (2008) supported Yermack's (1996) that optimal board size of a maximum of five members, beyond which they claimed board passivity began to manifest itself. Bennedsen et al. (2008), though they recognized that a firm's optimal board size is a trade-off, argued that, for closely held firms, such as limited liability companies, the optimal size is in the region of three to five members. Rossi et al. (2015), proposed size of the board no fewer than six and no more than 15 members.

Again on the size optimality debate, some scholars have opted for a more moderate view as opposed to a numerical indication of what an ideal board size should be. One such clever view came from Raheja (2005), who argued that an optimal board is contingency-driven, which suggests that, depending on the prevailing circumstances, a large or small board may prove critical to a firm's governance. Elsayed (2011) suggested that making a clear-cut argument for or against a distinct size (i.e. small or large) is tantamount to assuming the existence of an ideal stable state, which can obviously be misleading. Contrary to previously documented evidence, Coles *et al* (2008), based on a sample of 8,165 firms drawn from Compact Disclosure (CD) and the Investor Responsibility Research Centre (IRRC) over a ten-year period between 1992 and 2001 – reported a positive association between board size with more non-executive representation and *Tobin's q* in those firms with operational complexity. Complex firms, according to them, included those firms with a well-diversified portfolio, large conglomerates and those with a high mix of debt in their capital structure.

They documented that the overall empirical studies on the influence of board's mechanism on firm performance are U-shaped. This, according to them, is a reflection of the difficulty of the quest for board optimality (especially the obsession with small boards), which does not seem to exist. Coles et al., (2008) queried the credibility of the popular notion that small boards and less executive representation improve a firm's market value and performance. They contended that complex firms required boards to play a role in terms of advice and resource requirements. In such circumstances, the size of the board increases proportionately with its needs. Therefore, limiting board size in such situations may be counterproductive and detrimental to the firm's ability to create value, which may not be in the best interests of the shareholders (Coles et al., 2008).

Regarding whether or not the proportion of executive directors is positively linked with R&D-intensive firms, after controlling for the effect of CEO characteristics and firm age, their empirical analyses showed the relationship to be weak. Coles et al., (2008) concluded with the suggestion that their findings highlighted the value-eroding effects of the "*one size fits all*" mentality where restrictions are placed on firms with respect to maximum board size and the ratio of executive to NEDs.

Yawson (2006) observed that making a clear-cut decision on what an optimal board size should be by way of codes or guidelines is fairly unrealistic due to the inherent differences in firm characteristics. Board sizes, therefore, differ between firms, especially those operating in different industries, since their operating environments and management structures tend to vary (Guest, 2009). However, some researchers have suggested that irrespective of the size, a board should be configured in a way that inspires meaningful discourse amongst the members (Berghe & Levrau, 2004). In support of the above, on the empirical front, which is the main essence of this literature review, investigations into the direction of causality between board size and firm performance have so far yielded paradoxical results (Finegold et al., 2007). There are three sets of reported outcomes: those showing a positive relationship, those showing a negative one, and those finding no significant association at all between board size and performance. Holistically, however, the views and empirical findings of the negative effect of board size on firm performance, measured using both accounting and market-based measures, tend to dominate in the corporate governance literature (Guest, 2009; Bennedsen et al., 2008).

The most influential and widely referred to study on board size is one conducted in the US by Yermack (1996). The study offered a solid foundation for subsequent research into the optimal board size for board effectiveness. Yermack's investigation was based on a sample of 452 large industries operating in the US between 1984 and 1991. The study employed two sets of performance measures, i.e. *Tobin's q,* and ROA while controlling for the effects of firm size, growth opportunities, active monitoring and close ownership structure. The empirical result showed an inverse relationship between board size and firm value.

Yermack (1996) reported a convex relationship between the two major variables in the model, suggesting that a firm's value, margin and indeed, the overall operational efficiency, shrinks as board sizes graduate from small to medium. The combined aggregate loss in a firm's value, margin as its board size went from six to twelve members was found to be the same as when it went from twelve to twenty-four. This finding, according to Yermack, pointed to the essence of keeping board size low. While he found absolutely no evidence to suggest that past firm performance was driven by changes in board size, he reported that the news of a board size reduction was always greeted with a high return on a firm's stock. Yermack concluded that the evidence was consistent with the growing belief that a firm's market value appreciates when board size is kept small.

Using UK data, Guest (2009) attempted to test the validity of previous studies on board size, especially those originating from the US, to establish whether the conclusions drawn in respect of small board size were feasible in the case of UK firms, where board monitoring is said to be weak. Guest (2009) examined the impact of board size of a firm's performance in a sample of 2,746 listed firms between 1981 and 2002. He reported a robust and strong negative relationship between board size and firm performance as measured by ROA, market value (*Tobin's q*) and annual share return, after controlling for endogeneity effects using firm size, age and R&D intensity as control proxies. Guest (2009) found no evidence to suggest that certain firm characteristics are vital to optimal board size but rather reported a strong negative association between performance and board size to large firms with a tendency to increase board size. Regarding optimal board size, he recommended somewhere in the region of ten members. Guest (2009) argued that a board size above ten is likely to generate communication and decision-making challenges.

Conyon & Peck (1998) offered their own empirical evidence in a comparative study of five European countries (the UK, France, the Netherlands, Denmark and Italy). The objective was to verify the authenticity and robustness of previous research on the effects of board size on corporate performance. They hypothesized that the benefits from increasing board size are far less than the escalating costs of governance, slow decision-making processes, and ineffective communication. Though the study period covered 1990 to 1995, only the period from 1992 to 1995 was considered during the analytical stage.

Conyon & Peck (1998) argued that the rationale behind the deliberate lag was to allow for endogeneity tendencies. Sample sizes of 615 firms were drawn from Datastream International. Using two firm performance measures, one accounting-based, i.e. return on equity (ROE) and the other market-based (*Tobin's q*), they reported an overall negative relationship between board size and firm performance. They concluded that further research using a more detailed single-country analysis, and employing a variety of performance measures, was required for the full appreciation of the board size effects on corporate performance. Eklund et al., (2009), also reported a strong negative effect on board size on the investment performance of firms listed on the Stockholm Stock Exchange between 1999 and 2005.

In search of further negative evidence on the effect of board size on firm value, Mak & Kusnadi (2005), conducted a comparative study of Singaporean and Malaysian firms listed on the two stock exchange markets between 1999 and 2000. The data sample consisted of 230 firms, drawn from eight and nine industries of the two countries, respectively. Using *Tobin's q* as a measure of firms' value in line with previous studies, and a further three accounting-based measures; ROA, return on sales (ROS) and the ratio of assets to turnover, the results showed a consistent decrease in firm value as board size exceeded its optimal level. After controlling for the effect of government ownership, main board listing and the number of years since incorporation, amongst other things, they reported that firm value measured by *Tobin's q* increased as board size went from two to five and then began to descend as the size grew to six and beyond.

Cheng (2008) reported a significantly lower variability of the relationship between large board size and corporate performance. The empirical study contained a sample of 1,252 firms drawn from the IRRC database for a nine-year period between 1996 and 2004. Using three separate performance measures (monthly stock returns, ROA and *Tobin's q*), after controlling for the endogeneity effect of firm size and percentage of CEO ownership, Cheng (2008), found board size to be negatively associated with these performance measures.

Using a sample size of 879 small and medium Finnish enterprises, made up of 785 financially sound companies and 97 on the brink of collapse, over the three-year period between 1992 and 1994, Eisenberg *et al* (1998), found that the correlation between the board size and profitability of these firms was significantly negative as measured by ROA. Unlike previous and more recent studies, after controlling for the effect of firm age, investment opportunities (i.e. industry growth potential) and board quality, Eisenberg *et al* (1998), further adjusted the ROA, taking into account the inherent differences between the firms in the sample. This process ensured that the model retained its efficiency in ascertaining the degree of relationship between board size and firm profitability. The correlation was found to be negative, even when the firms were split based on their financial strength.

The authors concluded that the results were consistent with those of previous studies which had used data drawn from large corporations only (Yermack, 1996). They argued that firms' board sizes are determined by past performance, firm evolution and composition. On past performance, they found that a run of poor performance was associated with director turnover. Eisenberg et al., (1998) observed that the operating environment might differ depending on the firm's size, but the stable outcome is that firm performance is negatively correlated with the total number of individuals sitting on the corporate board. They noted that board size might only affect performance if it is a reflection of firm evolution. Therefore, optimal board size (*if any*) may be a function of firm size (Eisenberg et al., 1998).

Despite the dominance of negative evidence in the studies of the relationship between board size and firm performance, there is some empirical evidence suggesting a strong positive association between these two variables of interest. Elsayed (2011), investigated the moderating effect of the leadership structure of the relationship between board size and firm performance. In a study of 92 large Egyptian listed companies between 2000 and 2004, Elsayed found evidence of a positive effect of board size on firm performance in those firms with non-CEO-duality and a negative influence in those firms with CEO duality. The result was sound across the three different performance measures employed (i.e. *Tobin's q*, ROA, and ROE) despite the presence of control variables such as firm leverage, firm age, ownership structure and industry effects.

Elaysed (2011) argued that a firm's leadership structure, especially where one person occupies the position of board chair and CEO at the same time, will determine the direction of the association between board size and performance. While firms with non-CEO-duality are more likely to add outside non-executive members onto the board, the contrary is usually the case in a duality leadership structure. As most CEOs try to entrench themselves, they will thus favor the appointment of insiders due to their perceived inherent loyalty (Elsayed, 2011).

Dwivedi & Jain's (2005) study provided empirical support for large boards. They conducted an empirical study based on a sample of 367 firms drawn from the top 500 companies listed on the Indian Stock Exchange markets, over a five-year period (1997-2001). They found a weak but positive effect of large board size on firm market value as measured using *Tobin's q*. Board size was captured in the estimated model as the total number of directors on the board. In order to ensure robustness and reduce potential endogeneity, the study looked at the effect of R&D and marketing expenditure, as well as ROCE in the regression model. Dwivedi & Jain (2005) argued that their result indicated the significance of keeping corporate board size large as a way of reducing the agency cost of the dispersion of ownership and control.

Similarly, in a study of 257 small firms with poor performance records, Larmou & Vafesa (2010), found empirical support for large boards. Using sample data drawn from Compustat for the period between 1994 and 2000, they documented a positive correlation between board size and firms' market valuation as measured by the market-to-book-value ratio. The study's findings also included annual stock returns increasing when a new member is added to the board.

While offering support for the Eisenberg et al., (1998) findings, Larmou & Vafesa (2010), argued that board size is largely a function of the stage of the lifecycle of a firm and the associated costs and benefits based on the prevailing circumstances facing the firm. They shared the view that increasing board size may be beneficial only up to a certain level, which will tend to vary across different firms in different industries.

Above a given optimal point, any further additions may begin to have adverse consequences for board effectiveness. Larmou & Vafesa (2010) noted that their study was more "*complementary*" to previous empirical findings rather than opposing them, as the firms considered were somewhat smaller than those used in previous studies.

Tanna et al., (2011) conducted an empirical study on 17 banks operating in the UK, over six years between 2001 and 2006, the period preceding the financial crisis. They reported that board size was positively associated with each of the three firm efficiency levels, measured using combined data development analysis and two-stage regression. Even after limiting the effects of bank size and capital base, the positive relationship was still visible on the model but it did lose its robustness. They noted that the positive outcome might be a consequence of high-value creation due to effective monitoring in the UK banking sector prior to the crisis era.

The work of recent empirical study of Nath et al. (2015), on 11 companies in Dhaka Stock Exchange (DSE) in Bangladesh for a period of 10 years between 2005 to 2014. They suggested that board size is negatively related to Tobin's q and ROA. They report that board size is significantly associated with dependent variables. Though there is no significant relationship between independent variables and firm financial performance, but they suggested average board size of 8.

Other groups of researchers have also reported the non-existence of a significant relationship between board size and firm performance. The leading studies here include that of Bhagat & Black (2002), conducted in the US. The study was based on corporate board data sets drawn from a sample of 934 firms covering an eleven-year period between 1985 and 1995. Bhagat & Black (2002) found no statistically significant relationship between the board size and selected measures of firm performance. Bermig & Frick (2010) investigated the board size effect on firm profitability and market value within a sample of 294 firms listed on the German DAX, MDAX and SDAX stock exchange markets between 1998 and 2007. Using two market value and accounting measures, they were unable to find a consistent relationship between board size and any of *Tobin's q*, total shareholders' return, ROE, and return on invested capital (ROIC). The result was stable even after the introduction of, control variables such as company size, leverage, growth opportunity and block holding the econometric model.

However, in a cross-sectional empirical investigation of the impact of corporate governance on the performance of insurance companies before and after the introduction of the US Financial Services Modernization Act, Pacini et al., (2008) reported a significant inverse relationship between board size and the performance of property-liability insurance firms listed on the NYSE, AMEX and NASDAQ. They drew a sample of 59 firms and evaluated the relationship based on the performance measures of the market-to-book ratio, return on revenue and operating ratios.

In the empirical model, Pacini et al., (2008) studied the effect of nine variables. These included board activity, firm size, and leverage, inside ownership, board independence, prior performance, distribution channel, market power, and reinsurance. Though the result was subject to the proxies used, they found an existing relationship between small board size and firm performance in two out of the three years considered in the analysis. The limitation of this study, however, lies not only in the use of lone board effectiveness variables, but also the scanty nature of the data in terms of both the period considered and the sample size used.

Overall, empirical studies on the nexus of board size and firm performance have yielded inconsistent outcomes ranging from positive (Appuhami, 2015; Arslan et al., 2010; Ness et al., 2010; Onakoya et al., 2014) to negative (Eisenberg et al., 1998; Harvey Pamburai et al., 2015; Nath et al., 2015; Yermack, 1996;). However, unlike other board characteristics where the direction of causality remains complicated, previous studies on board size have overwhelmingly pointed to a negative relationship (Guest, 2009). Consistent with the pattern of previous empirical outcomes, the present study investigates the influence of board size on the perceived firm performance of listed firms in Nigeria. The next section is by reviewed board independent and firm performance.

2.5.2 Board Independent and Firm Performance

Boards of directors are shareholders' internal control mechanisms designed to protect their interests against the supposed rent extractors (Jensen & Meckling, 1976; Nuhu & Ahmad, 2016; Stiles & Taylor, 2001). Nevertheless, having an optimal mix of directors, involving those both within and outside the firm, is imperative to addressing agency conflicts (Bathala & Rao, 1995). Weisbach (1988), observed that the board is at the center of a firm's governance and its responsibility is a reflection of the power imposed on it by shareholders as "*the first line of defense*". Corporate boards are the most important monitoring apparatus and one that shareholders can easily use to inculcate corporate discipline amongst the professional managers who run the firm on a daily basis (Rhoades et al., 2000).

However, the extent to which boards of directors are able to exercise legitimate power in exercising their fiduciary functions depends on their composition (Hermalin & Weisbach, 1988; Nath et al., 2015). For the purpose of this study, board composition is defined in terms of the proportion of outsider and insider directors who make up the board. The insider members are nominated from within the management team, including the CEO. They are referred to as executive directors since they are simultaneously involved in the day-to-day operations of the firm, besides their directorship function. The outside members are known as NEDs due to their part-time status in the running of the firm. However, recent empirical studies and corporate governance guidelines have attempted to differentiate between two classes of non-executives, namely independent and dependent non-executives. Independent, non-executives are those directors who have no family or business ties with the CEO-led management team (Dalton et al., 1998).

Scholars have further argued that there are absolute and partially independent outside directors (Rhoades et al., 2000). Byrd & Hickman (1992), observed that some outside board members are connected to a firm in certain areas of its operations, which is the case with venture capitalists, legal service providers, technical and non-technical consultants, for example. These groups may be regarded as outsiders, but by virtue of their business relationship with the firm, they may well have a conflict of interests. In order to differentiate between those with a conflict of interests and those that are presumed independent, directors with certain business links with the firm are regarded as "*affiliated outside directors*", whereas those with no form of material relationship are referred to as "*independent outside directors*" (Byrd & Hickman, 1992; Lawal, 2016). Rhoades et al., (2000) identified four key criteria for identifying directors who are dependent: being a current employee, being a past employee, maintaining any form of relationship (be it biological or material) and, above all, having been nominated onto the board by the incumbent CEO. Independent NEDs are detached from managerial influences due to having no business associations of material measure (Cadbury, 1992).

Most of the various codes of corporate governance and guidelines issued in recent years have favored the inclusion of NEDs who are independent of the executives (Chen et al., 2009; Nuhu & Ahmad, 2016; Kang et al., 2007). Weir and Laing (2001), noted that non-executive independence is crucial to the board, especially in carrying out its oversight functions. The absence of non-executive independence is detrimental to the monitoring role as it provides space for insider directors to promote and legitimize their self-interests (Luan & Tang, 2007).

It is interesting to note that the mere inclusion of non-executives may not necessarily translate into board independence, since even some of the perceived outsiders may be loyal to a CEO who encourages executive entrenchment (Clifford & Evans, 1997). Whereas a corporate board may appear appropriately configured as a result of an increased number of NEDs, within these outside representatives there may be those who are at odds with the situation as they share some material relationship with executive members, especially the CEO (Cravens & Wallace, 2001; Lawal, 2012). Although the affiliated directors can still play a vital role in carrying out the board service functions, because they are attached to the management team, this question the independence of their judgment (Dalton et al., 1998; Lawal, 2014).

When it comes to gauging the level of board independence, the composition of directors on the board is often used as a proxy (Chen et al., 2009). A board is therefore said to be independent of the executives or detached from CEO influence when composed of a high proportion of non-executive members (Dalton et al., 1998). There are presumptions within both academia and professional practice that NEDs, as outsiders, are better monitors of the CEO and the management team (Weisbach, 1988). The insider directors are criticized for giving their allegiance to the CEO, who usually plays a significant role in their being nominated onto the board. The credibility of the executive directors in terms of genuinely monitoring and controlling the CEO is doubtful since their fate also tends to lie in the hands of the same boss. There is near-consensus as to the strategic importance of increasing NEDs' presence on boards since they are more likely to make correct decisions about when to hire new and fire existing CEOs (Weisbach, 1988).

Byrd & Hickman (1992) argued that, because the insider directors are in charge or in possession of valuable information about the firm and the non-executives or independent director bring to bear their expertise, knowledge, and objectivity, hence, having an appropriate mixture of both individual categories of directors may be of major advantage and importance to a firm's governance. Scholars have also fought against the idea of a balanced board consisting of an equal proportion of insiders and outsiders. Rhoades *et al* (2000), observed that such a configuration is detrimental to board effectiveness as the firm will no longer benefit from the advantage of having one of the two extremes dominate the boardroom.

In the corporate governance literature, discussions on board composition are mostly focused on whether to have an executive- rather than non-executive-dominated board structure or *vice versa*. Arguments in favor of increased executive membership are rooted in the agency theory supported by stewardship theory of corporate governance (Davis & Donaldson, 1994; Muth & Donaldson, 1998; Lawal, 2016). In support of the executive-dominated board structure, Osterloh & Frey (2006), argued that one of the firm's key value drivers is the quality of the executive team in terms of its accrued competencies and understanding of the business. Advocates of insider directorship have continued to argue for more executive freedom in handling the firm's strategic issues, as opposed to the excessive use of the board to limit the executive's role under the pretense of an agency problem.

Osterloh & Frey (2006) further contended that a board's over-reliance on the CEO for information can also be mitigated by an increased presence of executive membership on the board. Because of their innate knowledge of the business, Weisbach (1988), observed that executive directors on boards play a crucial role in decisions to appoint a new CEO. Therefore, reducing the number of executive directors may well be counterproductive because there will be less knowledge sharing and guidance to shape the board decision processes (Finegold et al., 2007; Lawal, 2016). Klein (1998), argued that it is crucial for corporate boards to have access to strategic information. Executive directors, as full-time corporate managers, are in possession of these firms' valuable information. The more of these insider directors are present on the board, the more likely it is that the guidance offered by the board will be based on their expertise and excellent understanding of the business.

The critical benefits a board derives, when granted access to relevant corporate information, are well documented in the corporate governance literature. Bhagat & Black (2000), in their analysis, offered some insight into the crucial position that executive directors occupy in a board setting. They observed that "inside directors are conflicted but well informed whilst independent directors are not conflicted but are relatively ignorant about the company" (p. 34). Bhagat & Black (2000), questioned the empirical validity of the case for an increased share of independent directors on the board. They argued that the proponents seemed to have ignored the strategic relevance of insiders, who engender board quality through their valuable contributions during board deliberations and decisions. The independent NEDs may be active in their monitoring of the management team, as well as being reactive to the firm's specific functions, but at the same time inefficient owing to their inadequate business knowledge (Lawal, 2014; Weir et al., 2002).

Gani & Jermias (2006) asserted that, while it is possible for the NEDs to be good monitors, the excessive use of this mechanism in firms' governance might jeopardize management's ability to take those initiatives that propel corporate success, especially when the stakes are high. Every corporate entity operates within an environment that shapes the manner in which it functions. Intense competition in both the product and labour market, as well as rapid technological innovations, are some of the high-stake factors that can put to the test a firm's strength in terms of general industry knowledge and technical experience.

On the contrary, the case for an increased proportion of NEDs in the boardroom is particularly based on the agency theory supported by resource dependency theory

(Baysinger & Hoskisson, 1990; Fama & Jensen, 1983; Hillman et al., 2000; Lawal, 2012; 2014; Nicholson & Kiel, 2007; Pfeffer, 1972; Rechner & Dalton, 1991; Yoan & Hua, 2015).

From agency and resource dependency perspective, the supporters of non-executive directorships argue that the investing public usually rely on the presence of these categories of directors as a sign of firms' good governance and strong external networks, which provide the management team with the strategic resources required to run the corporation successfully (Luan & Tang, 2007). Kakabadse et al., (2001) argued that the magnitude of the role expected of the NEDs required that they possess certain unique skills and capabilities, which, amongst others, should include functional expertise, industry knowledge, high network density, mentoring and coaching skills and, above all, a high degree of intellectual independence. These prerequisite qualities, according to Kim (2007), determine the extent to which outside directors are able to champion the resource dependency efforts.

Taking the other hand, NEDs are corporate umpires with a statutory obligation of neutrality during board discussions (Fama, 1980). Their presence on the board and during board-related activities helps subdue the executive exuberances and excessive behavior resulting from managerial entrenchment (Agrawal & Knoeber, 1996; Dalton et al., 1998; Stiles & Taylor, 2001). In the words of Weisbach (1988), "managerial entrenchment occurs when managers gain so much power that they are able to use the firm to further their own interests rather than the interests of the shareholders" (p. 435). As stated earlier, in the discussion of the agency theory, contemporary institutional arrangements have made it impossible for owners of joint stock companies to fully participate in the management of the corporations. The inherent separation between ownership and control has created a conflict of interest, due to the belief that, at some point, managers might not be that enthralled with the kinds of goals the owners would like to pursue. Consequently, these managers are most likely to engage only with those courses that satisfy their self-interests (Heracleous, 2001). Monitoring and ensuring the alignment of managers' interests have thus become an integral part of board function.

With more emphasis placed on the strategic relevance of outside NEDs, many scholars and professionals have argued that the composition of a board plays an important role in the board's ability to carry out the monitoring function (Bozec, 2005). The NEDs are regarded as the main drivers of corporate governance (Yawson, 2006). The benefits associated with the presence of these outside directors are better appreciated by assessing their auxiliary roles, the most notable being the provision of advisory and resource-linking services (Rhoades *et al.*, 2000). Corporate boards that are dominated by outsiders are more energetic in undertaking firm governance tasks of a specific nature (Bhagat and Black, 2000). Empirical evidence on the effectiveness of NEDs in firm governance during a crisis has shown boards' enthusiasm for replacing errant CEOs, as well as for facilitating takeover bids, amongst other things. Yawson (2006) also noted that the non-executive-dominated board is more effective in pursuing firms' specific strategic initiatives, such as redundancy decisions. These specific board actions are more visible in an independent board structure.

Shan and McIver (2011) argued that the benefit derived from the inclusion of NEDs in firms' governance is attached to their perceived quality and level of independence.

Directors' quality is measured in terms of their cognitive characteristics, such as academic and professional qualifications, career experience and industry knowledge, amongst others (Anderson et al., 2011; Hsu, 2010; Lawal, 2014; Ulum Wafa, Kari & Jamal, 2014). These cognitive elements are discussed in more detail in the latter part of this chapter. Besides quality, there is the issue of directors' independence. Hsu (2010) argued that a high degree of independence is required in order for directors' quality to be relevant at the board level. Whilst offering support to the above view, Berghe & Levrau (2004), asserted that, in order for NEDs to command respect and objectively monitor the performance of the management team in carrying out their gatekeeping role, they must be independent of the executives, especially the CEO.

Rhoades *et al* (2000) contended that NEDs are a symbol of board independence that guarantees effective firm governance by boards. They bring neutrality into the boardroom, which shapes the overall modes of operations and activities of the board (Tian & Lau, 2001). According to Weir et al (2002), their perceived degree of independence, linked to the high stakes in terms of their reputations, enhances the effectiveness of NEDs in carrying out their obligations. Supporters of board independence and non-executive director have contended that, if the sole responsibility and functions of the board of directors is to formulate and monitor the executives and the management team functions, then outside independent directors or non-executive are more passionate about instilling such control processes or measure (Bhagat & Black, 2000; Lawal, 2016). The non-executives are not likely to compromise this because they are independent and thus more likely to withstand executive pressure in discharging their statutory role of monitoring and control (Ness et al., 2010).

Weisbach (1988) observed that, because of the value attached to the position, together with the sensitive nature of their expected role, NEDs are usually respected individuals drawn from within and outside the business world. Driven by their excellent reputations and self-esteem, NEDs are intrinsically motivated when it comes to carrying out the monitoring role (Mura, 2007). Outside directors' competencies are judged, not on how well they perform, but on how well their firms (upon whose boards they sit) fare (Weisbach, 1988). Therefore, NEDs derive their monitoring incentives from the monumental reputations they have built for themselves, which they want to protect at all costs (Bathala & Rao, 1995). Compared to the executives, those who serve as NEDs are faced with a more competitive corporate labour market. Outside directors bring objectivity into board discourse as corporate umpires. This is in addition to their extensive work experience and excellent track records, which help in strengthening their monitoring instincts (Byrd & Hickman, 1992).

Despite the perceived benefits associated with the position of being a NED, the degree to which these outsiders will remain independent has been the subject of discourse in the corporate governance literature. Rosenstein & Wyatt (1990), argued that an institution in which the management team actively participates in the nomination and appointment of outside NEDs creates suspicion regarding the latter's monitoring capabilities. The non-executives are forced to play a more redundant role for fear of losing a re-election bid, as a CEO-led management team may be reluctant to keep an active non-executive member of the board (Lawal, 2014; Luan & Tang, 2007). According to Byrd & Hickman (1992), the fact that non-executives rely heavily on the insiders, who also play a crucial role in their nominations, for vital corporate information, clearly makes the executives a more dominant force in firms' governance.

Critics have pointed to information asymmetry as a key constraint faced by outside directors, which largely limits their effectiveness on the boards.

Osterloh & Frey (2006) argued that the situation whereby independent, non-executives have to depend on the information provided by the CEO-led management team prior to making strategic decisions suppresses board monitoring momentum. Because the majority of the non-executives are busy directors, as defined in terms of the number of boards they sit on, it can be quite difficult for them to gain the highest level of business knowledge required to exercise their independent role across all of the sectors in which they are involved (Bathala & Rao, 1995). Chen et al., (2009) observed that outside directors' independence is often compromised because of their inherent lack of sufficient knowledge about the business in which their companies are involved. According to them, this limits the non-executives' ability to exert full autonomous power over the executives.

The presence of a CEO on the board nomination committee has also been a subject of intense debate. Because CEOs participate in, or in some instances even chair, the board nomination committees, the outside directors selected tend to be indebted to them and thereby somewhat reluctant to discharge their monitoring responsibilities. Cravens & Wallace (2001) argued that the value of outside directors in championing the monitoring of the executives is constrained by the degree of management involvement in their nominations and appointments. There is also criticism targeted at outside directors. Clifford & Evan (1997) observed that the presence of grey directors (i.e. affiliated directors) is a hindrance to board independence and effectiveness. A corporate board may look well-balanced in terms of its insider/outsider composition but may remain ineffective due to the inclusion of grey directors, which compromises the monitoring by another outsider members (Luan & Tang, 2007).

In a study of panel data consisting of 672 United Kingdom (UK) listed firms, Mura (2007), found that the fraction of non-executive directors on a board was significantly and positively associated with firm performance (i.e. *Tobin's q*) as estimated using the generalized method of moments (GMM) technique. However, the resultant level of significance for the same dataset disappears when measured in terms of the ratio of the stake that outside directors hold in the firm. This evidence, according to Mura (2007), points to the strategic relevance of directors' independence in their board monitoring role. While independent outside directors are much more likely to be effective gatekeepers, the same cannot be said for grey directors such as institutional block holders.

Although the majority of boards of directors are usually structured to comply with certain standards, such as codes of corporate governance, policy recommendations and guidelines for corporate best practices, empirical studies have shown that the firms' industry effects, as well as the ownership structure, play vital roles in board makeup (Bhagat & Black, 2000). Using a data sample of 184 firms drawn from a group of 200 of the largest UK companies listed on the London Stock Exchange (LSE) in 1995, O'Sullivan (2000), found a strong positive statistical correlation between a corporate board composition with a higher number of NEDs and the ownership of large external block holders. The study further subdivided the block holders into two separate groups, namely institutional and non-institutional. The result showed that the highly significant association documented was influenced by non-institutional block holders.

In conclusion, O'Sullivan (2000), noted that, within the two groups, non-institutional block holders are more likely to push for a high proportion of non-executive representation on a board for effective monitoring of the management team. The overall firm size is said to be instrumental in determining the board structure pattern (O'Sullivan, 2000). For instance, big conglomerates with well-diversified operational portfolios are more passionate about increasing non-executive membership on their boards to fill the monitoring gap resulting from the growing separation of ownership and control.

Firms operating in a complex environment might require the services of NEDs who can provide "*social capital*" to help a firm cope with uncertainties (Kim, 2007). From a resource dependency perspective, the directors' quality is measured in terms of this capital, which captures how easily directors are able to access vital information and the diversity of their external networks. Arthur (2001), noted that scanning through the environment is much easier for firms whose directors have high social capital because the influence of these outside directors can be used to tap critical resources that would ordinarily be out of the firms' reach.

Arthur (2001) further contended that a CEO's relative bargaining power is also crucial to board composition, with the likely scenario being that a firm whose CEO has high bargaining power will see fewer outsiders joining the board, making executives a dominant force. CEOs build up bargaining power with increasing tenure. Newly appointed CEOs face increased board scrutiny and thus are unlikely to have the same level of power as an incumbent, due to the initial doubts about their competencies (Arthur, 2001).

Rhoades et al., (2000) argued that board composition, in terms of the ratio of executive to NEDs, is determined by the nature of the environmental characteristics facing the firm. While increased executive participation is very relevant for firms operating in highly volatile circumstances, less volatile environmental conditions require increased non-executive involvement as a consequence of the increased need for executive monitoring. In a highly aggressive product market, competition is an external mechanism that checks managerial performance. Therefore, increasing the number of outside directors can only be detrimental to a firm's performance.

Randøy & Jenssen (2004) conducted an empirical investigation into a selected number of firms facing strict product market competition. They found that board independence was counterproductive to a firm's performance as measured by *Tobin's q* and ROE. On the other hand, for those firms with less competitive intensity in terms of the product market, the inclusion of outside independent directors was instrumental to improved firm performance. They concluded that board composition should be a function of the external environmental forces facing a firm, particularly the nature and degree of market competition. Lending support to the stewardship theory, they argued that inside directors are more beneficial to a firm operating in a competitive product market.

While it is imperative to note that the case for increased non-executive representation on the corporate board has received more attention within academia and public practice, empirical evidence supporting claims that such an inclusion can engender improved firm performance remains relatively unclear (Clifford & Evans, 1997; Jackling & Johl, 2009). Mixed results continued to dominate empirical studies on the effect of board composition on firm performance (Finegold et al., 2007; Lawal, 2014). One of the earliest studies on the role of non-executives in monitoring the CEO were conducted in the US by Hermalin & Weisbach (1988), who reported a high degree of association between the presence of outside NEDs on the board and CEO turnover, in contrast to boards dominated by insider directors. The research data were drawn from a sample of 495 companies listed on the NYSE for the four-year period between 1977 and 1980.

Hermalin & Weisbach (1988) argued that the board monitoring role is more visible and effective in an outsider-dominated board structure. The fact that corporate boards are more able to replace underperforming CEOs, they said, enhances firms' market value as measured by prior performance, in terms of the stock return and changes in firms' earnings. In order to address the problem of endogeneity, control variables, such as the ownership structure, firm size, and industry grouping effects, were introduced into the estimated model, but the strength of the result was said to be consistent across these effects. Hermalin & Weisbach (1988) concluded that the vulnerability of executive directors is higher when a firm is experiencing poor performance, with NEDs appearing to be a favourable replacement in the event of any insider's departure.

Perry and Shivdasani (2005) offered equally strong evidence with respect to the effectiveness of outside directors on the performance of specific board responsibilities. In a study based on a sample of 94 firms experiencing a decline in performance, they found that a corporate restructuring effort was associated with boards that had a high number of outside directors. They reported strong evidence suggesting that the firms that introduced a series of corporate reforms experienced successive performance improvement in the reference period (1992-1996), as reflected in their ROA.

The level of significance remained constant even when a control variable – industry effect – was introduced into the regression model. Perry and Shivdasani (2005) concluded that the effect of board composition on a firm's performance can be seen if the empirical focus is shifted to firm-specific issues that are likely to impact corporate performance, such as governance challenges and a decline in operating performance. This study further strengthened the presumption that NEDs are more able to act swiftly in the event of a corporate crisis. Unlike the Hermalin & Weisbach (1988), study, Perry & Shivdasani (2005), noted that a board composed of a high number of non-executives were even more likely to initiate other belt-tightening policies rather than remove the CEO on the grounds of poor performance.

Gani and Jermias (2006) reported, for those firms pursuing a cost-conscious strategy, a strong and significant positive relationship between the reported ROE and returns on investment (ROI), and the proportion of independent directors. In a study involving a sample of 436 US manufacturing firms, with data collected over a five-year period (1997-2001), they found that firms pursuing a cost reduction competence strategy experienced improved performance, as estimated using moderated regression analysis (MRA), compared to those that focused on innovation. Gani and Jermias (2006) contended that, while non-executives can be good monitors, the excessive use of this mechanism can jeopardize the management's ability to take the initiatives that drive corporate success, especially in high-stake situations. They recommended that board composition should reflect a firm's corporate strategy, rather than being force-fitted or prescribed in the form of codes of best practices. Each industry is unique and thus it is imperative to note that the level of board independence that works in one sector could very well be the biggest mistake in another sector (Gani & Jermias, 2006).

In another sectional study, Tanna et al (2011), arrived at a similar conclusion on the importance of independent NEDs. They found that the share of outside directors on the boards of seventeen banks, studied over six years during the period prior to the banking crisis (2001-2006), was strongly associated with the banks' efficiency levels (technical, scale and allocative). Tanna et al., (2011) noted that the result was a re-affirmation of the cognitive value that NEDs bring to board discourse at the back of their experience and subject matter expertise.

Similarly, Luan and Tang (2007), found a strong significant relationship between the appointment of independent outside directors and firm performance as estimated by ROE. After controlling for the effects of firm size and previous performance, they found that the number of firms experiencing superior performance went down when the number of outside directors was increased. The data set used in their study consisted of 259 listed Taiwanese electronics companies for the period between 1997 and 2002.

In a study of 1,251 announcements of the appointments of outside directors drawn from the Centre for Research in Security Prices (CRSP) database for the period 1981 through 1985, Rosenstein and Wyatt (1990), reported a significant positive association between the addition of outside NEDs to the board and increased shareholders' wealth as measured in terms of abnormal share price returns. As to whether the return was because of the directors' cognitive background, Rosenstein and Wyatt found no clear evidence to support this argument.

The equivocal findings of previous empirical evidence motivated Rhoades et al., (2000) conduct a further meta-analysis of existing studies, most specifically those that focused purely on the relationship between board composition and firm performance. The final sample of 37 filtered publications was taken from 57 published and unpublished examples of empirical evidence spanning from 1971 to 1994. Though the evidence could not be generalized due to the small size of the data set used, Rhoades et al. (2000), found a positive association between firm performance and board composition in terms of the share of NEDs. The direction of causality between the two variables was also found to vary across the different performance measures used. Positive results were also reported in other similar empirical studies linking NEDs with improved firm performance (Connelly & Limpaphayom, 2004; Jackling & Johl, 2009; Shan & McIver, 2011).

Contrary to the above, however, negative results have been reported in some empirical examinations of the board composition effect. Bhagat and Black (2000), conducted an investigation into the long-term effect of board independence on firm performance using sample data comprising the 934 largest US public companies over an eleven-year period. Four separate accounting and market-value-based performance measures were employed: *Tobin's q*, ROA, stock price returns, and sales-to-assets ratio. While calls continue to grow for increased board independence, in terms of a greater representation of outside directors, their empirical results showed no evidence to suggest that firms benefit financially from such an inclusion.

Despite controlling for the effect of board size, firm size, industry grouping effects, as well as CEO and outside director ownerships, no significant relationship were recorded across the data set tested. The result remained the same even for those firms that increased their ratio of outsiders on the board in order to avert a decline in their operating profits. Bhagat and Black (2000), drew one conclusion, that the level of board independence is a significant indicator of how well a firm is doing in terms of financial performance. Contrary to the popular norm, they noted that there was no evidence of a linkage between board independence and firm performance. Rather, a significant connection was noticed in terms of increasing independence in firms experiencing poor performance (Bhagat & Black, 2000).

In a study of the effect of outside directors on firm performance during the institutional transition, covering a sample size of 405 Chinese listed firms, Peng (2004), found that the performance measures used to play a critical role in the outcome of the relationship. While outside members on a board were significantly associated with firm performance as computed using the sales growth ratio, a non-material effect was found when ROE was employed. Peng (2004) observed that timing also played a critical role in the outcome of empirical investigations, since it takes time for the real impact of outsiders to be felt on a board, especially during institutional transitions.

Kim (2007) reported strong evidence suggesting that outside directors are linked to the provision of social capital to Korean firms; using the generalized least squares (GLS) approach. In a study of 473 firms listed on the Korean Stock Exchange between 1998 and 2003, Kim (2007), found that NEDs are influential in carrying out firm-specific tasks, such as resource co-optation and information sourcing. However, no significant relationship was recorded when firm market value measures (i.e. *Tobin's q*) was employed in the model after controlling for the effects of firm size, ownership concentration and the number of years listed on the stock exchange. The study concluded that the efficiency of NEDs was limited to the resource dependency function, beyond which their role was reduced to the fulfillment of the recommendations of corporate governance codes (Kim, 2007). Negative associations have been reported in several other studies evaluating the relationship between board composition and firm performance (Hsu 2010; Ness et al., 2010; Yammeesri & Herath 2010).

The roles of the executive directors have also been the subject of empirical investigation in the context of firm performance. In a study involving a selected sample of 348 firms listed on the Australian stock market during the 1996 financial year, Nicholson and Kiel (2003) found strong support for the effect of the share of insider directors on firm performance as measured by *Tobin's q*. Similarly, Klein (1998), in his study of the board committee structure, reported minor evidence on the effect of composition on performance but found that firm performance was strongly associated with the structure of the board committee. The study was based on sample data of 485 and 486 firms listed on the S&P during 1992 and 1993 respectively. Specifically, he reported a significant positive relationship between the proportion of executive directors serving on finance and investment committees and firm performance as measured by ROA and stock market return.

Apart from the inclusion of control variables (such as CEO influence, R&D and capital expenditure) in the regression model, Klein (1998), departed from the traditional dual classification of directors (i.e. insiders and outsiders) and took a more contemporary approach, subdividing outside directors into affiliates and non-affiliates to ascertain their degree of relative independence. The result remained strong and consistent in the causal direction, as those firms that increased the share of insiders on these committees experienced a significant return on both investment and stock. The reverse was the case, however, for those firms facing reduced insider representation on their finance and investment committees. Klein (1998) in conclusion, observed that the vast majority of board activities are being carried out at the committee level and that the board composition effect on firm performance is best tested at the functional level.

In conclusion, while the current study recognizes the equivocal findings that continue to dominate corporate governance research on the strategic relevance of independent NEDs (Jackling & Johl, 2009; Kim, 2007; Nath et al., 2015), the assumption that the presence of these outside directors enhances board monitoring and vigilance remains popular amongst academia and professionals (Laing & Weir, 1999). Particularly, Finegold et al (2007) noted that, even if the empirical investigations have failed to offer the kind of consistent evidence expected, the inclusion of independent NEDs is likely to minimize any unethical conduct at the top management level. Consistent with the above suggestion and the fact that the SEC Code offers similar recommendations on the inclusion of at least one independent director on the boards of Nigerian quoted companies, this study investigate the influence of independent non-executive director on the perceived firm performance of listed firms in Nigeria. The next section is the causal between CEO duality and firm performance.

2.5.3 CEO Duality and Firm Performance

Duality is a term used to describe a leadership structure in which one executive member, specifically the CEO, occupies the position of managing director (MD)/CEO and, at the same time, chairs the board of directors (Boyd, 1995; Elsayed, 2007; Lawal, 2016). Functionally, the MD/CEO is an executive member charged with the responsibility of running the corporation, as well as initiating and executing the agreed corporate strategy. The chairperson heads the supervisory board of directors, which provides the appropriate checks to ensure that the executive management, under the CEO's leadership, runs the corporation in a way that safeguards and maximizes the shareholders' interests. If at any given point, the above two distinct roles are held by a single person, the firm is said to be operating a dual leadership structure (Lawal, 2014; Weir & Laing, 2000).

In essence, the words CEO and duality represent the wearing of "two hats" with full delegated authority (Lawal, 2014; Rechner & Dalton, 1991). Nordberg (2011) asserted that the outcomes of inquiries into the collapses of famous corporations have pointed to the activities of the CEOs as being instrumental in the events leading to these failures. Using conventional wisdom, the diffusion of executive powers, especially the CEO's through non-duality, is seen as one of the most effective approaches for addressing the agency problem (Bozec, 2005; Lawal, 2014).

Debate on the duality or dual leadership structure is centered on whether the chief executive officer (CEO) should be allowed to hold both CEO and chairman positions within the same corporation. Though many codes of corporate governance are structured in the agency theory orientation, which discourages the dual leadership structure, supported by the stewardship theorists and the focus being the need for unity of command and control at the top management level (Dahya & Travlos, 2000; Lawal, 2014; Yoo & Jung, 2014). The agency and stewardship advocates, who are also regarded as organizational theorists, argue that the harmonization of the two highest corporate positions, with the CEO at the helm, creates purposeful and clearly focused corporate leadership (Davis & Donaldson, 1994). According to the proponents, granting CEOs full autonomy will enable the executives to take strategic initiatives which improve shareholders' value and firm performance (Daily & Dalton, 1997; Kang & Zardkoohi, 2005; Lawal, 2014).

However, critics and different stakeholder groups have continued to voice their concerns over the dual leadership structure, which some judge as being anti-governance (Jackling & Johl, 2009). The scattered minority shareholders, institutional investors and government regulatory agencies, and indeed the public, including professionals and academia, have been outspoken about the separation of power at the top corporate level. The agitation of these various constituencies was influenced by a series of corporate scandals which pointed to the lack of board independence as the immediate cause of the unethical practices that have engulfed some corporations in the past (Baliga et al., 1996). This explains why the call for board independence is overwhelmingly more pronounced in those countries that have been most hit by corporate scandals in recent years (Elsayed, 2007). These include the US, the UK, Australia (Daily & Dalton, 1997) and, much more recently, some parts of Asia and Africa (the Olympus scandal in Japan and Cadbury in Nigeria being just two examples of the latter).

The dual leadership structure, according to its supporters, promotes uniformity and simplifies authority as well as the flow of responsibility. The approach eliminates ambiguities and also decreases the role conflicts that are usually associated with the separation of decision management and control functions (Al-ghamdi & Rhodes, 2015; Elsayed, 2007; Finkelstein & D'Aveni, 1994; Lawal, 2014). First-hand knowledge of the firm and of its environment is one of the familiar justifications scholars have used to advance their arguments in favour of duality (Ness et al., 2010). The presumption has always been that CEOs are more intrinsically motivated by virtue of their position, and thus may be more willing to go the extra mile for the firm they partly own. Advocates have also contended that the efficiency and speed of corporate decision making are enhanced under the dual leadership structure (Brickley et al., 1997; Boyd, 1995; Lawa, 2014). CEOs, as the head of management and the board, are able to adopt temporary measures on matters of strategic importance pending board verification. This ensures that the firm maximizes any opportunities without necessarily having to wait for the corporate board before such processes can be initiated. This is crucial due to the fact that the board of directors is an organ that does not participate in day-to-day management activities.

The adoption of the dual leadership structure reduces the cost of governance since positions that would ordinarily have been occupied by two people are now held by the CEO alone. Dahya and Travlos (2000), argued that the costs of compensation, monitoring, information asymmetry and CEO succession planning could be minimized through this strategy. The unification of the two positions is said to strengthen the leadership and enhance information dissemination across the board (Rhoades et al., 2001). The CEO, as a full-time administrator, will have an excellent understanding of the firm's operating environment, much better than outsiders who tend to have a more generic, rather than specialized, knowledge (Lawal,2014; Weir et al., 2002).

Therefore, bestowing the responsibility and authority of the two positions on an insider is much more likely to produce effective firm governance and a corporate sense of purpose (Baliga et al., 1996). Proponents of duality have observed that the creation of the board chair position is more a conventional wisdom, which may not necessarily be effective in the actual governance of firms. Brickley et al., (1997) noted that having two different people heading up the two top bodies induces unhealthy competition that impairs collaboration between the two upper organs of the corporation.

The agency theorists believe that, if the corporate board of directors' responsibilities includes monitoring the executive management, it must be untenable for the incumbent CEO to chair the board at the same time. Doing so would impair their degree of objectivity and be tantamount to self-appraisal (Al-ghamdi & Rhodes, 2015; Arslan et al., 2010; Jackling & Johl, 2009). The CEOs, by virtue of their position, are said to be unable with the management team they cite, to offer any kind of unbiased decision or leadership that is required in their institutional arrangements (Daily & Dalton, 1997). Though not absolutely supported empirically, the call for a separation of power between the CEO and the board chair has received tremendous attention, with an increasing number of codes of corporate governance recommending the fragmentation of the leadership structure at the top corporate level (Faleye, 2007).

Laing & Weir (1999) contended that when one was encompassed with too much power in the hands of an individual is directly increasing agency costs since it provides only a little or no room at all for any executive checks and balances within their context. Boyd (1995) argued that this will subdue a board's a usefulness in, carry out its fiduciary obligations or responsibility. Rechner & Dalton (1991) contended that the quest for corporate integrity and probity, accountability, honesty, and transparency might be compromised due to the fact that chief executive officer overbearing tendencies that resulting from the high focus or concentration of power. In principle, the management team is constituted for the purpose of the day-to-day running of the corporation while the corporate board, on the other hand, is there to ensure that, even in the absence of shareholders, those managing the firm to do so in the shareholders' best interests at heart. These roles expected of the executives and board create two separate components with distinct functions. Hence, giving so much power of these two different positions to one person may create or amount to an abnormal or aberration, since one organ is a regulator whilst the other is an executor of corporate decisions.

Daily & Dalton (1997) noted that the insider directors' freedom of expression is often restricted in those firms practicing a dual leadership structure. Other executive directors on the board may be unable to express themselves freely or even air an honest opinion because of their fear of the CEO's unfair treatment and backlash. Osterloh & Frey (2006) therefore proposed that having an independent leadership structure at the board level would engender meaningful deliberations in the boardroom. Jensen (1993) stated that the absence of leadership independence limits boards influences in safeguarding shareholders' interests through exerting appropriate monitoring and control.

Others have observed that the dual leadership structure induces the entrenchment of the executives and curtails the board's overall ability to assess and discipline an erring CEO (Faleye, 2007; Rhoades et al., 2001). The separation of the two positions is said to allow an injection of new ideas, a different perspective and information exchange between the insider and outsider directors. Conventionally, in the absence of leadership duality, the board chair is usually appointed from within the NEDs. Bringing more outsiders onto the board through CEO non-duality creates an avenue for the exchange of thoughts and alternative views between executives and non-executives (Dahya & Travlos, 2000). The NEDs, as outsiders, are associated with high external network density. Therefore, the use of a non-executive to chair the board can provide a firm with the opportunity to tap into these external contacts in times of need.

Apart from exploring the benefits of the two opposing views on duality and non-duality, researchers of board structure have also tried to focus on the possibility of identifying those factors (if any) that determine the appropriateness of a firm's leadership configuration. The shift towards understanding the drivers of the corporate leadership structure was based on the reported empirical inconsistencies supporting the adoption of either a dual or non-dual structure (Coles et al., 2001; Heracleous, 2001; Rechner & Dalton, 1991). A review of the documented evidence shows a high degree of divergence between the conventional wisdom on the right leadership structure and the empirical results reported.

Cravens & Wallace (2001) observed that the appropriate leadership structure depends on a firm's specific fundamentals and not on conventional wisdom. Therefore, adherence to outright power separation at the top corporate level, as recommended in most codes of corporate governance, may not necessarily be palatable or provide an easy ride towards improved firm governance or financial performance (Cravens & Wallace, 2001). For the corporate board to be effective there must at least be a good fit between the firm characteristics and the leadership pattern being adopted.

Consequently, beyond the codes and guidelines, scholars have attempted to empirically identify those factors that ultimately determine the board leadership structure. Using a sample of 1,883 US firms that had filed governance statements with the US Securities and Exchange Commission in 1995, Faleye (2007), found that complexity, CEO reputation, and managerial ownership are key determinants of the board leadership structure. He argued that flexibility is a competitive instrument, useful for firms operating in a multifaceted environment and those whose operational processes are highly demanding. Therefore, those firms facing complex situations are more likely to opt for a dual leadership structure which places the responsibilities of the two positions in the hands of the CEO.

Faleye (2007) further noted that, under a complex scenario, the agency costs of monitoring and control are compensated for by the reduced costs of information asymmetry and flexibility. The study also found that CEOs who are founding members with bulk equity tend to hold dual positions. There is a conviction that, being part owner and founder, the CEO has a lot at stake in terms of reputation and material interest (Faleye, 2007). He concluded that having a forced board leadership structure by way of codes and guidelines without regard to firms' specific characteristics could be injurious to corporate performance.

Kang & Zardkoohi (2005) argued that the effect of duality/non-duality on firm performance lies in the preconditions underlying the choice of a particular leadership structure. If there is a mismatch between the prevailing circumstances and the leadership structures adopted, then it becomes difficult to empirically establish the direction of causality between the two variables. In conclusion, Kang & Zardkoohi (2005), further emphasized that dual leadership may be a function of five distinct factors: institutional arrangement, board/CEO power, social exchange reciprocity, reward, and solution. The efficiency of dual or non-dual leadership thus depends on whether such a decision takes into account these fundamental conditions (Kang & Zardkoohi, 2005).

Finkelstein & D'Aveni (1994) found that the board leadership structure is significantly linked to the CEO's informal power and the firm's level of performance. The high informal power of the CEO was found to be significantly associated with non-duality. For those firms experiencing high operational performance, as measured by ROA, non-CEO-duality tended to be the most preferred leadership structure. However, contrary to the conventional wisdom, Finkelstein & D'Aveni (1994), reported a strong relationship between CEO duality and the degree of board vigilance. The proportion of independent directors on the board was used as a proxy for board vigilance. Consistent with the preliminary finding, the results remained robust even after controlling for the effects of firm size, previous performance, the proportion of CEO ownership and other factors.

In support of the above empirical studies, Daily & Dalton (1997), argued that previous performance and the magnitude of the inherent power of the CEO as an incumbent are crucial factors in the leadership style that a firm will end up adopting at any given time. Arguing from a similar angle, Arthur (2001), contended that the firm leadership structure is partly a function of the CEO's accumulated power. Those firms with powerful CEOs are more likely to adopt a dual leadership structure, with the incumbent CEO combining the two positions as a consequence of his/her bargaining power.

Some scholars have asserted that the optimal leadership structure depends on firm size. For instance, Palmon & Wald (2002), argued that the sign of the relationship between CEO duality and firm performance is driven by firm size. In a study of board management changes covering the period between 1986 and 1999, with a sample size of 157 firms, they reported that changes in the leadership structure were associated with positive abnormal returns in large-sized firms and negative abnormal returns in small-sized firms that changed from a dual to the non-dual structure. The capital asset pricing model (CAPM) was employed to estimate firm performance. They argued that the result obtained was an indication of the fact that a non-dual board leadership structure is most beneficial for large firms due to the increased monitoring requirements associated with the multidimensional phenomena of large corporations. However, small firms require compact monitoring and control, which makes a unified leadership configuration preferable (Lawal, 2014; Palmon & Wald, 2002).

Contrary to the above findings, Brickley et al (1997), argued that the cost of separating the two positions is higher than the benefits accrued for large firms. In a study of directors' compensation in a sample of 661 large US firms drawn from the Forbes survey of 1989, they found that executive power separation is detrimental to a firm's cash flow and market value. No empirical support was found in the conventional wisdom of separating the two positions. They further noted that some large US firms use the board chair position as an incentive to encourage high CEO performance.

Consistent with the above findings, Daily and Dalton's (1997), the investigation found no meaningful results regarding whether the suggested non-dual leadership structure enhanced board independence. Using a sample of 365 large US corporations in a single-year study, they regressed the effect of board leadership structure across six independent variables: inside/outside succession, CEO tenure, chairperson tenure, equity ownership, familial relationship and the proportion of outside directors on the board. They reported that separating the positions of CEO and board chair while holding other variables constant does not amount to independence. Daily and Dalton (1997) suggested, however, that there are some firm-specific variables that influence the direction of causality between leadership structure and board independence, such as monitoring expectations and external linkages amongst others.

The issue of duality has not demanded the same level of awareness, popularity, research and attention in terms of volume of investigating empirical evidence and results as other board internal characteristic, such as board size and board composition (Al-ghamdi & Rhodes, 2015; Finkelstein & D'Aveni, 1994; Rechner & Dalton, 1991). Although, the results from the few available prior studies are inconclusive as mixed evidence have been reported concerning the empirical causality between CEO duality and firm performance (Elsayed, 2007). Hence, in a study of 192 in US firms drawn from twelve different industries between 1980 and 1984, Boyd (1995), has found the CEO duality to be significant positive but, negatively connecting to firm performance.

Relying on board structure data collected from a sample of 141 firms over six financial years between 1978 and 1983, Rechner and Dalton (1991), reported that firms with an independent leadership structure and a clear separation between the posts of CEO and board chair, consistently performed much better than those with a dual leadership structure across all three measures of firm performance, i.e. ROE, ROI and profit margin (PM). Similarly, Elsayed (2007), found that CEO duality is strongly associated with a firm's market value for those firms experiencing low operational performance. Using *Tobin's q* as a measure of firm performance in a sample of 92 Egyptian firms spread across nineteen diverse sectors, Elsayed (2007), reported that the effect of CEO duality on firm performance varied significantly across industrial groupings. The result was robust even when several control variables, such as board size, the proportion of ownership (i.e. institutional/management) and firm size was introduced into the econometric model. The outcome of this empirical study showed both the agency and stewardship theories as being crucial to understanding the duality and firm performance dichotomy (Elsayed, 2007).

Rhoades et al., (2001) conducted a meta-analysis of 22 published and unpublished empirical studies with a combined sample size of 5,751 firms, covering the period between 1971 and 1996. The studies used four performance measures – ROA, ROE, profit margin and market value (i.e. *Tobin's q*). The results obtained from the regression models showed a significant relationship between an independent leadership structure and firm performance. Rhoades *et al* (2001), however, noted that the connection was somewhat contingent on the internal and external environments facing the firm. A positive association between CEO duality and financial performance was also reported in other similar empirical studies (Kula, 2005; Ness et al., 2010).

Baliga et al., (1996) found a weak relationship between duality and a firm's long-term performance after controlling for the effect of certain firm performance enhancements such as firm size, capital structure, and dividend policy and insider ownership. Before control variables were introduced into the estimated model, the preliminary results showed no significant evidence to suggest that firm performance, increased or declined as a result of the dual or non-dual leadership structure. Their empirical evidence was based on a sample of 375 firms drawn from Fortune's Top 500 for the period from 1980 to 1991. Two categories of firm performance measure were employed, short-term and long-term. The short-term performance measures, which included ROE, ROA, and assets and sales turnover, were used to evaluate the operating performance changes of the firms across different leadership structures. The market value added (MVA) mechanism, an indicator of *Tobin's q*, was the second set of performance measures, used to assess the long-term effects of leadership structure on firm performance. The results showed that the market reaction to leadership changes remained consistently indifferent (Baliga et al., 1996).

In conclusion, empirical results from previous studies are unclear over which type of leadership structure promotes improved firm performance (i.e. CEO duality or non-duality). The bulk of the documented studies that have examined the impact of CEO duality on firm performance are inconclusive (Elsayed, 2007; Finegold et al., 2007; Johl et al., 2015). While statistically significant relationships have been reported in some quarters, as highlighted above (Elsayed, 2007; Kula, 2005; Ness et al., 2010; Rechner & Dalton, 1991; Rhoades et al., 2001), other studies have found only a negative relationship (Dalton et al., 1998; Lawal, 2016; Ehikioya, 2009).

It is equally interesting to note that, in certain instances, no substantial evidence could be found to suggest the existence of a statistically significant causality between the two variables of interests (Al-ghamdi & Rhodes, 2015; Arslan et al., 2010; Jackling & Johl, 2009; Lawal, 2014). However, consistent with the recommendations of the SEC Code encouraging CEO non-duality, this study investigates the influence of CEO Duality on the perceived firm performance of listed firms in Nigeria. The next section is Board diversity's and firm performance

2.5.4 Female Gender Diversity and Firm Performance

Diversity is a key component of board mechanisms rooted in the agency theory supported by stakeholder and resource dependency theories of corporate governance. Therefore, at the board level, diversity involves having a board composed of directors from different cultural, ethnic, national, and other racial divides, competent, qualified and experienced individuals from diverse walks of life who bring to bear their versatility and external connections on the discourse and the workings of the board.

A review of the corporate governance literature shows that research studies, as well as public discourse on board diversity, are somewhat biased, with greater emphasis placed on demographic components such as gender, age, race, nationality, etc (Campbell & Mínguez-Vera, 2008; Hagendorff & Keasey, 2010; Rossi et al., 2015). Wang and Clift (2009) however, find support for the equality case for board diversity. An increase in the proportion of female directorships as well as that of minorities was not found to destroy firm value. Firm value neutrality was sustained across the two performance measures (Wang & Clift, 2009). Lückerath-Rovers (2011) noted that researchers have skewed their efforts towards gender as a means of measuring board diversity because of its simplicity. Very few empirical studies on board diversity can be only found which are not gender related (Anderson et al., 2011; Lawal, 2016).

Early debates on the importance of board diversity in corporate governance are concerned with whether the directors' gender diversity has a positive effect, specifically whether increasing the presence of female directors enhances the effectiveness of corporate boards in their expected roles. As opined by previous researchers, female presence reduces agency cost, brings transparency and objectivity in a firm's operation (Lawal, 2014; Nielsen & Huse, 2010; Rossi et al., 2015). This aspect has resulted in two lines of argument, with one focused on ensuring corporate fair play and the other on the maximization of a firm's value (Carter et al., 2003). The corporate fair-play argument focuses on "*equality*", while value maximization represents the "*business case*" for board diversity. Anchored in the agency supported by stakeholder theory, advocates of corporate fairness argue in favour of the need to involve people of different races and sexes in the management and running of corporations (Hagendorff & Keasey, 2010; Lawal, 2016).

In the US, issues of boardroom diversity centered on increasing the participation of both women on corporate boards. However, outside the US, the calls for board diversity are more entrenched in the desire for equitable gender participation (Campbell & Mínguez-Vera, 2008). Having more female involvement in corporate directing is the most popular of the diversity campaigns. Advocates of gender equality believe women to be highly marginalized when it comes to corporate board nominations. Boards of directors are generally dominated by men, a situation some contend to be detrimental to the governance system, especially since most of these firms operate in societies that are heterogeneous (Lawal, 2016; Lückerath-Rovers, 2011; Mateescu, 2015). In making a case for female participation, Nielsen & Huse (2010), argued that the communal dominance of the female sex implies they are more able to function effectively in carrying out certain tasks than their male counterparts.

Even though the documented literature on board diversity is very prevalent in the US, the crusade for equilibrium in the board gender configuration is very much grounded in Europe, where definite actions have been taken on gender balance. Deloitte (2011) conducted a random review of female participation in boards of directors across some selected developed and emerging economies. The study showed some countries have made giant strides in the promotion of gender equality at the corporate board level, specifically in the areas of legal reforms and governance codes. In Europe, in 2005, Norway led the field with the introduction of the first gender quota system at board level. The country's Company Act provided for a maximum of up to 40 per cent representation of each gender on the boards of directors of public limited liability companies, with 2008 set as the target date for full compliance. In the Iberian Peninsula, Spain and Italy are leading the gender balance crusade with a 40 percent share required for both female and male directors in Spain, and 20 percent in Italy (Deloitte, 2011).

Although the Spanish quota system is supposed to be voluntary, the government has put consequence management measures in place for non-compliance. One such measure is the use of compliance with the board quota system as a criterion for the issuing of public contracts. In Italy, the sanctions are more specific, ranging from financial penalties to the dissolution of the boards of non-complying public corporations (Deloitte, 2011). While Belgium has a one-third ratio for board gender diversity, the Netherlands and France have both passed legislation on gender thresholds with effective dates of 2015 and 2016 respectively. In North America, no ratios had been specified in Deloitte's sample countries, namely the US and Canada. In the Asia Pacific region, out of the countries considered in Deloitte's study, Malaysia was the only country to have specified a requirement (30 percent) for gender representation on corporate boards, with an extended compliance date. China, Hong Kong, India, and Singapore did not refer to gender equality at the board level in their respective corporate governance guidelines (Deloitte, 2011).

In the African continent, negligible efforts have been made towards gender equality as most countries still lag behind in terms of the entrenchment of a good corporate governance system. In Nigeria, the SEC Code, and indeed other industry-specific codes issued subsequently, makes no reference to gender diversity at the board level (CBN Code, 2015; Lawal, 2016; PenCom Code, 2008; SEC Code, 2014). Therefore, in terms of gender participation, the absolute numbers of female directors in private enterprises are virtually insignificant. The situation in South Africa is different, however, as female participation in corporate directing continues to grow, albeit at a slow pace. Even though the King's Code of 2009 makes no precise stipulation for a gender quota system, the directors' demography is mentioned as a consideration for board configuration (Giunta & Labossiere, 2012). Of all the North African countries, Morocco seems to be making the most progress in the direction of gender balance. The country's Corporate Governance Code of 2008 did mention gender as one of the key variables in board composition (Rossi et al., 2015; Giunta & Labossiere, 2012).

Gender equality promoters have argued that female or women with excellent cognitive abilities and intellectual need not be discriminated, hence, as they are equal to the task and capable of contributing meaningfully to board decision making as well as deliberations as their male counterparts (Carter et al., 2010). Also, their inherent gender characteristics enable them to offer new approaches to issues during board discourse. Kang et al., (2007) argued that females or women directors are more independent as they are usually separate from the "*old boys*" syndrome, which makes or allows them to offer an unbiased contribution or perspective during decision making or board meetings. Nielsen & Huse (2010), took the view that diversity among board members stimulates open discussion, especially if such board diversity relates to gender. This increase in open deliberations among the directors of corporate boards engenders an intellectual approach to addressing the fundamental challenges confronting firms.

Campbell & Mínguez-Vera (2008) contended that the admission of more women onto a corporate board of directors could be a double-edged sword in terms of the costs and benefits. If their inclusion is on the basis of women's emancipation and the gender equality crusade, this may result in a cost to the firm. However, if such inclusions are cognitively driven, then the corporation will profit from the economics of gender diversity (Campbell & Mínguez-Vera, 2008). Whilst offering support to the above view, Carter et al., (2011) noted that corporations will only be tempted to diversify across ethnic and/or gender divides if doing so has the potential to enhance the firm's economic value. In the absence of such accrued benefits, firms are more likely to diversify to the exact amount specified in the corporate regulations (Carter et al., 2010).

Empirical studies linking directors' gender to improved firm performance, although popular, have produced mixed findings. Carter et al., (2003) found a significant positive relationship between the proportion of women (or minorities) on the corporate board and *Tobin's q*, a measure of firm market value. Their analysis was based on a sample of 797 firms drawn from Fortune's 1,000 in 1997. Five control variables, which included firm size, board size, CEO duality and proportion of executive representation, were introduced into the model to check the endogeneity effects. The outcome remained statistically significant in each round of tests.

Erhardt et al., (2003) conducted further studies on a female and minority directors' influence on a firm's financial performance with two sets of control variables (industry effects and board size). The data sample used consisted of 112 large public firms spread across different industries. They found that the variables of board diversity were positively associated with financial performance, as measured in terms of firms' ROA and ROI. Using a sample of 99 firms drawn from the companies listed on the Amsterdam Euronext Stock Exchange between 2005 and 2007, Lückerath-Rovers (2011), found that firms with a gender mix performed better than those without. However, they concluded that the empirical results obtained could not be generalized because the level effects of gender on some performance measures were relatively weak after controlling for board and firm size.

In an attempt to establish the presence of an inherent differential in terms of specific board roles performed by female and male directors, Nielsen & Huse (2010), adopted a qualitative approach to gender diversity research. The female value effect was measured across three distinct variables: open debate, developmental activities, and board strategy control. The empirical study was based on a questionnaire administered to a sample of 201 Norwegian firms with average workforces of 50 to 5,000 in 2003. They found that the proportion of female directors was positively associated with agency theory's control role of the board. After controlling for the endogeneity effect of board size, the ratio of outside directors, CEO duality, ownership structure and the tenure of the board chair, they found that a female presence had an influence on the board's developmental activities and reduced conflict among board members. Regarding the open debate, they found no evidence to suggest that a higher ratio of women engenders open discussion in the boardroom.

Contrary to the above positive findings, other studies were unable to find significant evidence to suggest that the directors' gender affects firm performance. Randøy et al., (2006) examined diversity effects on firm performance in a sample size of 500 listed firms drawn from three Scandinavian countries (Denmark, Norway, and Sweden) using 2005 financial data. After controlling for firm size and industry effect, they found that board diversity in terms of directors' gender, age and nationality were insignificantly related to firms' stock performance and ROA. They argued that Scandinavian boards could accommodate diversity so as to fulfill regulatory requirements due to its neutral effect on performance. However, they warned that increasing board membership in the quest for diversity can be detrimental to shareholder value creation due to the incremental cost of firm governance without any compensatory added value (Randøy et al., 2006).

Campbell & Mínguez-Vera (2008) using diverse data drawn from 68 non-financial firms listed on the Madrid Stock Exchange between 1995 and 2000, found board diversity as measured by Blau and Shannon indices to be positively associated with a firms' market value. However, no significant evidence was recorded to suggest that the share of female directors on Spanish boards affects firms' market valuations (i.e. *Tobin's q*). Control variables were introduced to address endogeneity effects in the regression model. These included board size, firm size, and debt level. Eklund et al., (2009) found an insignificant negative effect of gender diversity on the investment performance of Swedish listed firms. Wang & Cliff (2009), observed that the lack of consistent evidence linking female participation on boards and firm performance relates to the fact that, despite the advocacy, their representation is still grossly inadequate to allow for the capture and assessment of their relative value effects. Due to the mixed finding of prior studies, this study investigates the influence of female gender diversity on the perceived firm performance of listed firms in Nigeria

2.5.5 Director Skills and Firm Performance

In this study, director skills are categories as an individual approach that made into a board. Regarding the director skills, board diversity is entrenched in the agency theory supported by resource dependency theory. Therefore, boards of directors composed of individuals from different diverse demographic, ethnic and cognitive backgrounds are regarded as corporate assets that linked to increased firm performance (Hagendorff & Keasey, 2010). Independence, resource co-optation, skills, expertise, innovation and creativity are some of the essentials of a diverse board structure that can be used to create value for shareholders (Güner et al., 2008; Li & Ang, 2000; Ness et al., 2010; Nordberg, 2011; Ulum et al., 2014).

In recent years, a paradigm shift has been observed in, the director individual skills debate, with more focus on the directors', possesses that bring into the board. The individual directors' cognitive characteristics have generally been under-studied as most previous empirical evidence has focused on the demographic features of the board members (Darmadi, 2013). Gantenbein and Volonte (2012) observed that the scarcity of empirical evidence on the individual directors' cognitive characteristics could be attributable to the absence of a concrete theory underpinning cognitive diversity in corporate governance.

The renewed interest in the cognitive features of director that made the board members may not be unconnected to the ambiguities that have characterized the outcomes of demographic studies. So far, the issue of directors' skills has received most of the interest from cognitive diversity research, with predominant empirical evidence focusing on the effects of the directors' level of educational skills on firm performance. At the top corporate cadre, the individual level of skills, as defined by educational attainment, is seen as a prerequisite for the ability to function effectively (Carson et al., 2004; Lawal, 2016). Kim & Lim (2010), noted that every directors' fulfillment increases when they possess certain skills, especially in the areas of related business and law. The advocates of cognitive board diversity strongly believe that the effectiveness of every board lies in the directors' individual skills, which shape their quality decision making and deliberation inside the boardroom.

With respect to the empirical evidence regarding directors' cognitive characteristics, Darmadi (2013), conducted a study consisting of 160 firms listed on the Indonesian Stock Exchange, that found the directors' educational qualifications and skills were instrumental to a firm's improved performance. In addition, Fairchild & Li (2005), in their study, examined hostile takeovers as a predictor of directors' quality. They reported their results that the quality of the board of directors played a crucial role in every organizational aspect as well as not only in the firm's governance but in its continued existence as a going concern of the firm. Dowen (1995), examined Fortune 1,000 firms and found that directors' quality, as defined in terms of the number of board seats the directors held, was linked to a firm's performance proxy (e.g. *Tobin's q*).

Firm-specific knowledge and the academic qualifications of the directors have been linked to improved firm performance and market value (Jeanjean & Stolowy, 2009). Hsu (2010), found that board quality, as defined by the proportion of directors with a legal partnership and MBA degree, was positively associated with performance. Jalbert et al., (2002) reported that both the CEO's higher degree qualifications and the school attended, were associated with firm performance measures (i.e. accounting and market value-based measures). Bhagat et al., (2010) argued that, having a CEO with a prestigious educational qualification, specifically an MBA, is associated with short-term performance, and although such a qualification usually serves as a prerequisite when hiring a new CEO, the lack of one does not seem to be a key determinant of a board's decision to replace an existing CEO.

Contrary to the above empirical outcomes, however, Shan & McIver (2011), found that a board's cognitive diversity in terms of the directors' expertise had no significant influence on the financial performance of firms in China. Ness et al., (2010) examined S&P 500 firms operating under the US Sarbanes-Oxley regulation and found that the diversity of the directors' expertise was positively linked to growth in revenue, but directors' qualifications and financial expertise were negatively related to a firm's overall performance. Relying on a data sample drawn from 224 Swiss firms, Gantenbein and Volonte (2012) found a negative association between directors' competence (measured by graduate degrees as well as industrial experience) and firm performance.

Güner et al., (2006) examined the effect of directors' financial expertise and contended that having specialists on a corporate board enhances the quality of board decisions, but that those so-called courses of action may put the interests of the owners in jeopardy. For instance, they empirically found that, while the presence of financial expert directors on the board enhanced a firm's access to capital through the issuing of bonds, the benefits accrued were outweighed by the costs of bad investments and acquisitions (Güner et al., 2008). Due to the mixed finding of the previous, this study investigates the influence of director skills on the perceived firm performance of listed firms in Nigeria.

2.5.6 Board Competence and Firm Performance

In this study, board competence is categories as group approach. This entails the competence of the board of director. There is renewed interest in the competence of the board of director that made the decision-making process of every organization debate. The issue of board competence at the time of group decision making has received most of the interest from cognitive diversity research, with predominant empirical works focusing on the effects of the board level of education on firm performance. The board of director level of competence is seen as a prerequisite for the ability to function effectively (Kim & Lim, 2010; Lawal, 2016; Ulum et al., 2014).

Miller & Triana (2009) asserted that board diversity in the global marketplace is an indication of competence and up-to-date knowledge of the industry and other external factors which can exert pressure on a firm's operations. According to Lückerath-Rovers (2011), the cognitive diversity of a board facilitates the firm's access to vital industry information that guides corporate strategic decisions. Similarly, Hsu (2010), argued that a board's cognitive capability enhance information exchange amongst the members, which helps bridge the gap caused by impaired communication due to board size and a high degree of heterogeneity.

The underlying premise here is that corporate boards which are composed of directors with high cognitive competencies are more effective in processing vital information. Therefore, as a company evolves from a single country operator into a global player organization, the more understanding the unique features of each market segment becomes more paramount important for corporate decision making, strategic planning as well as firm competitiveness. Hence, the configuration of the board of directors will, therefore, become ultimate to make corporate strategy decisions making needs to reflect the board diversity in the marketplace. According to Eklund et al., (2009) contended that diverse board members enhance a firm's capacity and ability to comprehend changes in the external environment.

Jeanjean & Stolowy (2009) found that board members' financial expertise is positively associated with board independence, but negatively linked to firm growth opportunities. The study concluded that directors who are experts in the firm's area of operations are more able to play a monitoring role due to their inherent independence a result of the knowledge they have on the firm's business (Jeanjean & Stolowy, 2009). Investigating CEO competence and qualifications, Gottesman et al., (2006) found no significant difference between the performances of CEOs with MBAs or Law degrees and those of non-graduate CEOs among a sample of NYSE-listed firms. They argued, however, that those CEOs with graduate degrees tended to be more risk averse.

Some researchers have tried to examine the combined effects of boards' competence and cognitive diversity on firm performance (Anderson et al., 2011; Carter et al., 2010). However, the results of the empirical studies of these mixed scenarios are, so far, inconsistent. Hagendorff & Keasey (2010) examined board diversity across both demographic and cognitive characteristics (i.e. occupational, gender, tenure and age) using a sample of 148 US commercial banks that had undergone mergers and acquisitions between 1996 and 2004. While differences in directors' age and tenure were found to be associated with shareholder value destruction, a strong positive relationship was found between occupational diversity and the cumulative abnormal return on shareholders' equity (ROE) in the bidding banks. Mixed significant evidence was found in respect of competence diversity effects (Anderson et al., 2011; Carter et al., 2010). Hence, this study investigates the influence of board competence on the perceived firm performance of listed firms in Nigeria.

2.5.7 Board professional knowledge and experience and Firm Performance

For the purpose of this study, board professional knowledge and experience are defined as professional knowledge and experience that board of director acquired or have from previous membership. Some individual member of the board of director serves on more than one board at a time. Hence, the professional knowledge and experience gained from previous board membership can improve firm performance and decision making (Nuhu & Ahmad, 2016). The cognitive diversity at board level suppresses individual members' parochial tendencies as numerous ideas are exchanged between board members in the course of board discussions (Goodstein et al., 1994). Since members are drawn from different functional backgrounds, the pool of knowledge that exists within the board enriches the resultant quality of the decisions that comes out of board meetings (Erhardt et al., 2003).

In essence, members of cognitively diversified boards often engage in brainstorming sessions where each alternative course of action is subjected to a critical evaluation before the final decision is arrived at. These processes of prudent examination of alternatives reduce judgment errors and increase the potential for achieving optimality in corporate decision making. Miller & Triana (2009) argued that the decision-making process in a diverse board setting is more thorough and detailed. The wealth of individual brilliance ensures corporate board decisions are well informed.

The combination of knowledge and experience associated with diversified boards serves as a training ground, which helps improve directors' quality, especially those who are new to corporate directing (Campbell & Mínguez-Vera, 2008). Anderson et al., (2011) observed that the management team's representation on the corporate board usually benefits from the in-depth knowledge, experience, and subject-matter expertise that diverse board members bring to firm governance. These benefits, they argued, cannot be obtained in the boards of a homogeneous nature. A pool of directors with external network density facilitates the board's role in advising the CEO, as well as its usefulness in the mobilization of scarce resources within the corporate environment (Hagendorff & Keasey, 2010; Lawal, 2016).

Walt & Ingley (2003) contended that directors' cognitive features or characteristics are social wealth that firms with a diversified board configuration can tap into. Hence, the presence of well-connected and well-configured directors, that normally accompanies diversity in the boardroom, usually makes it easier for companies or firms to raise funds, attract other critical resources and connections from the public. Again, Nordberg (2011) argued that this included many factors, not only access to capital but also an opportunity and favorable regulatory treatment for the firm. According to Kang et al., (2007) this provides a firm with legitimacy, especially in fulfilling its corporate responsibility contract.

In support of cognitive diversity at the board level, Erhardt et al., (2003) argued that taming the overbearing influence of executive directors on board decisions is fundamental to corporate governance. A well-diversified board is independent of its executives, especially the CEO, and promotes the establishment of the agency role (Carter et al., 2003). Diversity, therefore, enhances a board's monitoring prowess and vigilance, which mitigates the assumed inherent conflict of interests between the shareholders and the management team. Diversity within the board helps to subdue the CEO's calculating and domineering tendencies.

Burton (1991) observed that the board level of creativity and innovation increases with diversity. As the board becomes increasingly less reliant on its executives, the board members' freedom to share their thoughts with each other escalates (Erhardt et al., 2003; Goodstein et al., 1994; Hsu, 2010). The diverse resources that accrue to the firm as a consequence of board diversity are critical to a firm's innovation (Miller & Triana, 2009). Firms with diverse resources tend to be more adventurous in exploring new opportunities and this gives a firm a competitive edge in the marketplace.

While there is a growing belief that board diversity improves a firm's operating performance and long-term value, empirical outcomes remain equivocal in this regard (Carter et al., 2003). The available literature shows that research evidence supporting board diversity is somewhat inconclusive (Al-ghamdi & Rhodes, 2015; Lawal, 2016 Lückerath-Rovers, 2011). Mixed results continue to be found in empirical studies across different diversity mechanism. Nielsen & Huse (2010), observed that inconsistent findings were evident, even in those countries with visible legislation on diversity, as the successive researchers struggle to establish a link between firm-specific variables and board diversity elements. This study investigates the influence of board professional knowledge and experience on the perceived firm performance of listed firms in Nigeria.

2.5.8 Board Ethnicity Conflict and Firm Performance

Ethnicity conflict within the board member have created a lot of conflict in the Nigerian context due to the difference ethnic group that follow the path of resolving or demanding based on their interest not the interest of the firms (Lawal, 2016; Sanusi, 2012). Nielsen & Huse (2010) contended that the scale of group conflict and assessed how often board members have conflicts or disagree within the board is now an area of study.

Regarding directors' racial diversity, Miller & Triana (2009), conducted a mediation study that linked racial diversity with firm performance through firm reputation and innovation. The study was based on a data sample drawn from Fortune 500 firms that were listed between 2002 and 2005. They reported a positive relationship between a firm's mediators (i.e. reputation and innovation) and board racial diversity, as well as between directors' gender and firm innovation. However, when control variables were introduced for a robustness check, little evidence was found in terms of the causality between boards' racial diversity and firm performance measures (i.e. ROI and ROS).

On the effects of ethnicity and nationality, Marimuthu (2008), in a study of 100 non-financial firms listed on the Main Board of Malaysia between 2000 and 2005, found directors' ethnic diversity to be positively associated with ROA. They documented that the improved firm performance was driven by the influx of foreign directors, which made up for the deficiencies of Malay directors in terms of the quality of directing done by boards (Marimuthu, 2008). The regression results were robust to the introduction of key control variables, which included firm size, board size, and the firm's previous performance.

Meanwhile, Anderson et al., (2011) conducted a study on board heterogeneity across six demographic and cognitive variables (i.e. age, gender, ethnicity, education, professional and board experience) using a sample of 615 industrial firms drawn from the Russell 1,000. They consistently found *Tobin's q* measure of firm performance to be positively associated with board heterogeneity across the six divides over the review period (i.e. between 2003 and 2005). Even when a robustness check was conducted using the Economic Value Added model (EVA), the statistical level of significance remained strong throughout the iteration process. However, when further distinctions were made between the demographic and cognitive elements of heterogeneity, cognitive heterogeneity was found to be more significantly associated with improved firm performance than demographic heterogeneity.

Carter et al., (2010) investigated the effects of gender and ethnic diversity on the performance of 641 US firms drawn from the S&P 500 index over a five-year period (i.e. 1998-2002). They found no evidence of a relationship between the diverse elements – gender and ethnicity – and a firm's ROA and *Tobin's q,* after controlling for the effects of firm size, previous performance, governance structure and time period. Wang & Clift (2009), examined financial data from the year 2003 on 243 firms drawn from the 500 companies listed on the Australian Stock Exchange. No significant relationship was evident regarding gender or racial diversity and the firm performance measures of ROA and ROE. The weak relationships were sustained even when several control variables were introduced into the regression equation.

A significant proportion of the previous studies focused exclusively on the demographic aspects of board members – predominantly gender, race, ethnicity and age (Anderson *et al.,* 2011; Ruigrok et al., 2007). A few studies have shifted their attention towards cognitive diversity, with more focus on directors' competencies, as measured in terms of their educational qualifications, functional backgrounds, professional memberships, and industry experience (Anderson et al., 2011; Carson et al., 2004; Ness et al., 2010; Ulum et al., 2015).

Research evidence on the relative impacts of the demographic and cognitive aspects of board diversity of firm performance has also been mixed and equivocal. Positive (Campbell & Mínguez-Vera, 2008; Lawal, 2016; Kim, 2005; Marimuthu, 2008; Ness et al., 2010; Ulum et al., 2015), negative (Darmadi, 2013; Rossi et al., 2015) and no visible findings (Carter et al., 2010) have been reported in terms of the relationship between the board diversity elements and the firm performance measures. However, consistent with the trend in the debate on the corporate fair play and the business case for board diversity, this study, investigates the influence of board ethnicity conflict on the perceived firm performance of listed firms in Nigeria.

2.6 Chapter Summary

Corporate governance encompasses both the internal and external aspects of a firm's management. However, the internal mechanism, especially the use of boards of directors, has received more attention, owing to the growing number of reports of corporate scandals in which the boards were found to be complacent in discharging their fiduciary responsibilities. While governments have responded with governance reforms, especially at the board level, through the introduction of codes of corporate best practices, our review of the literature has revealed that the recommendations contained in virtually all of these guidelines are biased towards the perspective of agency theory. In addition, efforts to provide empirical support for the conventional wisdom, as documented in these corporate governance codes and guidelines, have so far been unsuccessful. Most of the empirical results of the empirical studies on the influence of board's mechanism on firm performance have been inconclusive.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter provides a general description of the methodology used in this study. The methodology highlights the research process beginning with the introduction, theoretical framework, hypotheses development, research design, population and sample of the study, sampling procedures or techniques, instruments and measurement of variables, validity and reliability, questionnaire design, data collection procedures, data analysis techniques and chapter summary.

3.2 Theoretical Framework

Previous research on the effect of board structure on firm performance has been characterized by inconsistent findings and, in some cases, inconclusive on the degrees of the influence (Adegbite, 2015; Finegold et al., 2007; Elsayed, 2007; Jackling & Johl, 2009; Lawal, 2016; Lückerath-Rovers, 2011). In Nigeria, just a few studies have investigated empirical studies on the influence of board's mechanism, i.e. board size, board composition and CEO duality, and the performance of firms. While these studies were all conducted in the same environment (Nigeria), their empirical findings differed significantly (Adegbite, 2015; Adeyemi & Fagbemi, 2010; Babatunde & Olaniran, 2009; Duke & Kankpang, 2011; Lawal, 2016).

The review of documented literature revealed three sets of methodological contradictions as being responsible for the divergent results. First, most of the studies differed in their usage of firm performance measures. While some relied on accounting measures such as ROA and ROE, others employed market-based measures (i.e.

Tobin's q) which are assumed to be more reflective of market condition (Babatunde & Olaniran, 2009; Lawal, 2012; Uadiale, 2010).

Secondly, methodological differences can be found in the specification of other methods. In management science, mitigating the effect of endogeneity in model estimation is key to the validity of empirical findings (Lawal, 2016; 2012). Surprisingly, though, the bulk of previous studies in Nigeria has ignored the importance of this factor, which has possibly caused the inconsistent outcomes. Kajola (2008) investigated the link between the adoption of a non-dual leadership structure and firm performance and found a statistically significant positive result. However, using a data sample drawn from the same source and controlling for the effects of firm size and age on performance, Ehikoya (2009) reported a negative relationship between the two sets of variables. Finally, differences in the nature of the data sets and the periods covered could also have led to the contradictory results (Lawal, 2012).

The use of a scanty longitudinal data set without considering cross-sectional data set might have been as a result of conflicting findings on the empirical studies on the influence of board's mechanism on firm performance (Bhagat & Black, 2000, Lawal, 2016). Again, earlier research in Nigeria was conducted using cross-sectional data sets, with a significant number of works using sample sizes of less than 100 and a single-year focus (Adeyemi & Fagbemi, 2011; Duke & Kankpang, 2011; Musa, 2005).

Various recommendations have been offered in the corporate governance literature with respect to ways of addressing methodological challenges in the recent research while simultaneously bringing the robustness to future studies. Some of the new approaches suggested include the use of primary data, multiple theories and the deployment, performance measures (Appuhami & Bhuyan, 2015; Finegold *et al.*, 2007; Jonl et al, 2015; Muth & Donaldson, 1998; Nath et al, 2015; Ness *et al.*, 2010; Nicholson & Kiel, 2007; Lawal, 2016; Ugur & Ararat, 2006; Yuan & Hua, 2015;).

Consistent with the above, this study adopts an integrated approach variables related to the rooted agency theory that is supported by stewardship, stakeholder and resource dependency theories in the framework. The consideration of other theories besides the agency perspective was motivated by Cravens & Wallace's (2001) argument that doing so provides a comprehensive assessment of the roles of the board of directors in a firm's governance, and improves the likelihood of achieving more robust findings. In addition to the use of primary sources, multiple theories and performance measures may significantly shape, firm operations, but have mostly been ignored in previous studies, which are captured in this study.

Despite the recent progress made in the field of corporate governance research, both in developed and other emerging economies, Nigeria still lags behind in terms of empirical evidence, with very few studies conducted in the last twenty years (Chapter 2). While few study adopted secondary sources that bring the results into a conflicting conclusion (Adegbite 2015; Adeyemi & Fagbemi, 2011; Duke & Kankpang, 2011; Ehikioya, 2009; Kama & Chuku, 2009; Lawal, 2016; Love, 2010; Musa, 2005; Sanda et al, 2008, 2005; Uadiale, 2010). Hence, while this study recognizes these advancements, but it is imperative to provide background evidence using a different methodology which was yet to be adopted in Nigeria and other countries in the past.

The study framework is consistent with some of the approaches adopted in previous studies (Appuhami & Bhuyan, 2015; Jonl, Kaur & Cooper 2015; Lawal, 2012; Nath, Islam & Saha, 2015; Yuan & Hua, 2015). However, the use of primary data in evaluating the influence of board mechanisms on firm performance is gaining increasing popularity in the corporate governance literature recommendations, this study represents the first of its kind in the Nigerian context, where board structure research is still very much in its infancy (Lawal, 2016). Therefore, the theoretical framework has been developed with eight (board size, independent non-executive director, CEO duality female gender diversity, director skills, board professional knowledge and experience and board ethnicity conflict) variables, to investigate the influence of the board mechanisms on the Performance of listed Firms in Nigeria. Figure 3.1 shows the theoretical framework of corporate governance board mechanisms and the Performance of listed Firms in Nigeria.

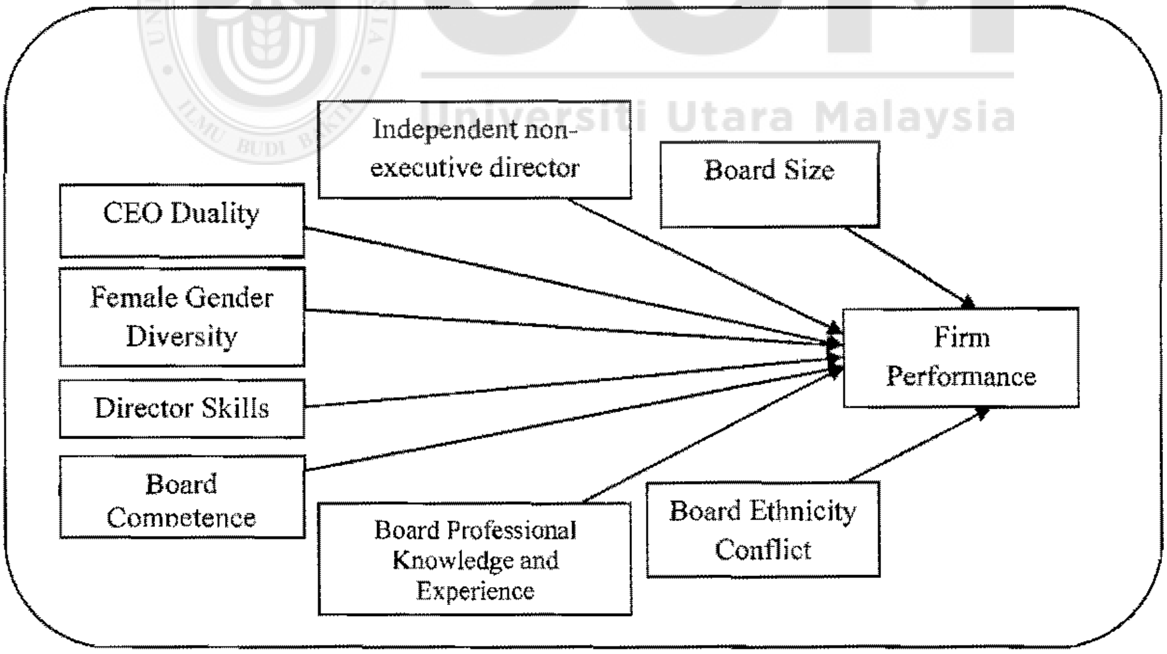

Figure 3.1 Theoretical Framework

Figure 3.1 shows the theoretical framework of the influence of the variables that are hypotheses in the section in line with the objectives of the study.

3.3 Hypothesis Development

Review of Literature in chapter two of this study has assisted this study to formulate hypotheses for empirical testing. Hence, this study has developed eight hypotheses (Board Size, Independent non-executive director, CEO duality female Gender Diversity, Director Skills, Board Competence, Board professionals Knowledge and Experience, Board Ethnicity Conflict) variables, eight (8) hypotheses were are formulated for testing in this study, to investigate the influence of board mechanisms on the perceived firm performance of listed firms in Nigeria.

Hypothesis 1:

H_o: There is a significance positive influence of Board size on the perceived firm performance of listed firm in Nigeria.

Hypothesis 2:

H_o: There is a significance positive influence of independent non-executive directors on the perceived firm performance of listed firm in Nigeria

Hypothesis 3:

H_o: There is a significance positive influence of CEO duality on the perceived firm performance of listed firm in Nigeria.

Hypothesis 4:

H_o: There is a significance positive influence of female gender diversity on the perceived firm performance of listed firm in Nigeria.

Hypothesis 5:

H_o: There is a significance positive influence of Director Skills on the perceived firm performance of listed firm in Nigeria.

Hypothesis 6:

H_o: There is a significance positive influence of Boards Competence on the perceived firm performance of listed firm in Nigeria.

Hypothesis 7:

H_o: There is a significance positive influence of Board Professional knowledge and experience on the perceived firm performance of listed firm in Nigeria.

Hypothesis 8:

H_o: There is a significance positive influence of board ethnicity conflict on the perceived firm performance of listed firm in Nigeria.

3.4 Research Design

This research had been based on the quantitative approach. In line with the research objectives, research design is the framework that has been created to seek answers to research questions. Research design describes which type of data were collected; how are the respondents and how they were selected; and what instruments to be used. The research design is described as a master plan specifying the methods and procedures for collecting and analyzing the needed information (Zikmund 2000; Zikmund, Babin, Carr, & Griffin; 2010). Generally, there are three types of business research documented in literature: exploratory, descriptive, and causal/hypothesis testing; the decision to select the type to be used depends on the understanding and clearness of the research problem (Sekaran, 2003; Zikmund et al 2010; Zikmund, 2000). The authors report that exploratory research can be used to shed more light on a particular research problem but do not provide conclusive evidence.

In addition, Zikmund et al. (2010) state that descriptive research is conducted when there are some understandings of the nature of the problem so that more specific description of the problem can be provided; hypothesis testing describes further the nature of influences among the variables being investigated.

In angle of management fields of study, the growing attention placed on corporate governance has brought about an upsurge in the number of empirical studies, with most of them attempting to establish a connection between the internal governance structure and firm performance using quantitative and qualitative methodological approaches (Berghe & Baelden, 2005; Bonazzi & Islam, 2007; Bozec, 2005; Lawal, 2016). The review of the literature, however, points to the dominance of quantitative methods (Guest, 2009; Harvey Samurai el al, 2015; Hsu, 2010; Luckerath-Rovers, 2011; Yermack, 1996). The quantitative research method is associated with the use of numeric data that are collected through questionnaires, survey and experiments and analyzed using modeling techniques in order to arrive at valid empirical inferences (Best & Khan, 1989; Neuman, 1994).

Creswell (1994), observed that quantitative research is associated with deductive reasoning, otherwise known as the theory-testing methodology. It involves the development of a theoretical framework from which research hypotheses are raised, and also includes the testing of the validity of these propositions using appropriate statistical techniques. This approach is linked to the positivism research philosophy that has encouraged a greater empirical focus on noticeable social reality (Lee, 1992; Saunders *et al.,* 2011, 2009).

Usually, past empirical researchers in corporate governance have long been dominated by the use of archival data, where governance variables have been inferred from their demographic characteristics (Appuhami & Bhuyan, 2015; Gabrielsson & Huse, 2004; Harvey Pamburai et al., 2015; Jonl et al., 2015; Nath et al., 2015; Yuan & Hua, 2015). In contrast, this study had employed the use of first-hand empirical data collection methods, especially that the target respondent population that provided the required data needed to generalize findings from the study sample represent the universe of the study in line with the recommendations of recent studies (Appuhami & Bhuyan, 2015; Jonl et al., 2015; Nath et al., 2015; Yuan & Hua, 2015).

The study had been set to test the hypotheses of the empirical studies on the influence of board's mechanism (i.e. size, independent, CEO duality and diversity's) on the firm performance of listed firms in Nigeria. The study was a cross-sectional research approach aimed at examining the influence of the variables in a single point of time. Survey research was conducted, whereby questionnaires were administered to elicit information concerning the variables of the study. This had been appropriate to answer the research questions and as well achieve the objectives. The surveyed the perceptions of the study's unit of analysis as a means of data collection. These include the perceptions of the boards in the listed firms, with emphasis on the company board of director members of the listed firms. Ideally, questions on the board should better be responded by the boards or representative (Ingley & van der Walt, 2005; Molokwu et al., 2013).

3.5 Population and Sample Size

3.5.1 Population of the study

The population of the study refers to the entire group of people, events or things of interest that the researcher wishes to investigate (Sekaran & Bougie, 2010). The authors further stated that the population of the study is the group of people, events or things of interest for which a researcher wants to make inferences based on a derived sample.

The total population of 1,786 (board of directors) in this study was derived from 186 listed firms on the Nigeria Stock Exchange as the year January 2016 (NSE, 2016). The relevant data in respect of each of the listed companies was collected on a cross sectional approach. Hence, Survey (Questionnaires) data were collected and gathering from the board of directors (Chairman/Chairperson; Chief Executive Officer (CEO); Executive Director; Non- Executive Director; Company Secretary; Top Manager; Senior Decision-Maker and affiliated directors) (Molokwu, Barreria, & Urban, 2013).

The study uses personal delivery of the questionnaire to the respondents. The hand delivery or personal delivery and collection method are suitable in the peculiarity of Nigerian context that gives anticipated to produce a high response rate (Asika, 1991; Ringim, 2012). See table 3.1 population summary for the study below;

Table 3.1
Population Summary

Sectors	Number of Directors
Consumer Goods	290
Conglomerates	54
Agriculture	35
Financial Services	609
ICT	73
Services	217
Oil and Gas	119
Industrial Goods	188
Constructional/Real Estate	68
Healthcare	95
Natural Resources	38
Total	**1,786**

Sources: Nigeria Stock Exchange, 2016

3.5.2 Sample Size

Many scholars have stressed that sample size is perhaps the most important parameter in scientific research design because it affects the precision requirement of the survey more than any other factor (Bartlett, Kotrilik & Higgins, 2001; Hair, Money, Samouel & Page, 2007). To determine the sample size, this study was determined by using Krejcie and Morgan's (1970) table based on a given population of 1786 (board of directors) of 186 Listed Firms in the Nigeria Stock Exchange. Hence, the sample of 317 using Krejcie & Morgan, (1970) table was determined. This sample size of Krejcie & Morgan of 317 gives the same results with Dillman (2000) formula of 317 sample size.

As observed, there is no difference between the determined sample size of 317 using the Krejcie and Morgan's (1970) scientific guideline and 317 determined using the method suggested by Dillman (2000). Because the aim is to have a larger sample size that would be more representative of the study population, the determined sample size of 317 obtained using the Krejcie and Morgan's scientific guideline was adopted.

Saunders et al (2011) contended that in estimating response rates required, it's, therefore, important that the sample size is large enough to provide you with the necessary confidence in the data. The margin of error must, therefore, be within acceptable limits, and the researchers must ensure that it will be able to undertake the analysis at the level of detail required (Saunders et al, 2011). While the estimate the likely response rate, which are the proportion of cases from a sample that gives respond or from which data were collected, and increases the size accordingly (Saunders et al, 2011). Alternatively, the researchers can err on the side of caution for more academic studies involving top management or organizations', a response rate of at least 30 percent is reasonable (Baruch, 1999; Saunders et al, 2011).

In addition, response rate can vary considerably when collecting primary data (Saunders et al, 2011. p.222). The response rate for North American university-based questionnaire surveys of business ranging from 50 to 60 percent, with even higher non-response to individual questions (Willimack et al, 2002). Neuman (2005), suggests response rates of between 10 and 50 percent postal questionnaire surveys and up to 90 percent for face-to-face interviews. The former rate concurs with a questionnaire survey carry out for a multinational organization that had an overall response rate of 52 percent (Saunders et al, 2011). While a survey, the response rate for individual sites varied from 41 to 100 per cent, again emphasizing variability (Saunders et al, 2011).

The study of response rates of recent surveys reveals rates as low as 10 to 20 percent for postal questionnaires, an implication being that respondent questionnaire fatigue was a contributory factor (Saunders et al, 2011). As regards to telephone-administered questionnaires, response rates have fallen from 70 to 80 percent to less than 40 percent, due principally to people not answering the phone (Dillman, 2007). Saunders et al (2011), a number of different techniques, depending on the data collection method, can be used to enhance the response rate. To enhance and boost the response rate, the questionnaire delivery by personal hand by addresses of the firms or companies projected and collected by personal or hand on a scheduled pick-up date are adequate (Okpara, 2010).

In a survey study, researchers have agreed generally the larger the sample size, the greater the power of a statistical test (Borenstein, Rothstein, & Cohen, 2001; Snijders, 2005). Power analysis is seen as a statistical method or procedure for determining an appropriate sample size for a study or research (Bruin, 2006). Hence, to determine the minimum sample for the study, a prior power analysis were carried out using G-Power Software (Faul, Erdfelder, Buchner, & Lang, 2009; Faul et al, 2007). Using the following parameters: Power (1-β err prob; 0.95), an alpha significance level (α error prob; 0.05), effect size f^2 (0.05) and eight (8) main predictor variables (Board size. Board Independent, CEO duality, Gender Diversity, Director Skills, Board Competence, Board Professional Knowledge and Experience and Board Ethnicity Conflict), a sample size of 463 will therefore be required to archive 0.95 G - power test a regression based models consistent with (Cohen, 1992; Faul et al, 2009; Faul et al, 2007). See figure 3.2

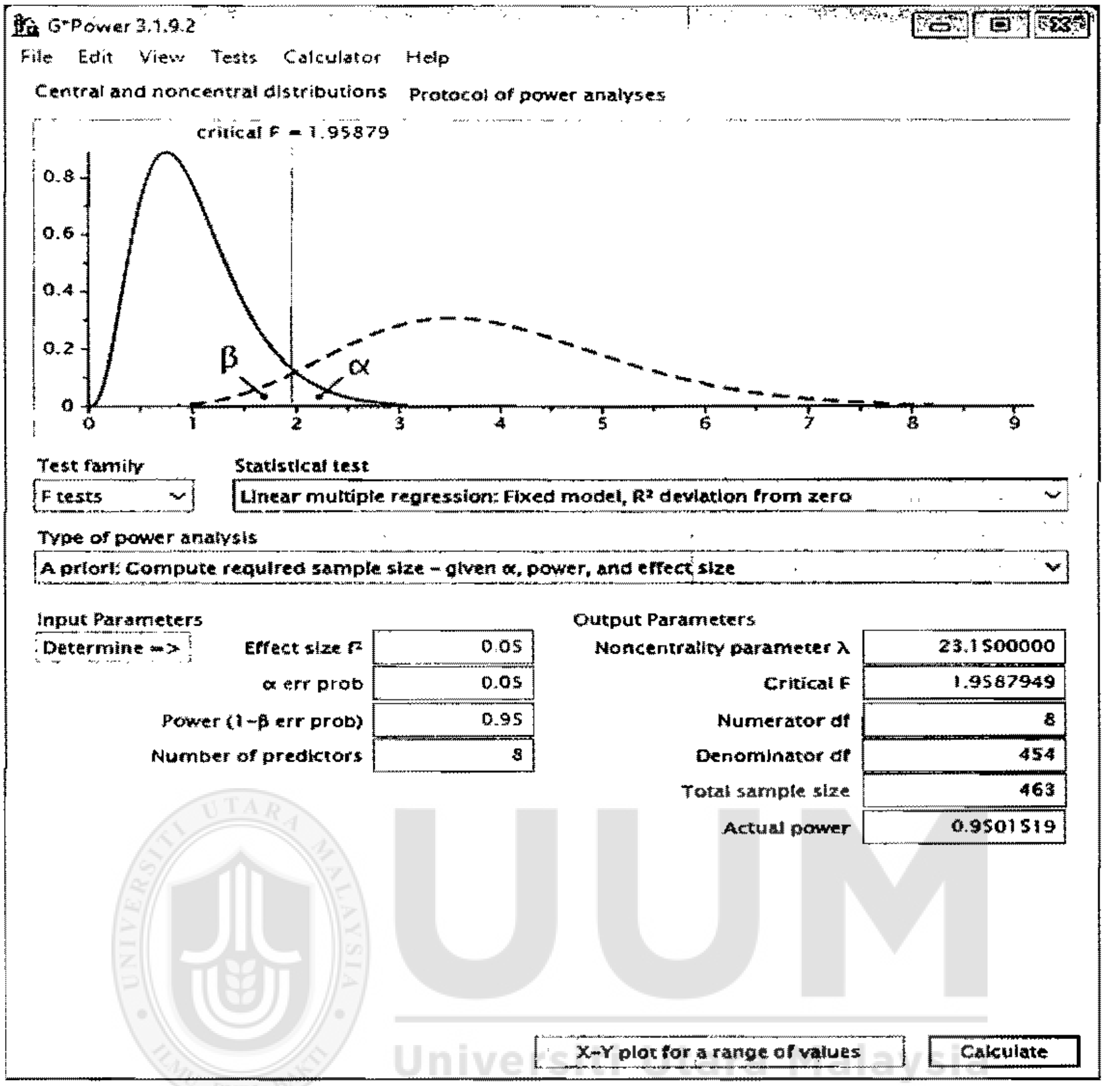

Figure 3.2

The output of a prior G-power analysis

The result or output of prior power analysis indicated that a minimum of 463 sample size at an effect size of 0.05 would, therefore, be required for the study, it is important to know that the response rate in Nigeria context is poor (Asika, 1991; Nakpodia, Ayo, & Adomi, 2007). Therefore, due to the nature of the poor response rate, the sample obtains using prior power analysis appears to be adequate in this study.

As stated above, there were total numbers of 1, 786 board of directors in the 186 listed firms in Nigeria stock exchange as at 10th January 2016. By referring to the sample size table of Krejcie & Morgan (1970), for a given population of 1,786, a sample size of 317. Following this line of argument, the present study compromised a priori analysis for Krejcie & Morgan (1970) sample size determination table. Again to minimize the low response rate, the sample size of 317 of Krejcie & Morgan (1970) was increased by 50% as suggested by Salkind (1997). Hence, adding 50% of 317 gave 158.5 plus 317 of sample size results to 475.5, which approximately is 476. Finally, a sample size of 476 was decided to account for uncooperative respondents and unusable questionnaires.

Though, it is also important to note that the final data sample that was used in the study is still the largest sample size used in a single empirical study in the context of Nigeria. The sample size and number of observed firm-years considered in this study are far bigger than any of the previous studies of corporate governance conducted in the Nigeria (Adegbite, 2015; Aliyu et al, 2015; Ducassy, 2015; Kajola, 2008; Lawal, 2016; Sanda *et al.*, 2005, Udiale, 2010; Musa, 2005).

Unit of analysis represents who or what is being studied in a given research. Social science research has the following kind of unit of analysis as an individual organization or group (Creswell 2012; Kumar, Abdul Talib & Ramayah, 2013). Hence, the unit of analysis for this study was individual, consistent with previous studies (Appuhami & Bhuyan, 2015; Harvery Pamburai et al, 2015; Miko, 2015; Rossi et al, 2015). The next section is sampling technique.

3.6 Sampling Technique

The sampling design for this study was stratified random sampling. Stratified random sampling as the name implies, involves classifying sample elements into strata followed by selecting the elements from each stratum using a simple random sampling procedure (Sekaran, 2003). Stratified random sampling involves categorizing research subjects into strata and selecting from each stratum using a simple random sampling procedure (Sekaran, 2003).

Stratified random sampling can either be proportionate or disproportionate. It is proportionate when the subjects are drawn from each stratum according to a specific percentage (Saunders et al, 2011). It is disproportionate when the subjects are drawn from each stratum without regard to any specific percentage, but a number of the elements contained in each stratum (Saunders et al, 2009). This study adopted the proportionate stratified sampling procedure. The stratification was carried out in two phases. The first stage was stratification based on the sectors, and then, the number of directors represented in the sample from each stratum had been proportionate to the total number of directors in the respective strata. Hence, Table 3.1 gives a clear picture for the first phase of stratification. Thus, below table 3.2 give the details of proportionate stratified sampling for all sectors.

Table 3.2
Proportionate Stratified Random Sampling (All Sectors Combined)

Sectors	**Board of Directors**	**Sampling Proportionate (26.65%)**
Consumer Goods	290	77
Conglomerates	54	14
Agriculture	35	9
Financial Services	609	162
ICT	73	19
Services	217	58
Oil and Gas	119	32
Industrial Goods	188	51
Constructional/Real Estate	68	18
Healthcare	95	25
Natural Resources	38	11
Total	**1,786**	**476**

On the other hand, the second stage was carried out by determining the sample size based on firms for each of the listed firms by considering the proportionate sample determined for each sector in the first stage. For example, 77 samples were drawn from 290 firms of consumer goods sectors etc. Therefore, the number of directors represented in the sample from each sector had been proportionate to the total number of directors in the respective sectors (strata). Tables 3.3, up till table 3.13 represent the proportionate stratified random sampling for consumer goods, conglomerates, agriculture, financial services, ICT, services, oil and gas, industrial goods, construction/real estate, healthcare and natural resources, respectively.

Table 3.3
Proportionate Stratified Random Sampling (Consumer Goods Sector)

Firms	**Board of Directors**	**Sampling Proportionate (26.65%)**
7 -UP Bottling Comp. PLC	10	3
Cadbury Nigeria PLC	7	2
Champion Brew PLC	18	4
Dangote Sugar Refinery PLC	10	3
DN Tyre & Rubber PLC	14	4
Flour Mills Nig PLC	14	4
Golden Guinea Brew PLC	4	1
Guinness Nig PLC	13	3

Honeywell Flour Mill PLC	20	5
International Breweries PLC	14	4
Jos Int Breweries BREWERIES PLC	15	4
MCnichols PLC	6	2
Multi - Trex Integrated Food PLC	12	3
N Nig Flour Mills PLC.	12	3
Nascon Allied Industries PPLC	9	2
Nestle Nigeria PLC	10	3
Nigerian Brew PLC	19	5
Nigerian Enamelware PLC	7	2
P S Mandrides & Co PLC.	7	2
P Z & Nigeria PLC.	8	2
Premier Breweries PLC	8	2
Rokana Industries PLC	6	2
U T C Nig PLC.	7	2
Unilever Nigeria PLC	13	3
Union Dicon Salt PLC	8	2
Vitafoam Nig PLC	13	3
Vono Products PLC	6	2
Total	**290**	**77**

Table 3.4
Proportionate Stratified Random Sampling (Conglomerate Sector)

Firms	Board of Directors	Sampling Proportionate (26.65%)
A.G. Leventis Nigeria PPLC	10	3
Chellarams PPLC	8	2
John Holt PPLC	7	1
S C O A Nig PLC	11	3
Transnational Corporation of Nigeria PLC	10	3
U A C N-PLC	8	2
	54	14

Table 3.5
Proportionate Stratified Random Sampling (Agriculture Sector)

Firms	Board of Directors	Sampling Proportionate (26.65%)
Ellah Lakes PLC	6	2
FTN Processors PLC	6	2
Livestock Feeds PLC	8	2
OKOMU Palm PLC.	5	1
Presco Presco PLC	10	2
Total	**35**	**9**

Table 3.6

Proportionate Stratified Random Sampling (Financial Services Sector)

Firms	Board of Directors	Sampling Proportionate (26.65%)
Abby Mortgage Bank PLC	6	2
Access Bank PLC	16	4
Africa Prudential Registrars PLC	5	1
African Alliance Insurance Company PLC	7	2
Aiico Insurance PLC	7	2
Aso Saving and Loans PLC	8	2
Axamansard Insurance PLC	11	3
Consolidated Hallmark Insurance PLC	8	2
Continental Reinsurance PLC	13	3
Cornerstone Insurance Company PLC	10	3
Custodian and Allied PLC	6	2
Deap Capital Management & Trust PLC	21	6
Diamond Bank PLC	16	4
Ecobank Transnational INCORPORATED	24	6
Equity Assurance PLC	27	7
FBN Holdings PLC	10	3
FCMB Group PLC	11	3
Fidelity Bank PLC	19	5
Fortis Microfinance Bank PLC	6	2
Goldlink Insurance PLC	7	2
Great Nigerian Insurance PLC	9	2
Guaranty Trust Bank PLC	17	4
Guinea Insurance PLC	7	2
Infinity Trust Mortgage Bank PLC	8	2
International Energy Insurance Company PLC	10	3
Investment and Allied Assurance	11	3
Lasaco Assurance PLC	7	2
Law Union and Rock Ins. PLC	12	3
Linkage Assurance PLC	13	3
Mutual Benefit Assurance PLC	13	3
N.E.M Insurance Co. PLC	7	2
Niger Insurance PLC	11	3
Nigerian Energy Sector Fund	5	1
NPF Microfinance Bank PLC	7	2
Omoluabi Saving and Loans PLC	4	1
Prestige Assurance Co. PLC	6	2
Regency Alliance Insurance Company PLC	9	2
Resort Saving & Loans PLC	7	2
Royal Exchange PLC	10	3

Sim Capital Alliance Value Fund	5	1
Skye Bank PLC	17	4
Sovereign Trust Insurance PLC	11	3
Stanbic IBTC Holding PLC	10	3
Standard Alliance Insurance PLC	8	2
Standard Trust Assurance PLC	8	2
Sterling Bank PLC	14	4
Unic Insurance PLC	6	2
Union Bank Nig. PLC	17	5
Union Homes Savings and Loans PLC	9	2
United Bank for Africa PLC	21	6
Unity Bank PLC	14	4
Unity Kapital Assurance PLC	9	2
Universal Insurance Company Plc	8	2
Wapic Insurance PLC	10	3
Wema Bank PLC	12	3
Zenith International Bank PLC	19	5
Total	**609**	**162**

Table 3.7
Proportionate Stratified Random Sampling (ICT Sector)

Firms	**Board of Directors**	**Sampling Proportionate (26.65%)**
Chams PLC	9	2
Computer Warehouse Group PLC	8	2
Courteville Business Solutions PLC	10	3
E - Tranzact International PLC	9	2
Mass Telecommunication Innovations Nig	7	2
MTECH Communication PLC	5	1
NCR (Nigeria) PLC.	5	1
OMATEK Venture PLC	13	4
Tripple Gee And Company PLC.	7	2
Total	73	19

Table 3.8
Proportionate Stratified Random Sampling (Services Sector)

Firms	**Board of Directors**	**Sampling Proportionate (26.65%)**
Academy Press PLC	8	2
Afromedia PLC	12	3
Airline services and Logistics PLC	9	2
Associated Bus Company PLC	7	2
C & I Leasing PLC	10	3
Capital Hotel PLC	9	2

Caverton Offshore Support Grp PLC	10	3
Daar Communications PLC	18	5
Ikeja Hotel PLC	6	2
Interlinked Technologies PLC	11	3
Juli PLC.	9	2
Learn Africa PLC	12	3
Lennard Nig PLC	4	1
Nigerian Aviation Handling Company	8	2
R T Briscoe PLC	8	2
Red Star Express PLC	6	2
Secure Electronic Technology PLC	18	5
Studio Press Nig PLC	9	3
Tantalizers PLC	8	2
Tourist Company Nigeria PLC	6	2
Trans -Nationwide Express PLC	9	2
Transcorp Hotels PLC	9	2
University Press PLC	11	3
Total	**217**	**58**

Table 3.9

Proportionate Stratified Random Sampling (Oil and Gas Sector)

Firms	Board of Directors	Sampling Proportionate (26.65%)
Anino International PLC	6	2
Beco Petroleum Product PLC	10	3
Capital Oil PLC	6	2
Conoil PLC	8	2
Eternal PLC	5	1
Forte Oil PLC	8	2
Japaul Oil & Maritime Services PLC	11	3
Mobil Oil Nig PLC	6	2
MRS Oil Nigeria PLC	6	2
Naviyus Energy PLC	6	2
Oando PLC	12	3
Rak Unity Petroleum Comp. PLC	9	2
Seplat Petroleum Dev. Comp. PLC	12	3
Total Nigeria PLC	14	3
Total	**119**	**32**

Table 3.10

Proportionate Stratified Random Sampling (Industrial Goods Sector)

Firms	Board of Directors	Sampling Proportionate (26.65%)
Adswitch PLC	13	4
African Paints (Nigeria) PLC	4	1
Ashaka Cem PLC	12	3
Austin Laz & Company PLC	6	2
Avon Crowncaps & Containers	7	2
Berger Paints PLC	14	4
Beta Glass Co PLC	9	2
Cap PLC	5	1
Cement Co. of North Nig. PLC	15	4
Cutix PLC	7	2
Dangote Cement PLC	9	2
Dn Meyer PLC.	14	4
First Aluminium Nigeria PLC	13	4
Greif Nigeria PLC	5	1
Ipwa PLC	6	2
Lafarge Africa PLC.	13	4
Nigerian Ropes PLC	7	2
Paints and Coatings Manufactures PLC	5	1
Portland Paint & Products Nig PLC	7	2
Premier Paints PLC.	9	2
W A Glass Ind. PLC	8	2
Total	**188**	**51**

Table 3.11

Proportionate Stratified Random Sampling (Constructional/Real Estate Sector)

Firms	Board of Directors	Sampling Proportionate (26.65%)
Arbico PLC	7	2
Costain (W A) PLC	8	2
G Cappa PLC	12	3
Julius Berger Nig. PLC	12	3
Roads Nig PLC	5	1
Skye Shelter Fund PLC	5	1
Smart Products Nigeria PLC	4	1
UACN Property Development Co. LTD	7	2
Union Homes Real Estate Investment Trust REIT	8	3
Total	**68**	**18**

Table 3.12

Proportionate Stratified Random Sampling (Healthcare Sector)

Firms	Board of Directors	Sampling Proportionate (26.65%)
Afrik Pharmaceuticals PLC	7	2
Ekocorp PLC	8	2
Evans Medical PLC	11	3
Fidson Healthcare PLC	4	1
Glaxo Smithkline Consumer Nig. PLC	15	3
May & Baker Nigeria PLC	7	2
Morison Industries PLC	8	2
Neimeth International Pharmaceuticals	11	3
Nigeria-German Chemicals PLC	8	2
Pharma-Deko PLC	10	3
Union Diagnostic & Clinical Services Plc	6	2
Total	**95**	**25**

Table 3.13

Proportionate Stratified Random Sampling (Natural Resources Sector)

Firms	Board of Directors	Sampling Proportionate (26.65%)
Aluminium Extrusion Ind. PLC	12	4
Aluminium Manufacturing Company PLC	8	2
B.O.C. Gases PLC.	5	1
Multiverse Mining and Exploration PLC	6	2
Thomas Wyatt Nig. PLC	7	2
Total	**38**	**11**

The adopted sampling technique (i.e. stratified random sampling) is the best technique for the present study because of its efficiency in sampling design add as a choice when different information is expected from various strata within a population (Saunders et al, 2011). Again, stratified random sampling is appropriate for a study, given that eleven different sectors had a different location. Hence, the different sectors necessitated the use of stratified sampling. However, after the determination of sample size within each sector (stratum), the firms to represent each sector were selected at random, given the number of sample size determined for that sector. Finally, the responding sampled directors were selected at random from the randomly sampled firm(s). The random sampling of directors was carried out with the help of companies' secretary, Nigeria stock exchange as well as Nigeria security and exchange commission (SEC).

3.7 Unit of Analysis

Unit of analysis is who or what is being studied in a given research. Evidence from the social science research has established a unit of analysis as an organization, an individual, a social interaction or a group of organizations/individuals (Hair *et al.*, 2010). Unit of analysis must be consistent with research problems, research questions, and objectives of the study. The target working populations for this research is the 1,786 directors of listed firms in Nigeria. The directors were seen as the most appropriate respondents for this research because they are the key decision makers and tools execution and are in line with the previous research uses (Cochet & Chi Vo, 2012; Molokwu, Barreria & Urban 2013; Taddei & Delecolle, 2012).

This is a board of director membership positions within the boards which was considered as an appropriate category of respondents that was adopted from previous work of (Molokwu et al., 2013).

Table 3.14:
Respondents (Board of Directors) Category

S/No	Respondents
1	Chairman/Chairperson
2	Managing Director/Chief Executive Officer (CEO)
3	Executive Director
4	Non- Executive Director
5	Company Secretary
6	Top Manager
7	Senior Decision-Maker
8	Others (Affiliated Directors)

Sources: Molokwu, Barreria, & Urban (2013. p.7).

3.8 Instrumentation and measurement of variable

This study administered questionnaires to board of directors of listed firms in Nigeria. The questionnaires had been divided into two parts; the first consisted of details concerning control variables and demographics of the respondents. The second consisted of the items measuring all the variables in the study.

3.8.1 Board Size

The issue of appropriate board size has been the subject of intense discussion when it comes to analyzing the efficiency of the internal governance mechanism, due to the inherent dominance of the agency theory (Tai, 2015; Shivdasani & Zenner, 2002; Yermack, 1996; Goodstein *et al.*, 1994; Jensen, 1993). Board size has been acknowledged as one of the key elements of board effectiveness (Tai, 2015; Dwivedi & Jain, 2005). Board size is even more pronounced in single-tier governance systems configured in such a manner that ensures the representation of both executive and non-executive members (Solomon, 2007; Conyon & Peck, 1998).

The study adapted six (6) items to measure the influence of board size on the firm performance from Ammann et al (2011) and Khongmalai et al (2010, p.627). The respondent was asked six questions to respond to, based on a 5-point Likert scale of (1=strongly disagree, 5=strongly agree). Examples of the questions are; "the board size of my firm should be larger than 16"? "The board size of my firm should be smaller than 16"? "The size of my board enables understanding of the operating environments, offers better guidance"? "the size of my board enables understanding of the business process"? etc. The reliability (Cronbach"s alpha) obtained is α=.91.

3.8.2 Board Independent

Boards of directors are shareholders' internal control mechanisms designed to protect their interests against the supposed rent extractors (Stiles & Taylor, 2001; Jensen and Meckling, 1976). Nevertheless, having an optimal mix of directors, involving those both within and outside the firm, is imperative to address agency conflicts (Bathala & Rao, 1995). Weisbach (1988) observed that the board is at the center of a firm's governance and its responsibility is a reflection of the power imposed on it by shareholders as "*the first line of defense*". Corporate boards are the most important monitoring apparatus and one that shareholders can easily use to inculcate corporate discipline amongst the professional managers who run the firm on a daily basis (Rhoades *et al.*, 2000).

The study adapted six (6) items adapted to measure the influence of board independent of the firm performance from Khongmalai et al, (2010) and Okpara (2010). The respondent was asked six questions to respond to, based on a 5-point Likert scale of (1=strongly disagree, 5=strongly agree). Examples of the questions are; "The number of independent non-executive directors is higher than executive directors on the board of my firm"? "Non-executive directors are absolutely independent of management in decision-making"? "Independent non-executive directors have no relationships that could influence their independent judgment on strategy implementation, codes of behaviour and performance"? etc. The reliability (Cronbach"s alpha) obtained is α=.86.

3.8.3 CEO Duality

Duality is a term used to describe a leadership structure in which one executive member, specifically the CEO, occupies the position of managing director (MD)/CEO and, at the same time, chairs the board of directors (Boyd, 1995; Elsayed, 2007). Functionally, the MD/CEO is an executive member charged with the responsibility of running the corporation, as well as initiating and executing the agreed corporate strategy. The chairperson heads the supervisory board of directors, which provides the appropriate checks to ensure that the executive management, under the CEO's leadership, runs the corporation in a way that safeguards and maximizes the shareholders' interests. If at any given point, the above two distinct roles are held by a single person, the firm is said to be operating a dual leadership structure (Weir & Laing, 2000).

The study adapted six (6) items adapted to measure the influence of CEO duality on the firm performance from Nam & Nam, (2004. p.82). The respondent was asked six questions to respond to, based on a 5-point Likert scale of (1=strongly disagree, 5=strongly agree). Examples of the questions are; "Separating the CEO from the board chairman position enhancing firm performance"? "Separating the CEO from the board chairman promoting boardroom culture that encourages constructive criticism and alternative views"? "Formal annual evaluation of the board and directors enhancing the effectiveness of the firm"? "Formal CEO, evaluation by the board improved the firm performance"? etc. The reliability (Cronbach"s alpha) obtained is α=.83.

3.8.4 Female Gender Diversity

The study adapted six (6) items adapted to measure the influence of female gender diversity on the firm performance from ASEAN Scorecard (2012. p.58) and Nielsen & Huse (2010). The respondent was asked six questions to respond to, based on a 5-point Likert scale of (1=strongly disagree, 5=strongly agree). Examples of the questions are; "The board of my firms consists of at least one female director"? "Female director on our board have different professional experience than men director"?, "Female director on our board have different values than men"? "Female director women have influenced the way the board reviews and guide corporate business strategy"? "Female director are equally active in discussions compared to men"? etc The reliability (Cronbach"s alpha) obtained is α=.80.

3.8.5 Director Skills

The study adapted four (4) items adapted to measure the influence of director skills on the firm performance from Nielsen & Huse, (2010). The respondent was asked six questions to respond to, based on a 5-point Likert scale of (1=strongly disagree, 5=strongly agree). Examples of the questions are; "Directors discuss individual professional opposing views"? "Individual director give the CEO advice related to the personal knowledge, views, and ideas of the members of the board"?, "Individual director provide the CEO with special, creative and non-conformist advice"?, "Director provides personal and individual preferences in their judgment"?. The reliability (Cronbach"s alpha) obtained is α=.73.

3.8.6 Board Competence

The study adapted nine (9) items adapted to measure the influence of director skills on the firm performance from Molokwu et al (2013). The respondent was asked six questions to respond to, based on a 5-point Likert scale of (1=strongly disagree, 5=strongly agree). Examples of the questions are; "The board sets clear organizational priority on firm performance activities for the year ahead"?, "The governing board of my firm delays actions until issues become urgent and critical"?, "Our governing board tends to focus more on current concerns than on preparing for technological changes that would enhance creative ideas and innovation"?, "The board discusses and initiates events and trends in the larger environment that may present specific opportunities for my firm"?, "The governing board converts unsuccessful novel ideas into more creative and innovative ones"?, etc. The reliability (Cronbach"s alpha) obtained is α=.70. Cronbach's alpha is consistent with (Hair, black, babin & Anderson, 2011; Nunnally, 1978) previous study.

3.8.7 Board Professional Knowledge and Experience

The study adapted nine (9) items adapted to measure the influence of director skills on the firm performance from Molokwu et al (2013). The respondent was asked six questions to respond to, based on a 5-point Likert scale of (1=strongly disagree, 5=strongly agree). Examples of the questions are; "Board have enough experience to detect problems on directors' involvement in the process of fostering within the firms"?, "Board have enough training to detect problems on directors' involvement in the process of fostering within the firms"?, "Board have expertise sufficient to allow the board to add value to the decision-making process"?, etc. The reliability (Cronbach"s alpha) obtained is α=.70.

3.8.8 Board Ethnicity Conflict

Board conflict is a multi-item measure based on seven items reflecting the degree of disagreement on both task-related and interpersonal issues, ethnic, race among others (Jehn, 1995; Nielsen & Huse, 2010). The scale of group conflict and assessed how often board members based their ethnicity in decision making. The items were first used by Jehn, (1995). The items (questions) were assessed on how often board members have conflicts or disagree using ethnicity or group difference to settle their personal interest rather than the interest of the firms that affect the firm performance. The study adapted seven (7) items adapted to measure the influence of director skills on the firm performance from Nielsen & Huse, (2010. p.141). The respondent was asked six questions to respond to, based on a 5-point Likert scale of (1=strongly disagree, 5=strongly agree). Examples of the questions are; "Board members are elected or appointed based on ethnicity"?, "Board conflict improves firm performance"?, "Board conflict exists as a result of difference ethnicity group"?, "Ethnicity conflict affect decisions making in the boardroom"?, "Ethnicity conflict exist among groups of board members"?, "Ethnicity conflict affect various ownership or stakeholder interests"?, "The extent to which disagreements among board members are not resolved during board meetings". The reliability (Cronbach"s alpha) obtained is α=.88.

3.8.9 Perceived Firm Performance

The study adapted five (5) items adapted to measure the influence of director skills on the firm performance from Rettab et al (2009). The respondent was asked six questions to respond to, based on a 5-point Likert scale of (1=strongly disagree, 5=strongly agree). Examples of the questions are; therefore, the five (5) items were measured with the performance of listed firms in Nigeria indicators are as follows; "The return on investment has been significantly improving"? "The return on assets has been significantly improving"? "The sales growth has been significantly improving"?, The profit growth has been significantly improving"?, "The income on transactions services, fees and commission have been significantly improving"?. The reliability (Cronbach"s alpha) obtained is α=.85.

Table 3.15:
Summary of Measures and their Sources

Variables	Dimension	No. of items	Sources
Board Size	Unidimensional	6	Ammann et al (2010) Khongmalai et al, (2010)
Board Independent	Unidimensional	6	Khongmalai et al, (2010) Okpara (2010)
CEO Duality	Unidimentional	6	Nam & Nam, (2004).
Female Gender Diversity	Unidimensional	6	ASEANScorecard (2012) Nielsen & Huse (2010)
Director Skills	Unidimentional	4	Nielsen & Huse (2010)
Board Competence	Unidimensional	9	Molokwu et al (2013)
Board Professional Knowledge and Experience	Unidimensional	9	Molokwu et al (2013)
Board Ethnicity Conflict	Unidimensional	7	Jehn (1995) Nielsen & Huse (2010)
Firm Performance	Unidimentional	5	Rettab et al (2009)
Total items		**58**	

3.10 Operational Definition of Variable

3.10.1 Board size

Board size is defined in this study as a total number of peoples on the board of director. Board is even more pronounced in single-tier governance systems configured in such a manner that ensures the representation of both executive and non-executive members (Ammann et al 2010; Conyon & Peck, 1998; Khongmalai et al, 2010; Solomon, 2007).

3.10.2 CEO Duality

CEO Duality is a term used in this study a leadership structure in which one executive member, specifically the CEO, occupies the position of managing director (MD)/CEO and, at the same time, chairs the board of directors. This is consistent with work of previous studies (See Boyd, 1995; Elsayed, 2007; Lawal, 2012; Nam & Nam, 2004).

3.10.3 Independent, non-executives director

Independent, non-executives director are described in this study as those directors who have no family or business ties with the CEO-led management team. This is consistent with work of previous studies (See Dalton et al., 1998; Okpara, 2010).

3.10.4 Female gender diversity

Female gender diversity is defined in this study as a female or women on the board. Female presence on the board reduces agency cost, brings transparency and objectivity in a firm's operation (Nielsen & Huse, 2010; Rossi et al., 2015)

3.10.5 Director skills

Director skills are individual directors' with cognitive characteristics have generally been under-studied as most previous empirical evidence has focused on the demographic features of the board members (Darmadi, 2013; Molokwu et al 2013).

3.10.6 Board competence

Board competence is categories as group approach. This entails the competence of the board of director. The board of director level of competence is seen as a prerequisite for the ability to function effectively (Kim & Lim, 2010; Lawal, 2016; Molokwu et al 2013; Ulum et al., 2014)

3.10.7 Board professional knowledge and experience

Board professional knowledge and experience are defined as professional knowledge and experience that board of director acquired or have from previous membership. Hence, the professional knowledge and experience gained from previous board membership can improve firm performance and decision making (Goodstein et al., 1994; Molokwu et al 2013; Nuhu & Ahmad, 2016).

3.10.8 Board diversity conflict

Board diversity conflict is defined as the scale of group conflict and assessed how often board members have conflicts or disagree within the board (Nielsen & Huse, 2010; Jehn, 1995)

3.10.9 Perceived Firm Performance

Perceived Firm Performance in this study is defined as individual perceived the performance of the listed firm. The study of the area of efficiency of governance of listed firms, which include the financial performance, market performance among others as the measure of the efficiency (Rettab et al 2009; Yuan & Hua, 2015).

3.11 Content Validity

In this section, a number of questions were re-worded/re-phrased in order to measure the appropriate variables and also to be reasonable to the potential respondents. Hence, the process of face validity looking for expert opinion was completed within two weeks' time. Following the guidelines of using the scales laid down by the developers, a minor modification was made in order to suit the location of this research and also to suit the sector as well. Based on the foregoing, more especially considering the fact that the instrument was verified by a number of fairly educated expert people who are well-known in with the area of the study, it could be said that the instrument is appropriate for the context of the study. Therefore, subsequent to obtaining opinions and the observations of the specialists the researcher developed an enhanced/revised version of the instrument, which was eventually administered for the pilot test (Gorondutse & Hilman, 2012b). The next section is the discussion of pilot study and result.

3.12 Pilot Test

A pilot study is seen as a standard scientific tool for 'soft' research, allowing scientists to conduct a preliminary analysis before committing to a full-blown study or experiment (Shuttleworth, 2010). A pilot study is a strategy used to test the questionnaire using a smaller sample compared to the planned sample size or when targeting the total population of the study (Sincero, 2012). Hence, a pilot study is a little scale preparatory work or investigation directed with a specific end goal to assess feasibility, time, and cost so as to anticipate a proper sample size and enhance the study plan before the conduct of the general survey (Hulley, Cunnings, browner, Grady & Newman, 3013; Sekaran & Bougie, 2010).

Gay, Mills, and Airasian (2006) contended that a pilot test is regarded as a trial in which a small scale of the study is carried out before the actual full-scale study. A pilot study was conducted in this study, which aimed at achieving some objectives. First, the study was done to test or determination of validity and reliability of the study instrument or items in the questionnaire. Second, it aimed to gather some insight into the real condition of the actual or full-scale study, which enables the researcher to correct the potential problems during the full-scale research. Third, an assessment of the adequacy of item wording, phrasing, evaluating the questions in a way that yield a better response. Though, the major concerns of the pilot test is the validity and reliability of the study instruments.

Hence, a sample size for a pilot study is, traditionally, smaller, consisting of 15 to 30 elements, though it can increase substantially depending on the peculiarities (Malhotra, 1999). However, the target is thirty respondent but one hundred questionnaires were sent to the board of directors that make the sample of the study beyond the Malhotra's suggestion to avoid low response rate considering the tight schedules of the respondents. Hence, the total of 76 answered questionnaires was obtained from the board of director from the different sector located in federal capital Abuja, for the purpose of pilot testing, but only 73 were retained as usage while 3 were unusable, indicating a response rate of 73 percent. Based on the responses to the questionnaires, the items on the questionnaire were judged to be suitable.

Thereafter, the study employed the use of SmartPLS 2.0 (Ringle, Wende, & Wiil, 2005) to assess the measurement model in order to determine the reliability and the validity of the measures. The pilot study was conducted in the month January through February 2016. Different tests of reliability were led; notwithstanding, the normal technique utilized by numerous researchers is the internal consistency reliability test (Litwin, 1995). It is the scale to which things of a particular construct meet and is autonomously fit for measuring the construct and in the meantime, the results have corresponded with each other. The assessment of the constructs for internal consistency reliability was reflected (Chin et al., 1999; Hair et al., 2010), which showed good reliability as all values were above 0.7 (Sekaran & Bougie, (2010; Tenenhaus, Vinzi, Chatelin, & Lauro, 2005) (See table 3.16). Thus, the composite reliability reached a satisfactory. See table 3.16 for pilot results;

Table 3.16
Summary of Pilot Study Internal consistency results

Latent Variable	Composite Reliability
Board Competence	0.701
Board Ethnicity Conflict	0.825
Board Gender Diversity	0.826
Board Independent	0.753
Board Professional Knowledge and Experience	0.741
Board Size	0.783
CEO Duality	0.826
Director Skills	0.849
Firm Performance	0.878

Table 3.16, demonstrates the outcomes that show all measures accomplished acceptable reliability coefficient, as composite reliability or Cronbach's alpha for the variables under examination ranges from 0.701 to 0.878. A number of researchers and scholars consider a reliability coefficient of 0.60 as average reliability, and a coefficient of 0.70 and above as high reliability (Hair et al., 2006; Nunnally, 1967; Sekaran & Bougie, 2010). Hence, all the variables have internal consistent reliability and consequently, there was no need to remove any items at this level. Therefore, a reliability analysis was performed in the actual study based on a larger sample size in the next chapter.

3.13 Data Collection Procedures

In line with the objective of the study, the survey was conducted by administering to the respondent. The researchers collected letter of introduction and purposed of the questionnaires from the postgraduate school (Othman Yeop Abdullahi School of Business) to assure the relevant authorities on the mission of collecting data for purely academic research. The letter was attached to the questionnaire to ensuring confidentiality of individual information shared.

The study gains cooperation and assisted by the head and members of the corporate governance division, Nigeria security and exchange commission and company secretary of the various firms in the collection process of the questionnaires. Since the process involved all listed firms in Nigeria, the data collection lasted for three months.

3.14 Techniques for Data Analysis

The techniques for data analysis can be seen as a procedure and statistical tools in which researchers used in analysis data, test the formulated hypotheses and refine theories. The Statistical Package for the Social Science (SPSS) platform was used for data entry and it was employed in running some preliminary and basic analyses. For example, it was used for deleting and replacing missing values, testing for normality, as well as detecting and treating outliers. On top of that, it was also used for running descriptive statistics for demographic data, as well as the variables of the study, for example, frequency, mean, and standard deviation.

In order to test the set hypotheses and to examine the influence within the construct, Partial Least Square (PLS) part modeling was adopted for the study (Haenlein & Kaplain, 2004; Hair et al, 2014; Henseler, Ringle, & Sinkovics, 2009). The PLS was developed by Wold (1985), is a method used for estimating path model that involves latent constructs that are indirectly measured by multiple indicators. In addition, PLS is more suitable for models with a high number of exogenous latent variables that also explaining a small number of endogenous latent variables (Hair et al, 2014; Henseler et al, 2009). Thus, PLS approach is one of the structural equation models that estimate relationships via regression among latent variables, as well as between the latent variables and their indicators. Again, compared to other covariance based on techniques, PLS has no restriction in terms of the interaction technique use in testing (Chin et al, 2003).

Several reasons had motivated for the use of PLS path modeling to test the hypotheses in this study. PLS is considered as a statistical methodology that has been used widely by several researchers in the various research area of management (Hull & White, 1990; Nasiru et al., 2015); in marketing (Reinartz, Krafft & Hoyer, 2004). This PLS has the capacity and ability to assess latent variables and their relationship with the items and test the relationship between the latent variables (Hair et al., 2014; Henseler et al., 2009).

Furthermore, PLS is more robust and easy to handle non-normal data that are flexible in assumptions about a normality of a distribution of variables (Henseler et al., 2009). PLS has less restriction on assumptions. For example, the normality of data distribution is not required (Hair et al, 2014). PLS path modeling is more rigorous compared to correlations or regression analysis that assume error-free measurement (Arrègle et al., 2012; Fernandes, 2012). The PLS path modeling method is relaxed in terms of sample size. The rule of thumb recommends that the minimum sample size in PLS analysis is ten times the number of indicators of the scale with the largest number of indicators (Chin & Newsted, 1999).

Finally, PLS path modeling can perform equally well in terms of statistical data analysis as the covariance-based SEM (Henseler et al, 2009). Hence, PLS is continuously gaining recognitions and recommendations as a valid approach to SEM in management research (Arrègle et al., 2012). Therefore, this study employed the use of SmartPLS 2.0 version software (Hair et al., 2014; Ringle et al., 2005) to conduct its analysis (the discriminant validity, internal consistency (reliability), convergent validity among others). In the next chapter, the main results are presented.

As stated above, the study uses both descriptive and inferential statistics that employed as a method of data analysis because descriptive statistics are used to explain the characteristics of data quantitatively by aims at summarizing a sample as well as the entire population when it small (Bichi, 2004; Hair et al., 2014). Therefore, the study uses multiple regression (path modeling) for data analysis. This study investigates the influence of board mechanisms on the perceived firm performance of listed firms in Nigeria.

3.15 Control Variables

The endogeneity issue remains one of the biggest challenges facing researchers in the field of management science (Lawal, 2014; Roberts & Whited, 2012; Wintoki, Linck, & Netter, 2012). By definition, "*endogeneity*" is the tendency of the disturbance term in an estimated model to be correlated with some of the independent variables of interest. The presence of endogeneity, resulting from simultaneity, omitted variables, measurement errors and/or other model specification errors, weakens the reliability of the empirical results (Chenhall & Moers, 2007; Elsayed, 2007; Lawal, 2014; Wan and Ong, 2005). Most of the reported inconsistencies in the corporate governance research findings are thought to be linked to the inability of previous researchers to control the endogeneity effects in their respective estimated models (Lawal, 2014; Renders & Gaeremynck, 2006; Wintoki *et al.*, 2012).

Chenhall and Moers (2007), suggested that the endogeneity problem is a key element that researchers must take into account in order to enhance the credibility of their empirical outcomes. They argued that the development of new perspectives in management science and the use of sensitivity analysis are needed as part of the new measures. In contrary, Bhagat and Black (2000), argued that, although previous empirical studies have often reported the challenges of endogeneity in model specification.

Another critic, model specification and the indiscriminate use of control variables have been identified as some of the problem areas in corporate governance research that have contributed to the equivocal findings produced (Heracleous, 2001; Lawal, 2014; 2012). Lawal (2012), argued that Many research studies have adopted multiple variables to control for endogeneity in a single study, with some variables failing to have effects, dampening the explanatory power of the models, especially since most of these variables were not subjected to pre-diagnostic tests. Some of the commonly misused control variables include firm size, firm age, growth opportunities, and leverage, amongst others. Previous work of Lawal (2012), the results of the pre-diagnostic assessment conducted on the variables of interest showed that, in the Nigerian context, firm age and growth opportunities are not relevant controls for endogeneity, and they were dropped. The indiscriminate use of variables creates a collinearity problem in model estimation, which can lead to spurious results and misleading inferences (see: Farrar & Glauber, 1967; Lawal, 2014).

Van Lent's (2007), argument that, since theoretical inadequacies have made it difficult for researchers to trace the presence of endogeneity, empirical studies should first be driven by the relevance of the research intent, rather than concerned with the existence or otherwise of endogeneity among the variables of interest. Van Lent (2007), further suggested that too much focus on endogeneity may thwart thought-provoking discourse in the management field of study. The procedure based on the assumption that, holding every other variable constant, firm performance is a function of board characteristics (Lawal, 2016). The effect of endogeneity on the sign of the relationship between the explanatory and explained variables was allowed to remain. This was done to allow the variables to interact freely, with no constraints placed on the estimated model (Heracleous, 2001; Lawal, 2016). The next section is the summary of this chapter.

3.16 Chapter Summary

This chapter presented the procedure that was adhered to in conducting this research. The theoretical framework for the study was presented as well as the hypotheses development of eight constructs. The study employs a quantitative approach; it was also a cross-sectional survey research design with the population of the listed firm in the Nigeria stock exchange. Previous measurements were adapted for all variables and the population consists of 1,786 directors of listed firms in Nigeria. Hence, 317 samples were determined using Krijcie and Morgan (1970) determination formulae. The random sampling method was employed to determine the sample size. The data collected were through questionnaire administration. A pilot test was conducted to determine the reliability and validity of the measures for the variables. Finally, SPSS was used to screen data while the SmartPLS 2.0 version was used to conduct analysis for this study.

CHAPTER FOUR

DATA ANALYSIS AND FINDINGS

4.1 Introduction

This chapter presents the analysis and findings that were obtained based on the data collected. First and foremost, it provides details about the sample characteristics. Secondly, the initial data screening processes are presented. Third, it provides the findings of the measurement model, structural model, and chapter summary.

As indicated in the previous chapter, this study employed the component based on SEM (PLS-SEM) or the PLS path modeling to carry out a confirmatory research based on the responses obtained from 362 observations. The study applied PLS 2.0 (Ringle et al, 2005) to estimate the parameters of the model based on the weighting scheme (Henseler, 2012). Moreover, the study applied the non-parametric bootstrapping on the 362 samples and the no sign changes in order to assess the significance of the path coefficients (Hair Jr, Hult, Ringle & Sarstedt, 2013).

4.2 Response Rate

A total of 476 questionnaires was administered to the board of directors of listed firms in Nigeria. Out of these questionnaires, 401 were returned, resulting in 86% of responses rate. The study received the highest number of response rate because most of the questionnaires were administered during the board meetings periods with the assistance of the company secretaries and at the board of director conferences organized by Nigeria stock exchange in collaborating by Nigeria security and exchange commission (SEC). The assistant researchers (Company Secretaries, NSE Liberians, Divisional head of corporate governance department SEC and Divisional head investigating enforcement department SEC). The assistant researchers employed also followed some of the board of directors to their meeting in order to submit the questionnaires or to collect them after a period of more than four weeks. Pressley (1980), as well as Yu and Cooper (1983), have recommended such approaches to reduce or avoid the error of non-response bias. Subsequently, these types of approaches have been proven to be useful in obtaining results that are encouraging (Yu & Cooper, 1983).

In further examination of the collected questionnaires, 39 were invalid as most questions were not answered. Hence, after considering the questionnaires based on responses to the items, 362 questionnaires were valid and imputed for analysis, yielding a totally valid response rate of 76%. Table 4.1 provides the response rate for the questionnaires.

Table 4.1
Response Rate of the Questionnaires

Response	Frequency/Rate
Number of questionnaires distributed	476
Number of questionnaires returned	401
Number of questionnaires not returned	75
Invalid Questionnaires	39
Usable questionnaires	362
Response rate	84%
Valid response rate	76%

4.3 Non-Response Bias

Non-response bias is the difference between the answer of respondents and non-respondents, which could be of a serious concern if the self-selection is significant, as it can alter the validity of the results (Shult & Luloff, 1990), hence, limiting the generalization to a whole population (Amstrong & Overton, 1977). Non-response bias can also be defined as "a number of errors that occur when inferences made about a population are based upon a non-representative sample, that is, in turn, due to low and unrepresentative survey response" (Shult & Luloff, 1990).

The researchers on non-response bias have concentrated on; following a procedure to reduce or eliminate the non-response error or follow a procedure of estimating the extent of the error when data are collected (Wilcox, Bellenger & Rigdom, 1994). Armstrong and Overton (1977) suggested that one of the best ways to protect against non-response bias is to reduce non-response and recommended employing procedures to keep non-response below 30%. Similarly, Wilcox et al, (1994) suggested that response rate close to 100 percent should indicate a minimal error, while those close to zero suggest significant potential for bias. Given that the non-response rate of this study had been sixteen percent; low enough to warrant minimal response bias (Amstrong & Overton, 1977), the study, therefore, presumed the absence of non-response bias. Hence, non-response rate did not pose any threat to the validity of this study (Shult & Luloff, 1990).

"The general assumption is that the higher the response rate, the lower the potential of non-response error, and therefore, the better the survey" (Dillman, 1991). Thus, the study did not consider the estimation of response bias by comparing the early response and the possible late response (Amstrong & Overton, 1977).

4.4 Data Screening and Preparation

For any researchers to understand the nature of the data used for analysis, multivariate analysis is important. In conducting a multivariate analysis, it is important to examine and screen the data in order to fulfill and meet up with the required underlying assumptions of the application of multivariate techniques (Hair, Black, Babin, Anderson, & Tatham, 2007).

The process of the descriptive statistics of the data, as recommended by Tabachnick and Fidell (2001), and Hair et al, (2007) involve; the analysis of the missing values, analysis of outliers, a test of normality of distribution of data, and test of multicollinearity. However, this analysis was carried out using the IBM SPSS Statistics 18 software package.

4.4.1 Analysis of Missing Value

Missing value can cost damage to research analysis. Tabachnick and Fidell (2001), argued that missing value of data could pose a big problem and difficulty to any data analysis. Therefore, to determine the extent of missing data Hair et al (2007) suggested that assessing (1) the percentage of variables with missing data for each case, and (2) the number of cases with missing data for each variable. Hair et al (2007), this will show not only the extent but also any high levels of missing data that occur.

Therefore, in order to determine the extent of missing values for this study, all variables with missing values were listed below. For the 58 variables in the SPSS output, 4 variables had missing data. For each variable, the percentage of missing data range from 0.1% to 0.4%, while for the entire data set, which had a total of 20,996 data points and a total of 15 missing points, the overall percentage of missing data was 0.07%. In detail, the analysis found two missing value in board gender diversity, three missing value in board professional knowledge and experience, three missing value in board ethnicity conflict, and seven missing value in firm performance. Table 4.2 shows the missing data and the percentage by variable for only variable with missing data.

Therefore, in assessing the missing data by case or observation based on the rule of thumb, Hair et al (2006), recommended that missing data with less than 10% for an individual case or observation can be ignored. Hence, based on the missing values, the analysis of the data set was retained as there was no substantial case that warranted deletion. Hence, the missing values were replaced based on mean substitution. Mean substitution is the best and most widely used method, as mean is the best single replacement value (Hair et al, 2006; Tabachnick & Fidell, 2001). However, besides, as a rule of thumb, Tabachnick, and Fidell (2001) suggested replacing missing values using imputation method (one of which is the mean substitution method) when the missing values are less than 10%.

Table 4.2

Total and Percentage of Missing Value

Latent Variable	Number of Missing Value
Board Gender Diversity	2
Board Professional Knowledge and Experience	3
Board Ethnicity Conflict	3
Firm Performance	7
Total	15 out of 20,996
Percentage	0.07%

Note: percentage of missing values is obtained by dividing the total number of missing values by a total number of data points multiplied by 100.

4.4.2 Analysis of Outliers

Outliers are defined "as observations or subsets of observations which appear to be inconsistent with the remainder of the data" (Barnett & Lewis, 1994 p.7). In a regression-based analysis, the presence of outliers in the data set can seriously distort the estimates of regression coefficients and lead to unreliable results (Verardi & Croux, 2008). It is ā multivariate assessment of each observation across a set of variables" (Hair et al., 2007 p.65). It is also one measure of multivariate distance that can evaluate each case or observation using X^2 distribution (Tabachnick & Fidell, 2001).

The Mahalanobis D^2 (D^2 = Distance) measure is defined as "the distance of a case from the centroid of the remaining cases where the centroid is the point created at the intersection of the means of all the variables" (Tabachnick & Fidell, 2001 p.74). The "method measures each observation's distance in multidimensional space from the mean center of all observations, providing a single value for each observation, no matter how many variables are considered" (Hair et al., 2006 p.65). In evaluating the Mahalanobis distance, the X^2 with a degree of freedom equal to the number of variables in the analysis (Tabachnick & Fidell, 2001). It is suggested that the criterion for multivariate outliers is Mahalanobis distance at $p < .001$ (Hair et al., 2006; Tabachnick & Fidell, 2001).

The measure for Mahalanobis D^2 in the study with 58 variables revealed a chi-square value of 97.03 (at $p<0.001$). This result indicated that there are no multivariate outliers in the data set. The highest value of Mahalanobis generated is 28.68 in the dataset. Therefore, the values of Mahalanobis 28.68 is less than the threshold of 97.03 chi-squares. Hence, following Tabachnick and Fidell (2007), criterion decision for detecting outliers, none of the cases of outliers were identified using Mahalanobis distance (D2).

4.4.3 Test of Normality

Test of normality in recent studies has gained a lot of recommendations. The fundamental assumptions in multivariate analysis are normality, which refers to the shape of data distribution regarding individual metric variable and its correspondence to the normal distribution (Hair, Sarstedt, Ringle and Mena 2012; Hair et al, 2007). Therefore, it is expected that the variation will not be substantially large; otherwise, the resulting statistical test would be invalid. It is argued that a larger sample size could reduce the serious effect of non-normality (Hair et al, 2006). Again, Hair et al., (2014), contended that as a non-parametric method, PLS-SEM does not require the data to be normally distributed. Although, the authors advised for verification to observe that the data are not too far from normal.

Against this background, the present study employed a graphical method to check for the normality of data collected (Tabachnick & Fidell, 2007). Even though the sample size for this study had been considered as large and PLS-SEM was employed for its analysis, it confirmed normality graphically (Tabachnick & Fidell, 2007). Hence, in a large sample of 200 and more, it is more important to observe the shape of the distribution graphically than observing skewness and kurtosis (Field, 2009).

Therefore, the graphical examination was carried out by examining histograms and inspecting normal probability plots for all metric variables (Hair et al, 2007). Normal probability plots provide a comparison of the actual observed data with expected data of a normal distribution (Hair et al, 2007; Tabachnick & Fidell, 2001). Hence, the examination of histograms and normal probability plots indicated no serious deviation from normality. Figure 4.1 Shows that the data for this study assumed a normal curve, which indicated that the assumptions of normality had been archived and adhered to. Thus, Figure 4.1 indicates that normality assumptions were not violated in the present study.

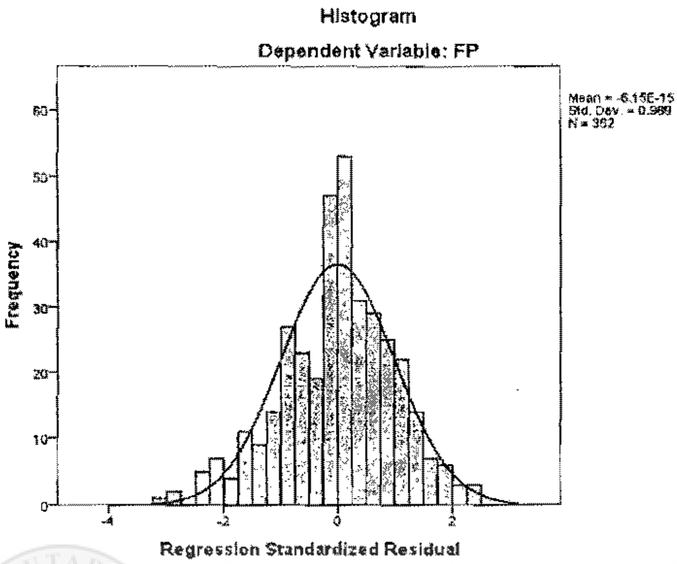

Figure 4.1
Histogram and normal probability plots

4.4.4 Test of Multicollinearity

Multicollinearity refers to a situation where two or more exogenous latent constructs become highly correlated. A situation of high correction between more than two independent variables is known as multicollinearity (Hair et al, 2007). Again, in the correlation matrix, multicollinearity becomes a serious problem when the variables are too highly correlated Tabachnick & Fidell, 2001). It is known to have serious effects on the estimation of the regression coefficients and their statistical significance tests (Hair et al, 2007). This statistical problem is created by multicollinearity at a higher correlation, i.e. 0.9 and higher (Tabachnick & Fidell, 2001). Hence, the increase in multicollinearity complicates interpretation of variable because it becomes more difficult to determine the effect of any single variable because of their interrelationship (multicollinearity).

Therefore, in order to detect multicollinearity in this study, two steps were taken recommended by Hair et al, (2007), and Tabachnick & Fidell, (2001). First, the correlation matrix for the independent variables was examined to identify high correlations. The Threshold of 0.9 was considered, as suggested by Hair et al, (2007) and Tabachnick & Fidell, (2001). Hence, the examination of the correlation matrix shown in Table 4.3 indicates that the highest value of correlation was 0.659 or 0.66. Hence, it suggested that none of the exogenous variables were highly correlated.

Table 4.3
Correlations Matrix of the Exogenous Latent Construct

Latent Constructs	**1**	**2**	**3**	**4**	**5**	**6**	**7**	**8**
1. Board Competence	1							
2. Board Ethnicity Conflict	0.069	1						
3. Board Gender Diversity	.475**	-0.084	1					
4. Board Independent	.123*	.284**	.108*	1				
5. Board Professional Knowledge and Experience	.452**	-.264**	.659**	-0.031	1			
6. Board Size	-.120*	-0.007	-.497**	-.224**	-.504**	1		
7. CEO Duality	-0.05	.118*	-0.092	.141**	-.358**	.274**	1	
8. Director Skills	-0.034	0.002	0.017	-0.048	0.017	0.045	0.013	1

** Correlation is significant at the 0.01 level (2-tailed).

* Correlation is significant at the 0.05 level (2-tailed).

Second, the study examined the tolerance values and the variance inflation factor (VIF) using the IBM SPSS software to check for multicollinearity. The tolerance value is defined as "the amount of variability of the selected independent variable not explained by the other independent variable" (Hair et al, 2007 p.227), while variance inflation factor (VIF) is the 'inverse of the tolerance value' (Hair et al, 2007 p.227). The threshold of tolerance value below 0.10 and VIF value above 10 indicate high collinearity (Hair et al, 2007). However, multicollinearity is examined among more than two predictor variables on the same level. In this study, in order to examine if multicollinearity existed among these variables, each of the variables was used at different interpolations as the dependent variable. Hence, from an examination of collinearity, none of the tolerance value was below 0.10 and all the variance inflation factor (VIF) values had been less than 10. Thus, for this study, multicollinearity was not a problem. Table 4.4 shows the tolerance values and the VIF values of the latent constructs at different computations.

Table 4.4
Tolerance and Variance Inflation Factors (VIF)

		Collinearity Statistics	
Dependent Variable	Independent Variable	Tolerance	VIF
BC	BEC	.842	1.188
	BGD	.493	2.026
	BI	.834	1.199
	BPKE	.422	2.372
	BS	.621	1.609
	CD	.788	1.268
	DS	.993	1.007
BEC	BGD	.454	2.204
	BI	.862	1.161
	BPKE	.414	2.416
	BS	.585	1.709
	CD	.788	1.269
	DS	.990	1.010
	BC	.678	1.474
BGD	BI	.822	1.216
	BPKE	.461	2.170
	BS	.636	1.573
	CD	.826	1.211
	DS	.990	1.010
	BC	.708	1.413
	BEC	.808	1.238
BI	BPKE	.380	2.634
	BS	.618	1.619
	CD	.807	1.239
	DS	.990	1.010
	BC	.660	1.514
	BEC	.847	1.181
	BGD	.454	2.204
BPKE	BS	.631	1.584
	CD	.868	1.151

	DS	.991	1.009
	BC	.730	1.370
	BEC	.889	1.124
	BGD	.556	1.797
	BI	.830	1.204
BS	CD	.819	1.221
	DS	.994	1.006
	BC	.703	1.423
	BEC	.821	1.218
	BGD	.501	1.995
	BI	.882	1.133
	BPKE	.412	2.426
CD	DS	.989	1.011
	BC	.651	1.536
	BEC	.808	1.238
	BGD	.475	2.104
	BI	.842	1.188
	BPKE	.414	2.414
	BS	.598	1.672
DS	BC	.654	1.529
	BEC	.809	1.236
	BGD	.454	2.201
	BI	.823	1.215
	BPKE	.377	2.655
	BS	.578	1.729
	CD	.788	1.269

4.5 Sample Characteristics

This section describes the demographic profile of the respondents. Table 4.5 presents the frequencies and the percentages of the important characteristics of the sample. The characteristics or demographic characteristics examined in this study include gender of the respondents, educational status of the respondents, the age of the respondents, position or rank of the respondents, and a number of board respondents are serving. The responses obtained showed that 76.8% of the respondents were male, while 23.2% were females. As for position or rank of the respondents showed that 2.2% were chairman, 2.2% were the chairperson, 13.3 were MD/CEO, 45.6% were a director, 35.1% were an independent director, 0.6 were secretary and 1.1 were others.

Regarding the age group, 29.8% were between the ages of 31-40 of the respondents, were between the ages of 41-50 were 51.7% of the respondents, 17.7% were between the ages of 51-60 and 0.8% were between the ages of 61 and above. Number of board the director are serving, respondent is currently serving, 88.4% of the respondents are serving in only one the board of director, while 10.5% of the respondents are serving in two board of director of the two different firms and 1.1% are serving in three board of director of three different firms. Again, in time education status of the respondents, 32% of the respondents hold B.Sc, while 57.5% holds Master degree and 10.5 holds P.hD.

Table 4.5
Sample Characteristics of the Respondent

		Frequency	Percent
Gender	Male	278	76.8
	Female	84	23.2
Position	Chairman	8	2.2
	Chairperson	8	2.2
	MD/CEO	48	13.3
	Director	165	45.6
	Independent Director	127	35.1
	Secretary	2	0.6
	Affiliated directors	4	1.1
Age	31-40	108	29.8
	41-50	187	51.7
	51-60	64	17.7
	61 Above	3	0.8
Number of Board Serve	1	320	88.4
	2	38	10.5
	3	4	1.1
Education	B.Sc	116	32
	Master	208	57.5
	Ph.D	38	10.5

4.6 Descriptive Statistic of the Study Variables

This section is primarily concerned with the descriptive statistics for the latent variables used in the present study. Descriptive statistics in the form of means and standard deviations for the latent variables were computed. All the latent variables used in the present study were measured using a five-point scale anchored by 1 = strongly disagree to 5 = strongly agree. The results are presented in Tables 4.6. The descriptive statistics analysis reveal that the mean value for director skills of 4.010 was relatively higher than the mean of the remaining constructs. The descriptive analysis also revealed that putting board size has the lowest mean value of 2.158. The mean score of board independent of 3.868 is relatively lower to the mean score of director skills but relatively higher to the mean score for board ethnicity conflict of 3.709. Furthermore, as indicated in Table 4.6, mean value for firm performance is demonstrated to be 3.631, while the descriptive analysis demonstrates that the mean value for the board professional knowledge and experience of 3.541 exceeds the mean value for the board competence which is 3.475. The mean score of board gender diversity of 3.324 which higher than CEO duality of 2.395.

Table 4.6
Descriptive Statistics

Variable	N	Mean	Std. Deviation
Board Competence	9	3.475	.910
Board Ethnicity Conflict	7	3.709	.951
Board Gender Diversity	6	3.324	1.199
Board Independent	6	3.868	.892
Board Professional Knowledge and Experience	9	3.541	1.067
Board Size	6	2.158	1.109
CEO Duality	6	2.395	.949
Director Skills	4	4.010	.672
Firm Performance	5	3.631	1.061

4.7 Common Method Variance

Common method bias is the variance that is consistently contributed to the measurement error to a certain extent than to the actual variable that is supposed to be measured (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). Richardson, Simmering, & Sturman (2009), defined common method variance as a systematic error variance shared among and/or source. However, there has been increasing apprehension about how to decrease or eradicate method biases because they are one of the main sources of measurement error found in behavioral studies. This study used self-reported data from chairman, chairperson, CEO, directors, independent directors among others in the listed firm in Nigeria, which creates potential for common method variance (CMV); this indicates that the predictors (i.e., board size, board independent, CEO duality, board gender diversity, board competence, board professional knowledge and experience, director skills and board ethnicity conflict), and criterion variables (i.e., Performance) are obtained from the same single source.

To address the issue of CMV, some procedural and statistical measures were taken in the research process (Podsakoff et al., 2003). Some of these procedural and statistical controls include reverse worded questions, elimination of item ambiguity, allowing the respondent's anonymity and Harman's single-factor test as recommended by Podsakoff et al. (2003). Harman"s single factor test has been one of the most widely used techniques by researchers to solve the predicament of CMV. The procedure provides loading simultaneously all study variables into an EFA and examining the unrotated factor explanation to establish the number of factors that are essential to account for the variance in the constructs (Podsakoff et al., 2003)

The rule states that if the considerable total of CMV exists, the results of the factor analysis will either be a single factor or that a single factor will cause the mainstream of the covariance among the measured (Podsakoff et al., 2003). In addition, the correlation matrix (Table 4.3) and Discriminant Validity (Table 4.8) do not signify any extremely correlated variables; common method bias frequently results in tremendously high correlations (0.90) (Bagozzi, Yi, & Phillips, 1991). Consequently, one may assume that CMV bias is not a problem, and the results corroborate the tenability of the proposed measurement model, thus, in line with the above discussion, it shows that common method bias may not be a serious problem in the present study data.

4.8 Assessment of Measurement Model (PLS-SEM)

4.8.1 Introduction

The important of depicts measurement model and structural model using Partial Least Squares Structural Equation Modelling (PLS-SEM) can never be overemphasized. The application of PLS-SEM has so many advantages (Hair et al, 2014). Hair et al (2014), contended that PLS-SEM accepts and works very well with a small number and does not cost or make any assumptions about the underlying data, it can easily run data measured by both reflective and formative items. Hair et al, PLS-SEM can also handle single-item constructs and shows no identification problems with highly efficient in estimating parameter, which results in the outcome of high statistical power than the CB-SEM, which made the application of PLS-SEM favourable to researchers in various research situations.

This study considered PLS-SEM to be more important as a statistical technique for use over the others like the Covariance Based Structural Equation Modelling (CB-SEM) (Hair et al, 2014) and hence, was employed for the assessment of the measurement model and the evaluation of the structural model.

This study used the sequential two-stage approach to assessing the results (Hair et al., 2014). Hair et al (2014), and Henseley et al (2009) explained that in the PLS-SEM analysis, the estimation of the outer model (i.e Measurement Model) is first examined, checking the internal consistency reliability (i.e composite reliability), convergent validity, and discriminant validity. After establishment the reliability and the validity of the constructs, the structural model estimates were evaluated.

The structural model (inner model) evaluation determined the predictive ability of the model. Hence, the evaluation criteria involving PLS-SEM had been the coefficient of determination (R^2 values) and the significance level of path coefficients (Hair et al., 2014; Wong, 2013). The next section is reliability and validity assessments.

4.8.2 Reliability and Validity Assessments

Normally and traditionally, Cronbach's alpha is used in social science research to measure internal consistency, whereas, in PLS-SEM, it provides a conservative measure (Hair et al., 2014; Wong, 2013). Hence, another internal consistency measure, the composite reliability has been suggested (Bagozzi & Yi, 1988; Hair et al, 2014). Therefore, the internal consistency reliability is assessed by observing the composite reliability values, as stated by Hair et al., (2014), should be greater than 0.70. The indicator reliability was considered by examining the outer factor loadings and should exceed 0.50 and above (Hair et al., 2014; Henseler et al., 2009).

While convergent validity is the extent of positive correlation among measures of the same construct, such that, the indicators of a construct converge or share a high proportion of variance (Hair et al., 2014). To establish convergent validity, researchers consider the outer loadings of the indicators, as well as the average variance extracted (AVE) (Hair et al., 2014). The AVE is "the grand mean value of the squared loadings of the indicators associated with the construct" (Hair et al., 2014 p.103) and should be 0.50 or higher to be acceptable (Bagozzi & Yi, 1988). When this is achieved, it shows that the construct explains more than half of the variance of its indicators (Hair et al., 2014).

Meanwhile, discriminant validity is the extent to which a construct in a model is practically different from other constructs. Thus, discriminant validity is established when a construct is unique in its complete sense from other constructs in a model (Hair et al., 2014). To measure discriminant validity in PLS-SEM, two measure were are carried out.

The first methods, assessing discriminant validity is the examination of the cross-loadings of the indicators. To establish discriminant validity, an indicator's outer loading on its construct should be greater than all of its loadings on the construct (Hair et al., 2014; Henseler et al., 2009). The second methods, a more conservative way of assessing discriminant validity is the Fornell and Larcker (1981) criterion. In this regard, the square root of the AVE values is compared with the latent variable correlations. It is required that the square root of each construct's AVE should be greater than its highest correlation with any other construct (Hair et al., 2014). This is to clearly show that a construct share variance with its indicators than any other construct in the model (Hair et al., 2014).

4.8.3 Results of Reliability and Validity Assessments

The results of the reliability and the validity using the SmartPLS 2.0 software package (Ringle et al., 2005) are presented in the following sub-section.

4.8.3.1 Internal Consistency Reliability

The composite reliability values for all the latent variables examined showed that they are all above suggested values of 0.70 (Hair et al., 2014; Henseler et al., 2009; Ringle, 2006). Specifically, as shown in Table 4.7, the values for the reflective multiple-items latent variables ranged from 0.716 to 0.934, thus, indicate higher levels of reliability (Hair et al., 2014). Following the composite reliability, the outer loading was also examined for the indicators reliability.

4.8.3.2 Indicator Reliability

The results showed that all loading values exceeded the suggested values of 0.50 (Hair et al., 2014) as all loading range from 0.539 to 0.949. This means that each construct in the model has captured indicators that have much in common and they are statistically significant (Hair et al., 2014). Again, when the standardized outer loadings were squared, as suggested by Hair et al., (2014) the values were 0.5 and above. The square of the standardized indicator's outer loading showed how much variation in an item is explained by its construct and this variance in the item is expected, as a rule of thumb, should be at least 0.50 (Hair et al., 2014). Hence, in this study, the reliability of the indicators had been assumed (Hair et al., 2014; Wong, 2013). Table 4.7 indicates the loadings of the items in the study model.

Table 4.7
Items loading, internal consistency, and Average Variance Extracted (AVE)

Latent Variable	Code	Loadings	AVE	Composite Reliability
Board Competence	BC3	0.691	0.596	0.745
	BC4	0.846		
Board Ethnicity Conflict	BEC1	0.740	0.574	0.869
	BEC4	0.724		
	BEC5	0.878		
	BEC6	0.571		
	BEC7	0.838		
Board Gender Diversity	BGD2	0.913	0.625	0.827
	BGD5	0.539		
	BGD6	0.866		
Board Independent	BI1	0.721	0.557	0.716
	BI3	0.771		
Board Professional Knowledge and Experience	BPKE	0.773	0.656	0.851
	BPKE	0.890		
	BPKE	0.761		
Board Size	BS3	0.662	0.590	0.809
	BS4	0.900		
	BS5	0.722		
CEO Duality	CD1	0.711	0.557	0.787
	CD4	0.621		
	CD5	0.883		
Director Skills	DS1	0.923	0.876	0.934
	DS2	0.949		
Firm Performance	FP1	0.817	0.606	0.885
	FP2	0.764		
	FP3	0.785		
	FP4	0.738		
	FP5	0.784		

AVE = Average Variance Extracted

4.8.3.3 Convergent Validity

The assessment of convergent validity is where the Average Variance Extracted (AVE) values were examined. All the AVE values in the results exceeded the suggested 0.50 (Hair et al., 2014; Henseley et al., 2009; Ringle, 2006). The least value was 0.557, and hence, convergent validity was established. The AVE values are also shown in Table **4.7**

4.8.3.4 Discriminant Validity

The discriminant validity was assessed based on Fornell and Lacker's (1981) criterion. The results of this study showed that the square root of AVE values for all constructs exceeded other construct values as they correlated with a latent variable correlation. Therefore, the discriminant validity construct was established (Hair et al., 2014; Henseler et al., 2009). Table 4.8 shows the results of the Fornell and Larcker's (1981) criterion for assessing discriminant validity.

Table 4.8
Latent Variable Correlations and Square Root of Average Variance Extracted (AVE)

Latent Variable	1	2	3	4	5	6	7	8	9
1. Board Competence	**.772**								
2. Board Ethnicity Conflict	.085	**.758**							
3. Board Gender Diversity	.504	-.079	**.791**						
4. Board Independent	.133	.272	.127	**.747**					
5. Board Professional Knowledge and Experience	.467	-.259	.670	-.020	**.810**				
6. Board Size	-.132	-.046	-.416	-.505	-.402	**.768**			
7. CEO Duality	-.060	.087	-.054	.136	-.317	.165	**.746**		
8. Director Skills	-.031	.013	.019	-.046	.019	.071	.011	**.936**	
9. Firm Performance	.477	-.227	.559	.199	.648	-.221	.103	-.029	**.778**

Note: The values in bold are the square root of AVE across diagonal and off-diagonal are the correlation among the latent variables

In order to assess discriminant validity based on the indicator level, the cross-loadings were examined (Henseler et al., 2009). This study found that the loading of each of the indicator had been higher on its associated factor than any of its cross-loading in other factors. Again, this established the discriminant validity at the level of indicators. This result is presented in Table 4.9.

Table 4.9

Measurement items and Cross Loadings constructs

Construct	Indicators	BC	BEC	BGD	BI	BPKE	BS	CD	DS	FP
Board Competence	BC3	.691	-.184	.237	-.085	.323	.013	-.046	-.058	.309
	BC4	.846	.252	.509	.243	.395	-.188	-.047	.001	.419
Board Ethnicity Conflict	BEC1	.189	.740	.146	.172	.012	-.208	-.188	-.026	-.166
	BEC4	-.069	.724	-.141	.076	-.227	.099	.145	-.010	-.167
	BEC5	.020	.878	-.086	.337	-.240	-.090	.136	.014	-.199
	BEC6	.035	.571	-.058	.239	-.161	-.067	.198	-.051	-.025
	BEC7	.132	.838	-.148	.245	-.338	.047	.137	.060	-.202
Board Gender Diversity	BGD2	.453	-.052	.913	.128	.597	-.266	.079	.082	.572
	BGD5	.206	-.063	.539	-.005	.336	-.421	-.219	.032	.077
	BGD6	.457	-.091	.866	.108	.603	-.474	-.178	-.070	.445
Board Independent	BI1	.122	.288	.011	.721	-.080	-.068	.147	.008	.142
	BI3	.078	.126	.172	.771	.045	-.662	.060	-.073	.154
Board Professional Knowledge and Experience	BPKE2	.230	-.314	.442	-.130	.773	-.266	-.393	.028	.377
	BPKE3	.455	-.217	.532	.002	.890	-.239	-.220	.047	.677
	BPKE8	.406	-.120	.672	.053	.761	-.524	-.211	-.043	.445
Board Size	BS3	-.078	-.126	-.172	-.771	-.045	.662	-.060	.073	-.154
	BS4	-.115	.041	-.398	-.290	-.433	.900	.184	.073	-.215
	BS5	-.112	-.060	-.391	-.100	-.443	.722	.269	.002	-.122
CEO Duality	CD1	-.101	.039	-.185	.036	-.220	.198	.711	.045	.079
	CD4	.012	.102	.023	.111	-.309	.222	.621	.031	.027
	CD5	-.018	.082	.056	.162	-.253	.045	.883	-.027	.097
Director Skills	DS1	-.038	.007	.024	-.067	.035	.070	-.015	.923	-.024
	DS2	-.021	.017	.013	-.023	.003	.064	.031	.949	-.029
Firm Performance	FP1	.410	-.224	.679	.161	.707	-.358	-.026	-.029	.817
	FP2	.304	-.218	.364	.094	.373	.035	.201	-.012	.764
	FP3	.388	-.170	.328	.101	.360	.000	.249	-.009	.785
	FP4	.336	-.155	.251	.228	.355	-.090	.113	.027	.738
	FP5	.406	-.110	.461	.191	.637	-.357	-.075	-.075	.784

4.9 Assessment of Structural Model (PLS-SEM)

4.9.1 Introduction

This section evaluates the structural model. The major considerations for the assessment of the inner model (structural model) were path coefficient estimates, coefficient of determination (R^2 values), f^2 effect sizes, and predictive relevance (Q^2) (Hair et al, 2014; Hair, Ringle, & sarstedt, 2011; Henseler et al, 2009; Ringle, 2006).

4.9.2 Results from Assessments Structural Model

In this section, the path coefficients were estimated through bootstrapping procedure in SmartPLS 2.0 (Ringle et al., 2005). As suggested by Hair et al., (2014), the number of bootstrapping subsample was set at 5,000 with 362 bootstrap cases in the data set and a no sign change. The parameters were also estimated based on a path-weighting scheme (Vinzi, Trinchera, & Amato, 2010). The bootstrapping procedure was carried out to obtain standard errors to determine the significance of the coefficients and for the test of hypotheses (Hair et al, 2014).

On a significance level of $p < 0.01$ and $p < 0.05$, the results showed that five of the path coefficients from the predictors to the criterion variables were all significant at 1%. While two of the path coefficients from the predictors to the criterion variables were significant at 5%. The exception was the path coefficients from DS to FP, which was negatively significant (β = -0.040). Table 4.10 presents the path coefficients, t-values, and p-values. The validated structural model is also presented in Figure 4.2

Table 4.10

Results of Path Coefficients

Hypothesis	Hypothesis Path	Path Coefficient	Standard. Error	T Value	P Value
H1 (+)	BS -> FP	.192	.058	3.335	.000*
H2 (+)	BI -> FP	.280	.057	4.958	.000*
H3 (+)	CD -> FP	.264	.075	3.531	.000*
H4 (+)	BGD -> FP	.109	.060	1.804	.036**
H5 (+)	DS -> FP	-.040	.041	.981	.164
H6 (+)	BC -> FP	.141	.045	3.111	.001**
H7 (+)	BPKE -> FP	.636	.064	9.870	.000*
H8 (-)	BEC -> FP	-.156	.039	3.991	.000*

*Note: *Significant at $P < 0.01$, ** Significant at $P < 0.05$*

Next is the examination of the coefficient of determination (R^2) of the endogenous latent variables (Henseler et al., 2009). Based on the threshold of acceptable values of R^2, as proposed by Chin (1998), 0.19, 0.33, and 0.67 indicated weak, moderate, and good respectively. The results obtained showed that the R^2 for the endogenous latent variables is 0.62. This indicated that according to Chin (1998), the coefficients of determinations (R^2) in this study were moderate but close to good. Overall, the R^2 values obtained showed the good predictive power of the exogenous latent variables on the endogenous latent variables. However, the amount of variance in the endogenous constructs, explained by the exogenous constructs, had been adequate. The following table 4.11 shows the coefficient of determination (R^2 values).

Table 4.11

coefficients of Determination (R^2)

Construct	R Square (R^2)
FP	.62

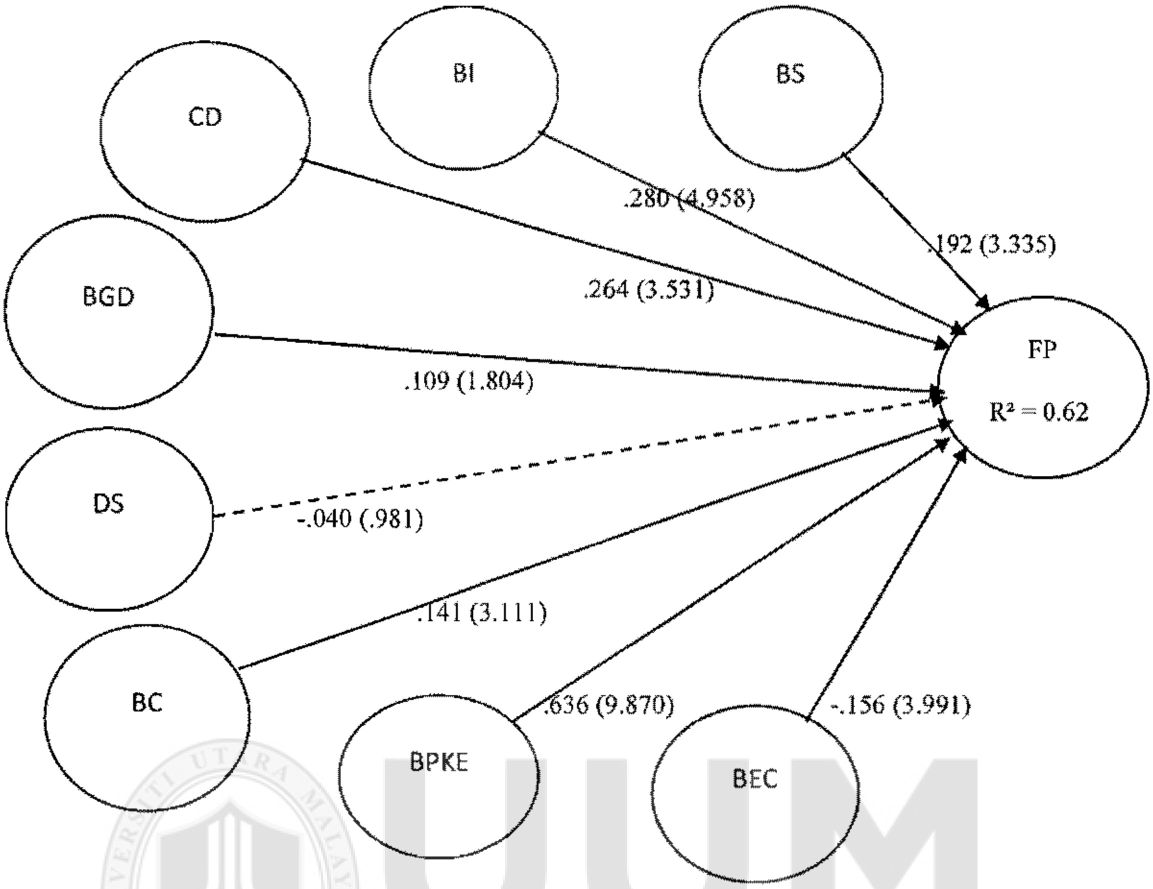

Figure 4.2
Validated Structural Model

Value indicate path coefficients; values in parentheses indicate t-values; solid lines indicate significant relationships ($p < 0.01$ and ($p < 0.05$) respectively. The dotted line indicates no significant and negative relationship. The next figures are two stage Approach using PLS-SEM (PLS-SEM Measurement and Structural Model) software.

Stage 1:

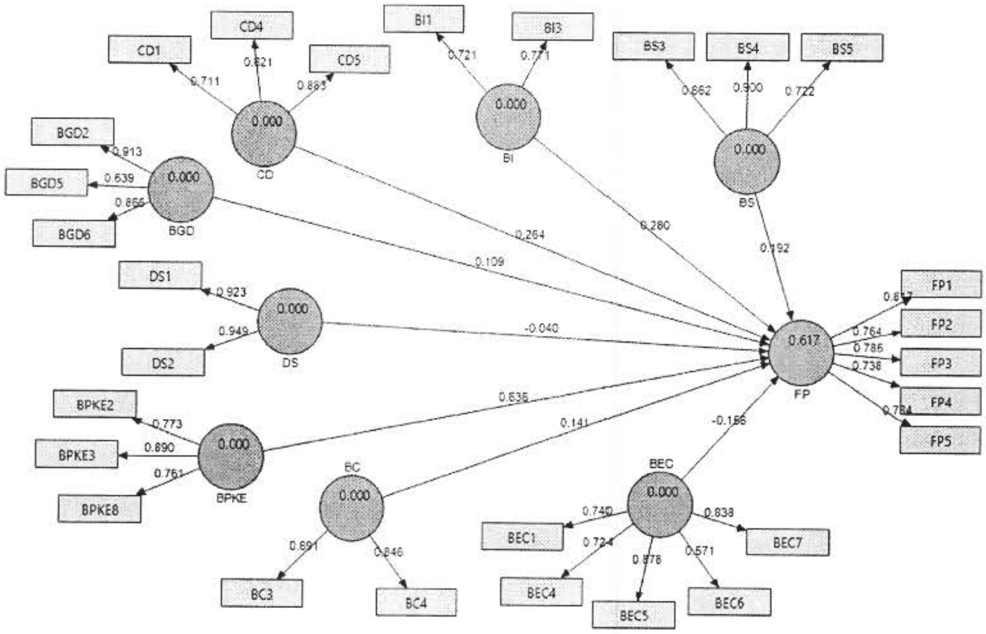

Figure 4.3
Measurement Model

Stage 2:

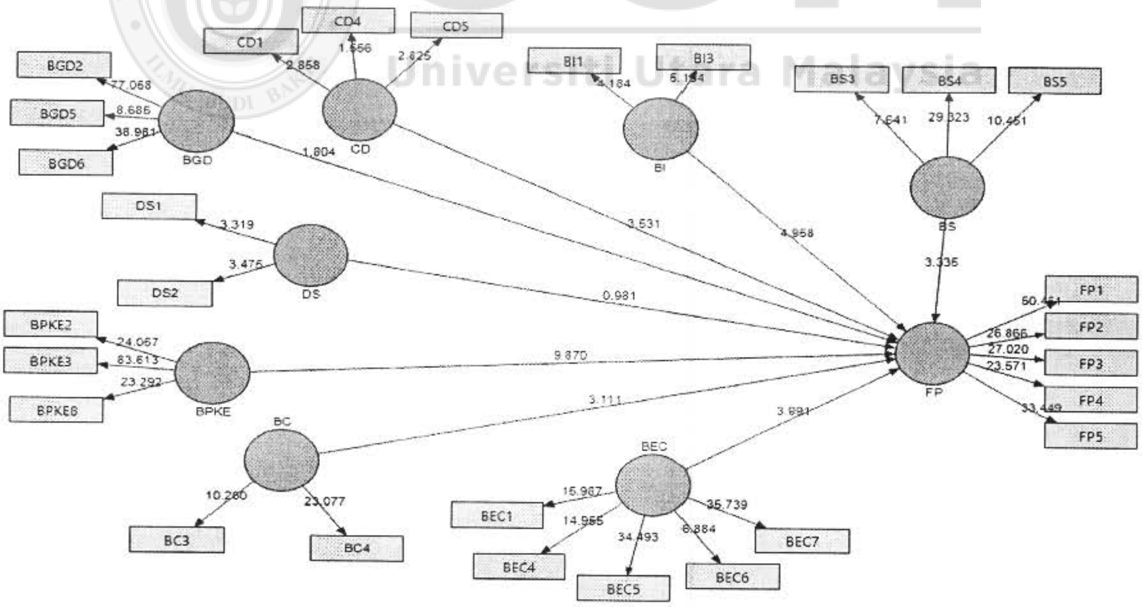

Figure 4.4
Structural Model

In addition to determining the R^2 values of all endogenous constructs, is the f^2 effect size. The effect size of a construct that is exogenous is determined when the construct is omitted from a model to determine its impact on the endogenous construct by means of the change in the R^2 values (Hair et al., 2014). The effect size values represent different levels of impact, which were 0.02, 0.15, and 0.35 that represented small, medium, and large, the exogenous latent variables respectively (Cohen, 1988).

In this study, the exogenous construct BI, CEO, BC, DS, BEC, and BGD had the effect size values of .016, .029 .036, .042, .096 and .130 respectively. These showed that the effect sizes according to Cohen (1988), had been small. While according to Cohen (1988), BS is the only one that had .391 effect size that signified large. Hence, BPKE falls under none of the Cohen (1988) criteria of effect size.

Table 4.12
Effect Size of the Latent Variables

Endogenous Variable	Exogenous Variable	R-squared Included	R-squared Excluded	f-squared	Effect size
Firm Performance	Board Competence	.616	.602	.036	Small
	Board Ethnicity Conflict	.616	.579	.096	Small
	Board Gender Diversity	.616	.566	.130	Small
	Board Independent	.616	.610	.016	Small
	Board Professional Knowledge and Experience	.616	.615	.003	None
	Board Size	.616	.466	.391	Large
	CEO Duality	.616	.605	.029	Small
	Director Skills	.616	.600	.042	Small

Lastly, predictive relevance was also examined as an assessment of the structural model, in addition to evaluating the magnitude of the R^2 values. The predictive relevance was measured by the Stone-Guisser criterion Q^2 value, obtained using the blindfolding procedure (Hair et al., 2014; Henseler et al., 2009). Blindfolding is an iterative process where each data point is omitted based on a certain omission distance and this process is continued until completed and the model has been re-estimated (Hair et al., 2014). Hair et al., (2014), however, suggested that the omission distance chosen (between 5 and 10) divided by the number of cases should not be an integer. In PLS-SEM, where predictive relevance is determined, it shows that the data points of indicators in reflective measurement models of endogenous constructs and endogenous single-item constructs are accurately predicted (Hair et al., 2014). This procedure, as indicated by Hair et al., (2014), does not apply to formative endogenous constructs. A q^2 value greater than zero in a structural model for a certain reflective endogenous latent variable shows the path model's predictive relevance for the particular construct (Chin, 2010; Hair et al., 2014).

Table 4.13 shows the measure of the predictive relevance of the reflective endogenous latent variables in the study model. This is represented by the Q^2 values obtained by running a blindfolding procedure with an omission distance of 7 based on 1810 cases. Using the cross-validated redundancy approach, as recommended by Hair et al., (2014), the reflective endogenous constructs had proven a predictive relevance as the values of Q^2 had been above zero. Specifically, the Q^2 values are .363 for firm performance.

Table 4.13
Construct Cross Validated Redundancy or Predictive Relevance (Q^2)

Total	SSO	SSE	1-SSE/SSO
Firm Performance	1810	1153.4693	.363

4.9.3 Results of Hypothesis Testing

Based on the results of the test of hypotheses in Table 4.14, the following are presented. The hypothesis 1 (H1), showed that there was the positive significant influence of board size on the firm performance (BS -> FP) ($t = 3.335$; $p < 0.001$).

With regard to hypothesis 2 (H2), showed that there was the positive significant influence of board independent on the firm performance (BI -> FP) ($t = 4.958$; $p < 0.001$). Similarly, results regarding hypothesis 3 (H3), showed that there was a positive significant influence of CEO duality on the firm performance (CD -> FP) ($t = 3.531$; $p < 0.001$). Regarding hypothesis 4 (H4), showed that there was a positive significant influence of female gender diversity on the firm performance (BGD -> FP) ($t = 1.804$; $p < 0.005$). Likewise, results regarding hypothesis 5 (H5), showed that no positive significant influence existed between director skills and firm performance (DS -> FP) in the overall model as the path coefficient was negative ($\beta = 0.040$; $t = 0.981$). With regard to hypothesis 6 (H6), showed that there was the positive significant influence of board competency on the firm performance (BC -> FP) ($t = 3.111$; $p < 0.005$). As for hypothesis 7 (H7), showed that there was a positive significant influence of board professional knowledge and experience on the firm performance (BPKE -> FP) ($t = 9.870$; $p < 0.001$). However, the results for hypothesis 8 (H8), showed that there was a negative influence but significance between board ethnicity conflict and firm performance (BEC -> FP) ($t = 3.991$; $p < 0.001$). Therefore, the results of hypothesis 8 are consistency with the hypothesis formulated. Consequently, except for hypothesis 5 (H5), all other hypotheses were supported.

Table 4.14

Results of Hypothesis Testing

Hypothesis	Relationship	beta value	Std. Error	t value	p value	Decision
H1	BS -> FP	.192	.058	3.335	.000***	Supported
H2	BI -> FP	.280	.057	4.958	.000***	Supported
H3	CD -> FP	.264	.075	3.531	.000***	Supported
H4	BGD -> FP	.109	.060	1.804	.036**	Supported
H5	DS -> FP	-.040	.041	.981	.164	Not Supported
H6	BC -> FP	.141	.045	3.111	.001**	Supported
H7	BPKE -> FP	.636	.064	9.870	.000***	Supported
H8	BEC -> FP	-.156	.039	3.991	.000***	Supported

***P< .001; **P< .005

4.9.4 Summary of Hypothesis

The summary of the overall hypotheses for this study is presented in Table 4.15. The table shows that out of the 8 hypotheses developed for this study, 7 were supported, while only one hypothesis was not supported.

Table 4.15

Summary of Hypothesis Testing

Hypothesis	Hypothesis Statement	Decision
H1	There is a significance positive influence of Board size on the perceived firm performance of listed firm in Nigeria.	Supported
H2	There is a significance positive influence of independent non-executive directors on the perceived firm performance of listed firm in Nigeria	Supported
H3	There is a significance positive influence of CEO duality on the perceived firm performance of listed firm in Nigeria.	Supported
H4	There is a significance positive influence of female gender diversity on the perceived firm performance of listed firm in Nigeria.	Supported
H5	There is a significance positive influence of Director Skills on the perceived firm performance of listed firm in Nigeria.	Not Supported
H6	There is a significance positive influence of Boards Competence on the perceived firm performance of listed firm in Nigeria.	Supported

H7	There is a significance positive influence of Board Professional knowledge and experience on the perceived firm performance of listed firm in Nigeria.	Supported
H8	There is a significance positive influence of board ethnicity conflict on the perceived firm performance of listed firm in Nigeria.	Supported

4.10 Summary

This chapter. The statistical analysis of quantitative data is presented. In particular, the descriptive statistics of the samples are presented and initial data screening was performed. The measurement model and structural model was assessed with PLS-SEM by using the Smart PLS 2.0 (Ringle et al., 2005) software package. The measurement properties showed adequate reliability and validity of the research model while structural model showing the influence between the construct that revealed support for 7 out of 8 hypotheses tested in the study. The results from this quantitative analysis will be discussed in the next chapter.

CHAPTER FIVE

DISCUSSION AND CONCLUSION

5.1 Introduction

This chapter discusses the findings of the previous chapters, it terms of methodological, theoretical significance and practical contribution of this study. This chapter also briefly presents the entire findings addressing the eight research questions of the proposed in previous in Chapter one (Chapter 1). The chapter further discusses how the results fill the existing knowledge gaps and how it make significant contributions in the context of internal board mechanisms and firm performance research, especially in developing countries. On top of that, the contributions highlight that the study extends knowledge by reconceptualizing corporate governance theories, validating a model using partial least squares structural equation modeling, as well as providing policy maker, government, firms, and stakeholders with a valid information on board composition and consequences. Again, the chapter discusses limitations and future directions follow with conclusions.

The overall objective of this chapter is to explain, present the contributions of the study and investigation in terms of the internal firm governance mechanisms to firm performance, especially in the Nigeria listed firms. However, this chapter is designed as in the following: Introduction, Reviews the research objectives of the study, the chapter further discusses the contributions of the study in terms of method, theory, and practice. The chapter discusses limitations and future directions. Finally, the conclusion of the study.

5.2 Review of Research Objectives

The main objectives of this study had been to determine whether the internal firm governance mechanisms adopted in Nigeria are sufficiently robust to drive performance of listed firms as expected. This was done in order to fill the knowledge gap in corporate governance research. To pursue the stated objectives, this study utilized theories and related literature from corporate governance researchers in order to test the hypothetical influence among the constructs. The following section discusses the empirical findings that support the theoretical influence, hypotheses relevant, methodological and the nature of the conceptual model. The entire discussion addresses the eight research questions proposed in chapter one.

5.3 Summary of Findings

The study has focused on establishing whether board characteristics variables are linked to improved firm performance in Nigeria. This study addresses and answered eight research questions, which had previously neither been addressed nor answered well or satisfactorily in the corporate governance research. In answering these research questions, the study developed and validated a model and methodology to look into the overall influence on firm performance. The findings emerged across the eight hypotheses estimated. Hence, all the board variables; board size, board independence, CEO non-duality, female gender diversity, board competence, board professional knowledge and experience and board ethnicity conflict were found to be somewhat linked to firm performance as anticipated, while the statistical level of significance of director skills was not linked to firm performance.

Overall, the results from the estimated analysis are impressive in providing empirical answers to the fundamental research questions posed at the beginning of this study, and in laying a solid foundation that could guide future research on the nature of the influence of board mechanisms on the firm performance in the Nigerian context. In summary, the empirical answers to the key research questions listed in Chapter one and the findings of the study are synthesized in the following sections.

5.3.1 Research Question One (1): Is there any influence of board size on the perceived firm performance of listed firms in Nigeria?

In an effort to answer this question, this study provided an empirical illustration by developing a structural model, indicating the influence of the variables. However, the model includes reflective model construct of board size-internal board mechanisms and performance using data from listed firm in Nigeria. Moreover, the study used the approach of repeated indicators (Wetzels et al., 2009; Wold, 1985) in estimating the variables and all constructs confirmed adequate measurement and structural properties. The study used and applied PLS path modeling in developing and validating the constructs of the study. The findings confirmed that effective board size was significantly positively in relation to the variables linked with the model.

The empirical findings showed that board size had been significantly and positively related to firm performance (β = .192), thus, this means that hypothesis 1 was supported. In answer to the research question, the size of the board was found to be statistically significant. The board size was found to be positively and statistically significantly related to firm performance. This finding is consistent with the direction of Hypothesis 1. This result signifies that board size has positive effects on firm performance. In practical terms, the effective small board size will improve and strengthen firm performance. The effective formation of board size with more of NEDs will lead to increase in firm performance. This finding evidence of empirical studies on the influence of board's mechanism on firm performance is consistent with the recommendation of SEC Code.

The agency role of the board with respect to size was empirically proven. While the result for the board size effect is consistent with the previous analyses, reaffirming the inherent significant positive influence of board size on the firm performance. In a similar direction, Johl et al., (2015) reported in their study that board size is positively associated with firm performance. Al-ghamdi and Rhodes (2015) also supported that in the similar study that there link between performance and board size. Previous studies have reported similar findings wherein board size exhibits a positive influence with performance measures (e.g. Rose, 2005; Larmou & Vafeas, 2010; Lawal, 2016; Jackling & Johl, 2009; Van Ness et al., 2010). Taking into account the direction of the previous empirical evidence, this study adopted the hypothesis that board size is statistically positively associated with firm performance in Nigeria.

5.3.2 Research Question Two (2): Is there any influence of independent non-executive director on the performance of listed firms in Nigeria?

Board composition is used as a measure of board independence as stated in previous chapters. The findings indicated that board independent influenced the firm performance (β = .280), thus, this means that hypothesis 2 was supported. In answer to the research question, the board independent was found to be statistically significant. The board independent was found to be positively and statistically significantly related to firm performance. This finding is consistent with the direction of Hypothesis 2. Thus, this result indicates that there is a positive and significant influence of board independence on the firm performance, as predicted in the second hypothesis. The agency theory indicates that sufficient monitoring mechanisms should be laid down to safeguard shareholder from management selfish behaviours.

This finding evidence of the influence of board independent on the firm performance is consistent with the recommendation of SEC Code. This can be substantiated by the study carried out by Lawal (2016), which showed that board independent positively influence firm performance, but believe that specialized corporate governance gatekeeper should form independent directors. Thus, excessive non-executives on boards are seen as a development that improves the CEO's initiatives (Osterloh and Frey, 2006; Weir & Laing, 2001). The previous study also that reported similar results (Harvey Pamburai et al., 2015; Appuhami & Bhuyan, 2015). This outcome indicates the important roles of NEDs in the board safeguard firm governance in the Nigerian context. This study adopted the hypothesis that there is a statistically significant positive influence of independent non-executive directors on the firm performance in Nigeria.

5.3.3 Research Question Three (3): Is there any influence of CEO Duality on the perceived firm performance of listed firms in Nigeria?

CEO duality is another aspect of board independence. The board of directors is said to be independent in a situation where two different individuals act as MD/CEO and as board chairperson (see: Elsayed, 2007). The findings indicated that board independent influenced the firm performance (β = .264), thus, this means that hypothesis 3 was supported. In answer to the research question, the CEO duality was found to be statistically significant. The CEO duality was found to be positively and statistically significantly related to firm performance. This finding is consistent with the direction of Hypothesis 3. This study adopted the hypothesis that there is a statistically significant positive influence of adopting dual CEO leadership structure on the firm performance of listed firms in Nigeria.

This finding is similar to some previous studies, Appuhami and Bhuyan (2015), have shown support for the hypotheses that two separate individuals should be allowed to hold the position of chairman and agency problem. Similarly, Lawal (2016), contended that separation of chairman from CEO will enhance firm performance. This finding also similar to findings of the previous studies (e.g. Anderson et al., 2011; Rossi et al., 2015 Van Ness et al., 2010). In line with the study theory and SEC code, whether in the Nigeria or in the countries, the board independent enhance and improve the performance of the companies.

5.3.4 Research Question Four (4): Is there any influence of female gender diversity on the perceived firm performance of listed firms in Nigeria?

In an effort to answer this question, this study modeled the impact and influence of female gender diversity in the board on firm performance. Equal gender representation has been at the heart of the demographic argument (see: Campbell & Mínguez-Vera, 2008). The results of the study confirmed strong significant associations between the latent variable in the structural model and prove the hypothesis in the model. The results of the study supported that increasing number or the present of female gender diversity in the construct as a significant predictor in board configuration (β = .109).

Hence, this means that hypothesis 4 was supported. This finding is consistent with the direction of Hypothesis 4. In answer to the research question, the present of female gender diversity was found to be statistically significant.

Previous studies on gender equality have contended that women of a female with excellent cognitive competence, abilities, and skills need not be discriminated against, as they are as well capable of contributing positively and meaningfully to board decision making and deliberations as their male counterparts (Carter *et al.,* 2010). Also, their inherent gender characteristics enable them to offer new approaches to issues during board discourse. Kang *et al.* (2007) argued that female directors are much more independent as they are usually detached from the "*old boys*" syndrome, which allows them to offer an unbiased perspective during board meetings. The present of female gender diversity was found to be positively and statistically significantly related to listed firm performance in Nigeria.

Hence, Giunta and Labossiere, (2012), shown that the female gender as one of the key variables in board composition, the higher the firm performance. As opined by previous researchers, female presence reduces agency cost, brings transparency and objectivity in a firm's operation (Nielsen & Huse, 2010). This finding is consistent with the direction of Hypothesis 4. Previous empirical studies on board diversity also supported the inclusion of gender-related (Anderson *et al.,* 2011; Nuhu & Ahmad, 2016).

5.3.5 Research Question Five (5): Is there any influence of director skills on the perceived firm performance of listed firms in Nigeria?

The empirical findings showed that director skills had been insignificant related to firm performance (β = -.040). Thus, this means that hypothesis 5 was not supported. In answer to the research question, the director skills were found to be statistically insignificant. The director skills were found to be negatively and statistically insignificantly related to firm performance. This finding is opposite to the direction of Hypothesis 5. This study rejected the hypothesis that there is a statistically significant positive influence of director skills on the performance of listed firms in Nigeria. The rejection of this hypothesis is consistent with the finding of Ulum et al., (2014), argued that collective skills of the board are more significance than individual skills. The previous study also reported similar results (Johl et al., 2015; Molokwu, et al., 2013; Nielsen & Huse, 2010).

The study found no significant support for Hypothesis 5 and no evidence to justify the presumption that director skills are a significant determinant of firm performance in Nigeria. This finding is clearly consistent with previous empirical evidence in both developed and emerging economies (see: Arslan *et al.,* 2010; Jackling & Johl, 2009; Baliga *et al.,* 1996; Boyd, 1995).

5.3.6 Research Question Six (6): Is there any influence of board competence on the perceived firm performance of listed firms in Nigeria?

The findings confirmed Board Competence is significant predictors of firm performance (β = .141). It showed that board competence is a good predictor in the constructs. Hence, this means that hypothesis 6 was supported. In answer to the research question, the board competence was found to be statistically significant. The board competence was found to be positively and statistically significantly related to firm performance. This finding is consistent with the direction of Hypothesis 6. This study adopted the hypothesis that there is a statistically significant positive influence on the adoption of board competence and the performance of listed firms in Nigeria. These results are supported by previous studies as board competence is said to influence firm performance (Molokwu et al., 2013). Boards of directors composed of competence from diverse demographic and cognitive backgrounds are seen as corporate assets that has effects linked to increased firm performance (Hagendorff & Keasey, 2010). Board competence, expertise, innovation, and creativity are some of the essentials of a diverse board structure that can be used to create value for shareholders (Güner *et al.*, 2008; Li & Ang, 2000; Ness *et al.*, 2010; Nordberg, 2011).

At the top corporate cadre, the individual level of competence, as defined by educational attainment, is seen as a prerequisite for the ability to function effectively (Carson *et al.,* 2004). Kim & Lim (2010), noted that directors' fulfillment role increases when they possess the certain competence and additional qualifications, particularly in the areas of business and law they operate. Advocates and prior empirical finding of cognitive board diversity strongly supported that the effectiveness of a board of director lies in, the board' competencies, which shape the quality of decision making deliberation inside the boardroom (Lawal, 2016). This finding is also not isolated, as similar findings have emerged from previous studies (e.g. Anderson *et al.*, 2011; 2013; Van Ness *et al.*, 2010). The agency role of the board with respect to size was empirically proven.

5.3.7 Research Question Seven (7): Is there any influence of board professional knowledge and experience on the perceived firm performance of listed firms in Nigeria?

The findings indicated that board professional knowledge and experience are significant to the firm performance (β = .636), Therefore, hypothesis 7 was supported. In answer to the research question, the board professional knowledge and experience was found to be positively statistically significant. Thus, board professional knowledge and experience was found to be positively and statistically significantly related to listed firm performance in Nigeria. This finding is consistent with the direction of Hypothesis 7. This finding also similar to findings of the previous studies (e.g. Lawal, 2016; Molokwu et al., 2013; Nuhu & Ahmad, 2017).

The combination of knowledge and experience associated with diversified boards serves as a training ground which helps improve directors' quality, especially those who are new to corporate directing (Campbell & Mínguez-Vera, 2008). Anderson *et al.* (2011), observed that the management team's representative on the corporate board usually benefits from the in-depth knowledge, experience, and subject-matter expertise that diverse board members bring to firm governance. These benefits, they argued, cannot be obtained in boards of a homogeneous nature. A pool of directors with external network density facilitates the board's role in advising the CEO, as well as its usefulness in the mobilization of scarce resources within the corporate environment (Hagendorff & Keasey, 2010).

Miller & Triana (2009), asserted that board diversity in the global marketplace is an indication of professional knowledge and experience and up-to-date knowledge of the industry and other external factors which can exert pressure on a firm's operations. According to Lückerath-Rovers (2011), the board professional knowledge and experience of a board facilitates the firm's access to vital industry information that guides corporate strategic decisions. Similarly, Hsu (2010), argued that a board's cognitive capabilities enhance information exchange amongst the members, which helps bridge the gap caused by impaired communication due to board size and a high degree of heterogeneity. Hence, the finding of this study is consistent with the previous researchers. The study found overwhelming evidence to suggest that board members' experience, one of the indicators of cognitive diversity, is relevant and a key determinant of firm performance in Nigeria. In line with the study theory and SEC code, whether in the Nigeria or in the countries, the board independent enhance and improve the performance of the companies.

5.3.8 Research Question Eight (8): Is there any influence of board ethnicity conflict on the perceived firm performance of listed firms in Nigeria?

The research finding showed that a significant negative influence of board ethnicity diversity on the firm performance (β = - .156), suggesting that when board member are configured based on ethnic negatively decreased the firm performance. Thus, board ethnic representation was found to be statistically significantly negative linked to firm performance. In answer to the research question, the board ethnicity conflict was found to be negatively statistically significant. The board ethnicity conflict was found to be negatively and statistically significantly related to firm performance. This finding is consistent with the direction of Hypothesis 8. These findings are also consistent with previous empirical results on various aspects of demographic diversity (e.g. Lawal, 2016; Niesen & Huse, 2010; Nuhu & Ahmad, 2017).

Niesen and Huse, (2010), contended that board as a team of individual ethnic affect the effectiveness of governance. They argued that distinguish between cultures, group or two types of norms and value within the board have a strong influence on the exchange of ideas, information, knowledge, experience on the decision-making process. In supporting the hypothesis, Niesen and Huse (2010), further argued that board decision-making culture in relation to the interaction between board members would affect their ability to exchange information, knowledge, and experience effectively.

Conflict are two aspects of the board decision making while performance and development are working structures that are related to the extent to which boards foresee codified rules to guide board members behaviors. In recent years, a paradigm shift has been observed in the board conflict debate, with more focus on directors' cognitive characteristics, rather than the demography arguments which have dominated the spectrum in the past (Lawal, 2016). The ethnicity used in configured board in Nigeria to represent shareholder, have cost many conflicts of interest within the board of direction making process in Nigeria firms performance (Sanusi, 2012). Hence, in line with stated hypothesis and result, this study conclude that there is negatively significance influence of board ethnicity conflict on the firm performance of listed firm in Nigeria.

5.4 Contribution of the Study

This study presents its contributions in terms of methodology, theory, and practices. Methodologically, based on researcher review previous literature, this study is the first of its kind to use primary data as well as using PLS in order to explain the influence in its model. Theoretically, this study extends the use of four theory; agency, stewardship, stakeholder and resources dependence frameworks to provide useful information related to board mechanisms and firm performance. Practically, policy maker, stakeholders, sectors, and board of directors responsible for corporate governance decision-making will have a better picture of how board configuration are formed and improve firm performance. In overall, it enables the government, agency and policy makers to direct thought to form one single code of corporate governance in the Nigeria context where five existing code of best practices operating with conflicting of interest that affecting virtually whole the sector, on which code to abide (Voluntary or Mandatory) see table 1.5. Harmonizing this five code, with this present study will enhance and contributed to the effectiveness of firms operation in Nigeria.

5.4.1 Contribution to Theory

This study extends the use of four theory; agency, stewardship, stakeholder and resources dependence frameworks to provide useful information related to board mechanisms and firm performance. Agency theory, however, is the most acceptable theory of corporate governance. Specifically, the study extends the existing theories in the context of corporate governance. In addition, it adds novelty to the theories by modeling the empirical studies on the influence of board's mechanism on firm performance which has not previous been investigated.

Moreover, the newness it adds to the theories is also in their application in a new research setting or developing the country, as researchers on corporate governance in developing countries are highly under-researched (Nuhu & Ahmad, 2016). Thus, the study believes that the proposed theoretical framework makes a significant contribution to knowledge in the context of corporate governance.

Further, an empirical application of others supporting theories (stewardship, stakeholder, and resources dependence) has proven that all study variables can be accounted for by internal board configuration to firm performance (Finegold, Benson & Hecht, 2007; Nicholson & Kiel, 2003; Rhoades, Rechner & Sundaramurthy, 2000). Accordingly, Nicholson and Kiel, (2003), has explained that the internal board configuration is concerned about the ease or difficulty in protecting the interest of whole party (owner and agent). Thus, the inclusion of board diversity, in particular, has answered the call for more researchers to consider factors that can highly contribute to the firm performance (Nicholson & Kiel, 2003).

Moreover, the agency theory was built on the fundamental belief that corporate managers are self-interested and ought to be monitored, especially in the face of the existing institutional structure, where dispersed ownership and control reign (Burton, 2000; Ong & Lee, 2000). Because owners are often not directly involved in the management of the firm whose equity they hold, the agency theory states that corporate managers, being human, will naturally look for any financial opportunities available to them and take advantage of this inherent gap to promote personal gain at the expense of the shareholders (Burton, 2000; Letza *et al.*, 2004). Hence, framing the board configuration in this study model to interact with board diversity inclusion to increase firm performance has considerably supported the theory.

Again, stakeholder theory has also supported agency theory in this study, philosophy of corporate governance centered on the protection of the owners' vested interests, the stakeholder theorists expanded the set of interested parties beyond the shareholders and managers by extending board configuration of the corporations in the context of the society within which they operate (Ayuso & Argandona, 2007). Hence, the stakeholders of the corporation are not only groups of owners, but rather extend to all individuals or groups who have either an interest in or are affected by a firm's strategic choices and performance, including the way in which it sources and uses resources (Gomez-Mejia *et al* 2005). Thus, modeling independent director to represent the interest of the owner in the current study is a valid contribution to the theories. Finally, the study has also contributed to the stream of researchers that have applied resource dependence and stewardship to study board configuration in corporate governance research (Nicholson & Kiel, 2003).

5.4.2 Contribution to Methodology

This study makes a significant methodological contribution to corporate governance research in the Nigerian context. Based on the knowledge of this study, it represents the first empirical work to have carried out primary data. Most previous research has simply run to secondary data without subjecting the data and variables of interest to primary data evaluation. This oversight can be found even in the most celebrated of studies (Bhagat and Black, 2002; Yermack, 1996; Agrawal and Knoeber, 1996; Rechner and Dalton, 1991; Weisbach, 1988).

Another contribution of the study is the adopting of a primary instrument to capture the exact nature of corporate governance in an empirical research. This study had been among the first that employed these measures in empirical settings, as previous measures (Finegold *et al.,* 2007; Lawal, 2015; Ness *et al.,* 2010) have used the secondary instrument to measure internal board characteristic. Therefore, this study has further, confirmed the new measures for validating and reliability as important items to capture the dimension in the domains of corporate governance. The study has also complied with the call that a good measure of the empirical studies on the influence of board's mechanism on firm performance (Lawal, 2015).

In addition, previous recent studies have recommended the use of primary data (See Appuhami & Bhuyan, 2015; Finegold *et al.,* 2007; Johl et al, 2015; Lawal, 2016; Nath et al, 2015 Ness *et al.,* 2010). This study heeded those clarion calls. Furthermore, primary assessments, especially through the use of survey, have not been made in any of the prior corporate governance studies based in Nigeria. The whole idea of the primary survey is very much at the infancy stage in the field of corporate governance as a whole. Hardly any studies have attempted. This study, therefore, makes a tremendous contribution to the literature from the methodological angle.

On the analysis, this study makes a vital contribution to corporate governance research by using application of PLS in this current study. This study utilized the first-order construct model, with reflective constructs by using PLS in order to explain the influence of its models. It is one of the few attempts to conceptualize and validate a model using PLS in the context of corporate governance research. The application of PLS makes it possible to extend the theoretical contribution of the study by developing and validating the model.

Finally, this study used additional analysis indicators, such as; power analysis, predictive relevance, and effect size to further prove the predictive ability of the study model. Thus, this study has further demonstrated that PLS-SEM is a robust technique, especially when complex models are involved and that it is handy for the real world application.

5.4.3 Contribution to Practice

This study offers several important practical contributions. The use of Nigeria as a case study means that this study makes a significant contribution to corporate governance literature from the emerging markets perspective. For over twenty years, the strategic relevance of corporate governance for firm performance has been the subject of intense discourse, but this has been rather biased, with the emphasis placed on issues related to developed economies, particularly the US, and those in Europe and, most recently, Asia (Jackling & Johl, 2009). This study has added an African perspective to the debate. The choice of Nigeria as a case study has offered very important evidence that can be generalized across West Africa, given Nigeria's position as the economic powerhouse of the sub-region. Nigeria houses one of the largest and most active stock markets in the whole of the African continent. This study, therefore, contributes to the literature by highlighting specific drivers of firm performance in emerging economies, and particularly Sub-Saharan Africa.

Within the Nigerian context itself, this study is the first of its kind to have addressed issues related to the internal board mechanisms and to have done so in so much detail. Although a few corporate governance studies have already been conducted in Nigeria, their shortcoming, apart from their methodological flaws, is that none investigated board characteristics on the basis of the listed firms, especially in terms of the resultant changes in firm performance. Consequently, the empirical evidence reported in this research will be of immense benefit to policy makers and regulators alike, most importantly in the area of further improvements that can be made to Nigeria's corporate governance system, regulations and investor protection.

The use of the largest sample so far in a study conducted in Nigeria (i.e 186 listed companies of a population of 1,785 board of director with a sample of 476), together with the collection of data on a cross-sectional, makes this the biggest single piece of corporate governance research based in Nigeria (see: Duke and Kankpang, 2011; Uadiale, 2010; Ehikioya, 2009; Lawal, 2016; Kajola, 2008; Sanda *et al.,* 2005). In addition, the high level of data integrity achieved as a consequence of access to the board of director members implies that this study offers the most reliable empirical evidence emanating from Nigeria to date, due to its reduced reliance on a secondary source.

This study provides significant background for future research set in the Nigerian context or other emerging markets. The data sample in this study represents the largest ever used in a single corporate governance research study in Nigeria, and it is amongst the largest used in the African context altogether (Elsayed, 2007; Lawal, 2016; Ongore and K'Obonyo, 2011). The application of data-filtering mechanisms and the adoption of primary statistical tools enhanced the methodological strength, which contributed to the robustness and reliability of the results achieved in this study.

At the level of board structure, this study makes seven valuable contributions to the knowledge with respect to board size, board independence, CEO duality and board diversity. Board size, CEO duality, and directors' independence have been identified as one of the key elements of board effectiveness (Perry and Shivdasani, 2005). Using the board size, CEO duality and proportion of independent NEDs on the board as a proxy, the study found strong evidence of an association with board size, CEO duality and directors' independence to firm performance. Apart from offering empirical justification for the recommendations of the SEC Code, 2014, the research outcome validates the findings of previous studies that have drawn similar conclusions regarding the relevance of board size, CEO duality, board independence to firm governance (Lawal, 2016; Uadiale, 2010; Rhoades *et al.*, 2000).

Concerning board diversity, the study makes a vital contribution to the literature in the area of female gender diversity, board competence, board professional knowledge and experience and ethnicity which has been under-studied in corporate governance (Lawal, 2016; Lückerath-Rovers, 2011; Hagendorff and Keasey, 2010). Board diversity, in general, has not been a popular topic of discourse in Nigeria. The various codes of corporate governance issued so far have been somewhat vague and un-definitive with regard to the kinds of competencies that corporate directors should possess. This study employed four proxies to capture directors' cognitive elements (i.e. female gender diversity, board competence, board professional knowledge and experience, and ethnicity) and found significant statistical evidence linking this diversity to firm performance. This finding contributes to the limited existing literature on cognitive diversity while offering an emerging market perspective on the growing debate on diversity at the corporate board level.

Finally, this study should be of interest to the group of researchers, policy maker, stakeholders, and government because it clarifies the interplay between the underexplored of corporate governance and firm performance. This study, also hope that this study would guide further researchers into exploring the new approach of research.

5.4.4 Empirical Model Contribution

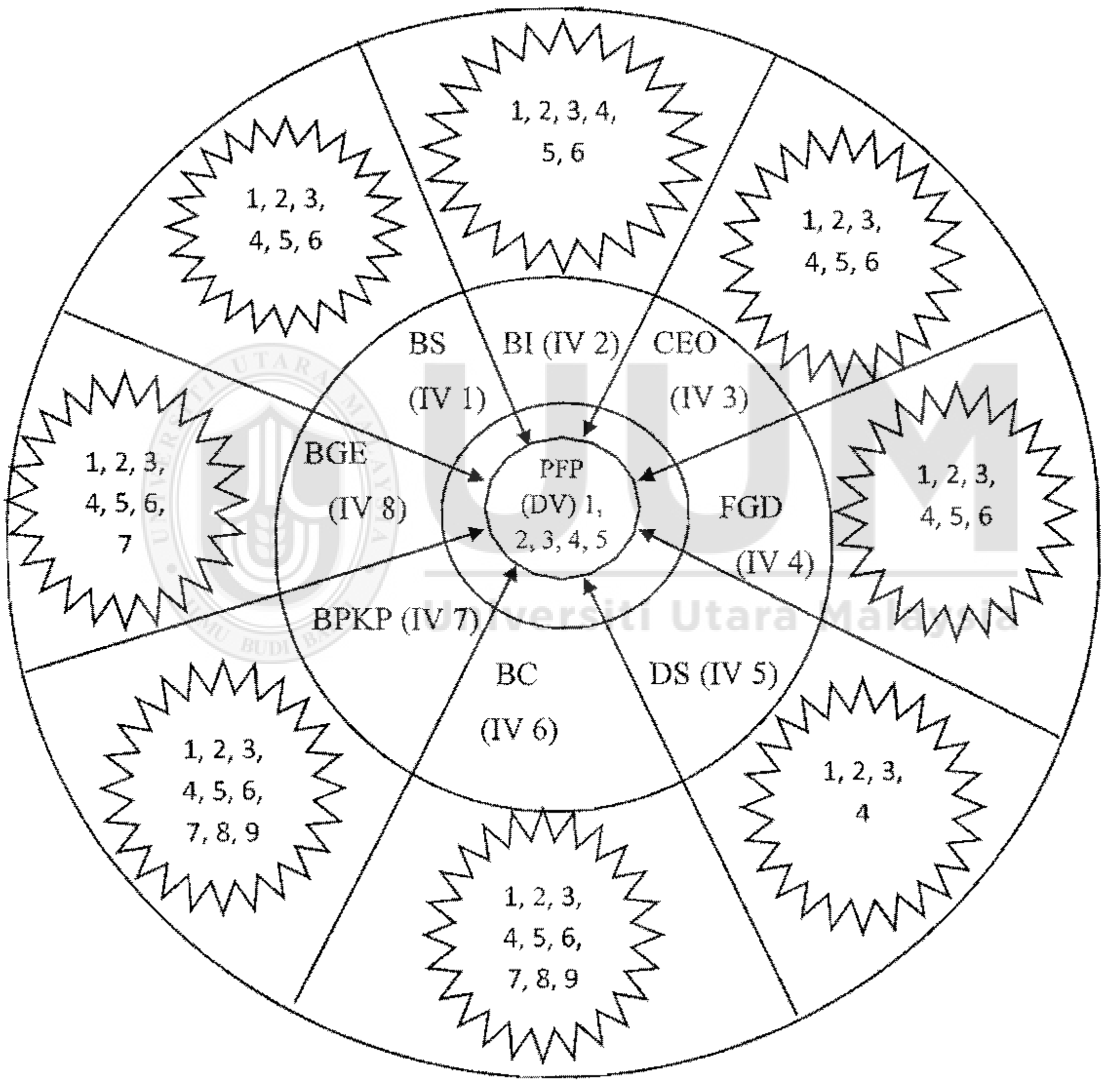

Figure 5.1: Nuhu and Ahmad (2017) Empirical Model

Keyword:

First circle → Measurement of items
Second circle → Independent Variables
Third Circle → Dependent Variable

5.5 Limitation and Future Research Direction

Some limitations are worth noting, this research was conducted within only listed firms by the Nigerian Stock Exchange. Although the results may not differ it conducted in by sectors in the country, since the majority firms in the sectors are listed on NSE, it will nonetheless increase the confidence in the model. Hence, future studies should replicate this study in other unlisted or delisted firm in the country.

However, just as in the case of other studies that have investigated the empirical studies on the influence of board's mechanism on firm performance, this study also suffers from certain empirical limitations. The literature (including the theories and the conceptual framework) and the data sample size utilized were dependent on the underlying objective of the study and availability.

In the corporate governance literature, scholars from the economics, finance, political and behavioural fields of study have developed several theoretical models in trying to determine what the concept of corporate governance is or should be (refer to 2.2). However, because of the underlying objective of this study, which focuses mainly on the board structure elements, the discussion on corporate governance in this thesis was limited to four theories (i.e. agency, stewardship, resource dependency and stakeholder).

The issues and empirical evidence with respect to the board characteristics of size, composition, leadership structure and diversity's were thus restricted to the above theories. The developed hypotheses and the statistical inferences drawn from the PLS analyses were based on the premises of these corporate governance models. This selfimposed restriction has confined the generalization of the findings and the comparison of the reported evidence to those previous studies that adopted another approach. The empirical activity was likewise limited, due to the scarcity of resources in terms of the available literature on the African perspective of corporate governance and, most importantly, that related to Nigeria. Despite a deliberate and extensive search, very little documented empirical evidence was found to have focused on the empirical studies on the influence of board's mechanism on firm performance of listed firm in Nigeria (see: Chapter 2).

Given the opportunity, this study would have focused on broader characteristics of a firm's internal governance, beyond size, leadership, diversity and composition. The inclusion of other board features, such as executive compensation, ownership structure, multiple, family and interlocking directorships, and the configuration of board committees, would have provided a more holistic view on the effects of internal mechanisms on firm performance. Unfortunately, this study was unable to capture these variables due to the voluntary nature of the corporate governance disclosure regime in Nigeria. A significant proportion of business activities in Nigeria is conducted by SMEs, which are not listed on the stock exchange.

In terms of future study suggestions, the Nigerian corporate environment context offers several untapped opportunities for the development of new research direction and frameworks on the dichotomy of board mechanisms and firm performance. Moreover, this study calls and suggested for more research in the area of corporate governance context with an emphasis on both internal and external mechanism. Future studies are also encouraged to pay equal attention to board mechanism and configuration of board committees (Pacini *et al.,* 2008; Lawal, 2016; Klein, 1998).

Research on board diversity has been a subject of public debate in relation to corporate governance, especially in developed economies. Hence, this study's findings or results of a significant influence of board diversity variables (i.e. female gender, competence, board ethnicity conflict and board experience and educational qualifications) on the firm performance opens up a new direction on board structure discourse in Nigeria context. Therefore, this study encourages and call for further research in the diversity debate because of the literature on cognitive diversity remains very limited.

The use of a qualitative approach in the study of corporate board mechanism is another area of interest for future research. The majority of the previous studies reviewed for the purpose of this research had adopted more of an architectural approach, focusing mainly on the configuration of the board instead of the internal processes. There is a need for more qualitative studies built on primary data sourced through direct observations of board proceedings, interviews, and questionnaires which are scanty and limited in the area of corporate governance research. This study posits that getting into the corporate "*black box*" reveal some of the unaccounted for realities of board workings, which might guide the direction of a future research agenda (Lawal, 2012; Nuhu & Ahmad, 2016).

However, five codes of corporate governance have so far been issued in Nigeria since the 2003 introduction of the first corporate guidelines (refer to table 1.5). While the SEC Code covers listed firms that cut across different sectors, the remaining codes are industry specific (i.e. banking, insurance, communication and pension sub-sectors) and have never been the subject of any form of empirical assessment. This study recommends further research focusing on the strategic relevance of these codes and how they have influenced the firms operating in those environments. Empirical investigations into the effects of industry codes in the banking, insurance, communication and pension sub-sectors could make a meaningful and significant contribution to the sparse corporate governance literature in the Nigerian context.

Finally, a comparative study on the sub-sector variations in these codes would be another relevant area of interest and might ascertain their merits with respect to the operational efficiencies of the affected firms. In addition, SMEs in Nigeria require a corporate governance research focus. The sector offers an avenue for a more robust sample size and empirical outcomes due to the large population of firms operating in this sub-division. This study further encourages more use of moderating and mediating variables in corporate governance research, especially during model estimation and specification.

5.6 Conclusion

The key objective of the study was to investigate the influence of the board mechanisms on the Performance of listed Firms in Nigeria. To pursue the stated objectives, this study utilized agency theory and other supporting theories and related literature from corporate governance researchers to develop a conceptual framework and to formulate hypotheses for the study.

From the theoretical viewpoint, the theories of corporate governance used in this study were empirically supported, with a high statistical level of significance achieved regarding the relevance of whole constructs. The findings from these variables provide corporate regulators, especially those in Nigeria, with an empirically proven lead that can guide future policy prescriptions in the area of corporate governance.

The research model was specified, which were tested in the context of listed firm in Nigeria. A total of 73 samples were used for the pilot study to validate the instrument. For the final study, 362 samples were analysis to test the study model. The partial least squares (PLS) path modeling was employed to estimate the model and to test the influence between the constructs. The findings of the study confirmed that the measurement and structural properties of the research model had been adequate. The study proved the hypotheses and confirmed the significant of the whole the constructs exceptional construct that has no effect on the influence of director skills on the firm performance.

Finally, this study has added a methodological contribution to corporate governance research through the adoption of primary data approach and using PLS analytical techniques to arrive at the final empirical results.

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Appendix A

Pusat Pengajian Pengurusan Perniagaan
SCHOOL OF BUSINESS MANAGEMENT
Universiti Utara Malaysia

Survey on the empirical study on the influence of board mechanisms on the perceived firm performance of Listed Firms in Nigeria

Dear Respondents

I am a doctoral student at the School of Business Management, University of Utara Malaysia. I am conducting a study on the ***"An empirical study on the influence of board mechanisms on the perceived firm performance of Listed Firms in Nigeria".*** Through this survey, your answers will be helpful in achieving the objective of the study.

Please be assured that all information provided will be treated with high confidentiality. The findings will be used solely for academic purposes. I would appreciate your kind assistance in completing and submitting the survey questionnaire.

I hereby furnish you with my contact for any questions or suggestions. Thank you for your time.

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PART A: INFORMATION ON RESPONDENT

Please tick (√) the appropriate parentheses by choosing one of the following statement that suits your opinion:

1. Gender: Male [ ] Female [ ]

2. Education: B.Sc [ ] Master [ ] PhD [ ] Others (Specify)……

3. Age: 31 -40 [ ] 41 - 50 [ ] 51 – 60 [ ] 61 – Above [ ]

4. Position: Chairman [ ] Chairperson [ ] MD/CEO [ ] Director [ ]
   Independent Director [ ] Secretary [ ] Affliate director (Specify)………..

5. On how many corporate boards of directors do you serve now?
   -- [ ] boards

PART B: STRUCTURAL QUESTIONS

Please check (√) the appropriate parentheses or express the extent to which you agree or disagree with the given statement by choosing (circling) one of the following:

Section A: Board Size

(1=Strongly Disagree, 2=Disagree 3=Neutral; 4=Agree 5=Strongly Agree)

1	The board size of my firm should be larger than 16.	1	2	3	4	5
2	The size of my board should be smaller than 16.	1	2	3	4	5
3	The size of my board enables understanding of the operating environments, offers better guidance.	1	2	3	4	5
4	The size of my board enables understanding of the business process.	1	2	3	4	5
5	Significance number of Directors on the board of my firm have relevant experiences about the industries.	1	2	3	4	5
6	My board has directors with experiences in finance or economic areas.	1	2	3	4	5

Section B: Board Independent

(1=Strongly Disagree, 2=Disagree 3=Neutral; 4=Agree 5=Strongly Agree)

1	The number of independent non-executive directors is higher than executive directors on the board of my firm.	1	2	3	4	5

2	Non-executive directors are absolutely independent of management in decision-making.	1	2	3	4	5
3	Independent non-executive director has no relationships that could influence their independent judgment on strategy implementation, codes of behaviour and performance.	1	2	3	4	5
4	Independent directors participate in reviewing/guiding corporate strategic planning and decisions.	1	2	3	4	5
5	Independent directors ensure an effective management system.	1	2	3	4	5
6	Independent directors follow up on the progress of board resolutions.	1	2	3	4	5

Section C: CEO Duality

(1=Strongly Disagree, 2=Disagree 3=Neutral; 4=Agree 5=Strongly Agree)

1	Separating the CEO from the board chairman position enhancing firm performance.	1	2	3	4	5
2	Separating the CEO from the board chairman promoting boardroom culture that encourages constructive criticism and alternative views.	1	2	3	4	5
3	Formal annual evaluation of the board and directors enhancing the effectiveness of the firm.	1	2	3	4	5
4	Formal CEO evaluation by the board improved the firm performance.	1	2	3	4	5

5	Given directors better compensation and making it more linked to firm performance.	1	2	3	4	5
6	Better disclosure of board activity improved firm performance.	1	2	3	4	5

Section D: Board Gender Diversity

(1=Strongly Disagree, 2=Disagree 3=Neutral; 4=Agree 5=Strongly Agree)

1	The board of my firms consists of at least one female director.	1	2	3	4	5
2	Female director on our board has different professional experience than men director.	1	2	3	4	5
3	Female director on our board has different values than men.	1	2	3	4	5
4	Female director women have influenced the way the board reviews and guide corporate business strategy on performance.	1	2	3	4	5
5	Female director are equally active in discussions compared to men.	1	2	3	4	5
6	The female director has influenced governance issues which are considered by the board.	1	2	3	4	5

Section E: Director Skills

(1=Strongly Disagree, 2=Disagree 3=Neutral; 4=Agree 5=Strongly Agree)

1	Director Discuss individual professional opposing views.	1	2	3	4	5

2	Individual Directors give the CEO advice related to the personal knowledge, views, and ideas of the members of the board.	1	2	3	4	5
3	Director provides the CEO with special, creative and non-conformist advice.	1	2	3	4	5
4	Director provides personal and individual preferences in their judgment.	1	2	3	4	5

Section F: Board of Directors Competence

(1=Strongly Disagree, 2=Disagree 3=Neutral; 4=Agree 5=Strongly Agree)

1	The board sets a clear organizational priority on firm performance activities for the year ahead.	1	2	3	4	5
2	The governing board of my firm delays actions until issues become urgent and critical.	1	2	3	4	5
3	Our governing board tends to focus more on current concerns than on preparing for technological changes that would enhance firm performance.	1	2	3	4	5
4	The board of directors often discusses and initiates where the firm should be headed in short or midterm on firm performance.	1	2	3	4	5
5	Within the past year, the governing board of my firm has reviewed the organization's corporate performance for attaining its long-term goals.	1	2	3	4	5
6	The board discusses and initiates events and trends in the larger environment that may present specific opportunities for my firm performance.	1	2	3	4	5

7	The governing board converts unsuccessful novel ideas into more creative and innovative ones for my firm performance.	1	2	3	4	5
8	When faced with an important issue, the board often arrives at a solution by generating several creative and tested approaches through R&D for my firm performance.	1	2	3	4	5
9	The board influences the involvement, of employees at all levels in corporate governance activities within my firm.	1	2	3	4	5

Section G: Board Professional Knowledge and Experience

(1=Strongly Disagree, 2=Disagree 3=Neutral; 4=Agree 5=Strongly Agree)

1	Board have enough experience to detect problems on directors' involvement in the process of fostering corporate governance within the firms	1	2	3	4	5
2	Board have enough training to detect problems on directors' involvement in the process of fostering corporate governance within the firms	1	2	3	4	5
3	Board have expertise sufficient to allow the board to add value to the quality decision making process & ultimately firm performance	1	2	3	4	5
4	Board is fully aware of the competitive position of my firm.	1	2	3	4	5
5	Board are well versed in the organizational and performance issues of my firm	1	2	3	4	5

6	Board are well experienced in the industry environment in which we operate.	1	2	3	4	5
7	Board has a retreat or special session at least every two years to examine performance on long – time goals.	1	2	3	4	5
8	Initiate directors' involvement in skill transformation and training on individual employees' corporate governance capabilities across different segments of my firm.	1	2	3	4	5
9	Periodically, the board set aside time to learn more about issues facing directors and managers performance.	1	2	3	4	5

Section H: Board Ethnicity Conflict

(1=Strongly Disagree, 2=Disagree 3=Neutral; 4=Agree 5=Strongly Agree)

1	Board members are elected or appointed based on ethnicity.	1	2	3	4	5
2	Board conflict improves firm performance.	1	2	3	4	5
3	Board conflict exists as a result of difference ethnicity group.	1	2	3	4	5
4	Ethnicity conflict affects decisions making in the boardroom.	1	2	3	4	5
5	Ethnicity conflict exists among groups of board members.	1	2	3	4	5
6	Ethnicity conflict affects various ownership or stakeholder interests.	1	2	3	4	5

7	To a large extent, disagreements among board members are not resolved during board meetings.	1	2	3	4	5

Section I: Firm Performance

(1=Strongly Disagree, 2=Disagree 3=Neutral; 4=Agree 5=Strongly Agree)

1	The **return on investment** has been significantly improving.	1	2	3	4	5
2	The **return on assets** has been significantly improving.	1	2	3	4	5
3	The sales growth has been significantly improving.	1	2	3	4	5
4	The profit growth has been significantly improving.	1	2	3	4	5
5	The income on transactions services, fees and commission have been significantly improving.	1	2	3	4	5

Thank you for participating in this survey.

Appendix B

Replacement of Missing Values

Result Variables

	Result Variable	N of Replaced Missing Values	Case Number of Non-Missing Values		N of Valid Cases	Creating Function
			First	Last		
1	BGD1_1	2	1	362	362	MEAN(BGD1,ALL)
2	BPKE4_1	1	1	362	362	MEAN(BPKE4,ALL)
3	BPKE5_1	2	1	362	362	MEAN(BPKE5,ALL)
4	BEC2_1	1	1	362	362	MEAN(BEC2,ALL)
5	BEC7_1	2	1	362	362	MEAN(BEC7,ALL)
6	FP1_1	1	1	362	362	MEAN(FP1,ALL)
7	FP2_1	1	1	362	362	MEAN(FP2,ALL)
8	FP3_1	1	1	362	362	MEAN(FP3,ALL)
9	FP4_1	2	1	362	362	MEAN(FP4,ALL)
10	FP5_1	2	1	362	362	MEAN(FP5,ALL)

Appendix C

Path Coefficients (Mean, StdeV, T-values) of the Research Model

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (|O/STERR|)
BC3 <- BC	0.691003	0.682114	0.067349	0.067349	10.260071
BC4 <- BC	0.845866	0.847828	0.036654	0.036654	23.076986
BEC1 <- BEC	0.739853	0.731530	0.046277	0.046277	15.987366
BEC4 <- BEC	0.724038	0.723595	0.048416	0.048416	14.954539
BEC5 <- BEC	0.878432	0.872771	0.025467	0.025467	34.493274
BEC6 <- BEC	0.570588	0.557657	0.082881	0.082881	6.884422
BEC7 <- BEC	0.838162	0.837053	0.023453	0.023453	35.738532
BGD2 <- BGD	0.913083	0.912610	0.011849	0.011849	77.058259
BGD5 <- BGD	0.539282	0.536802	0.062097	0.062097	8.684550
BGD6 <- BGD	0.866442	0.864884	0.022227	0.022227	38.981033
BI1 <- BI	0.721228	0.695583	0.172378	0.172378	4.183991
BI3 <- BI	0.771133	0.753804	0.149611	0.149611	5.154265
BPKE2 <- BPKE	0.772906	0.771109	0.032128	0.032128	24.056863
BPKE3 <- BPKE	0.889859	0.890163	0.010643	0.010643	83.613173
BPKE8 <- BPKE	0.761315	0.760933	0.032686	0.032686	23.292005
BS3 <- BS	0.662008	0.652297	0.086640	0.086640	7.640902
BS4 <- BS	0.900010	0.897049	0.030693	0.030693	29.323059
BS5 <- BS	0.722005	0.717061	0.069084	0.069084	10.451082
CD1 <- CD	0.711015	0.644560	0.248808	0.248808	2.857685
CD4 <- CD	0.621065	0.486896	0.399225	0.399225	1.555676
CD5 <- CD	0.882658	0.751082	0.312430	0.312430	2.825136
DS1 <- DS	0.922685	0.835698	0.277984	0.277984	3.319199
DS2 <- DS	0.948638	0.842984	0.273024	0.273024	3.474565
FP1 <- FP	0.817439	0.818888	0.016203	0.016203	50.450893
FP2 <- FP	0.764457	0.762136	0.028454	0.028454	26.866420
FP3 <- FP	0.784555	0.781104	0.029036	0.029036	27.020239
FP4 <- FP	0.738336	0.736767	0.031324	0.031324	23.570888
FP5 <- FP	0.784109	0.785847	0.023442	0.023442	33.449361

Appendix D

Harman's Single-Factor Test

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings[a]
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total
1	8.860	15.277	15.277	8.860	15.277	15.277	8.634
2	7.836	13.510	28.786	7.836	13.510	28.786	5.734
3	6.056	10.441	39.228	6.056	10.441	39.228	5.929
4	4.619	7.963	47.191	4.619	7.963	47.191	5.430
5	2.925	5.042	52.233	2.925	5.042	52.233	4.855
6	2.348	4.049	56.282	2.348	4.049	56.282	4.605
7	2.194	3.783	60.065	2.194	3.783	60.065	4.953
8	1.880	3.241	63.306	1.880	3.241	63.306	2.597
9	1.631	2.812	66.118	1.631	2.812	66.118	4.066
10	1.404	2.421	68.539				
11	1.200	2.068	70.607				
12	1.106	1.907	72.514				
13	1.029	1.774	74.287				
14	.990	1.707	75.994				
15	.872	1.504	77.498				
16	.767	1.322	78.820				
17	.697	1.202	80.022				
18	.666	1.148	81.169				
19	.652	1.124	82.294				
20	.615	1.060	83.353				
21	.592	1.020	84.373				
22	.535	.923	85.296				
23	.510	.879	86.175				
24	.501	.864	87.040				
25	.477	.823	87.862				
26	.455	.785	88.647				
27	.416	.717	89.364				
28	.406	.700	90.064				
29	.380	.656	90.720				
30	.368	.634	91.354				
31	.348	.599	91.954				
32	.337	.580	92.534				
33	.328	.566	93.100				
34	.316	.545	93.645				
35	.306	.528	94.173				
36	.293	.504	94.677				
37	.280	.482	95.160				
38	.260	.449	95.608				
39	.249	.429	96.037				
40	.233	.402	96.440				
41	.222	.383	96.823				
42	.213	.368	97.190				
43	.207	.357	97.547				
44	.199	.343	97.890				
45	.183	.316	98.206				
46	.173	.298	98.504				
47	.163	.281	98.785				
48	.153	.263	99.048				
49	.130	.225	99.273				
50	.123	.212	99.485				
51	.117	.202	99.687				

52	.109	.187	99.874				
53	.073	.126	100.000				
54	1.937E-16	3.340E-16	100.000				
55	6.630E-17	1.143E-16	100.000				
56	-1.052E-16	-1.814E-16	100.000				
57	-2.234E-16	-3.851E-16	100.000				
58	-5.226E-16	-9.010E-16	100.000				

Extraction Method: Principal Component Analysis.

a. When components are correlated, sums of squared loadings cannot be added to obtain a total variance.