Tribal influence on corporate governance in Nigerian firms

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ABSTRACT

Publicly listed firms are composed of different parties, with the Board of Directors (BoDs) as the primary force influencing the firms' governance (Baysinger & Butler, 1985; Fama & Jensen, 1983a; Williamson, 1983, 1984 as cited in Hassan, Marimuthu & Satirenjit, 2015). As a result of having multiple parties on a single board, there are always divergent interests (Eisenhardt, 1989). As such, a critical challenge with governance is aligning and balancing the interests of a company's many stakeholders, especially those represented on BoDs in multi-ethnic settings. The multiplicity of their ethnicity can create complicated, divergent interests, even within their group. The shareholders' role in governance is to appoint directors who apply appropriate governance to ensure the parties' interests are represented. In contrast, the BoD's role is to act on behalf of the shareholders via their control. This control exists along with and depends on the control of other stakeholders. The question arises: Is the board members' capacity to exercise control influenced by any tribal connections among them? Or are tribal affiliations among shareholders' representatives and managers associated with Type 1 agency costs?

To address this question, this research initiates a review of corporate governance research, focusing on agency theory. Agency theory was chosen as a theoretical framework to explain many strengths and weaknesses of corporate governance, i.e. the structures that specify the distribution of rights and responsibilities. It also predicts the implications of relationships among various parties in controlling and directing the activities of a firm, e.g., understanding how tribal affiliations can influence a BoD's capacity to perform its functions and reduce agency costs. First, the assumptions of agency theory are covered in the literature review. For a company with tribal ownership and/or control, agency theory predicts higher Type 1 agency costs (i.e., relating to tribal ownership and managerial control) and Type 2 agency costs (i.e., relating to tribal share ownership). However, following the data analysis, this research's empirical results contradict the negative prediction of agency theory for the predominant Nigerian tribe. Hence, alternative proximate theories like network, stewardship, and stakeholder theories as alternatives to agency theory may explain this refutation and comprehend the intricacy of interpersonal relationships within a firm.

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Author's declaration

This thesis is submitted in fulfilment of the requirements of the Degree of Doctor of Philosophy. Except where duly acknowledged or referenced, I declare it is my work. It has not been submitted, either in whole or in part, for any other award at the University of Glasgow or any other institution.

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CHAPTER 1: INTRODUCTION

1.0 Background

Nigeria is a multinational state with an estimated population of over 225 million residents (National Bureau of Statistics, 2019). According to the National Bureau of Statistics (2019) and the National Population Commission (2006), the common myth is that the country is inhabited by an estimated 250 ethnic groups speaking over 500 distinct languages, dialects and a wide range of cultures. Otite (1990), on the other hand, provided a tentative list of 374 ethnic groups; Bangura (1994, 2006) put the number at 470, Hoffman (1995) suggested 394, while Wente-Lukas (1987) provided an entry of about 550-619 groups. Irrespective of the actual number of ethnic groups in Nigeria, individuals identify based on culture and tribes. There are three of the largest ethnic groups/tribes in Nigeria. They are Hausa (29%) in the north, Yoruba (21%) in the West and Igbo (18%) in the east. These three groups account for over 55% of the total population and control 22 of the 36 states. Other ethnic groups (i.e., minorities) include the Edo, Ijaw, Fulbe, Kanuri, Urhobo-Isoko, Ibibio, Ebira, Nupe, Gbagyi, Jukun, Igala, Idoma, Ogoni, and Tiv, who make up the remaining 40% of the total population. These minority groups are left under the control of 14 states. As earlier stated, these ethnic groups identify with each other based on shared attributes that distinguish them from others. These shared attributes may include sets of customs, traditions, language, religion, cultural heritage, etc. Nigeria, being the most populous country in sub-Saharan Africa, has been greatly diversified along these shared attributes, creating a country of rich ethnic diversity (Higazi & Lar, 2015; National Bureau of Statistics, 2017).

According to Hino et al. (2012), ethnic diversity is the existence of people from various ethnic and cultural backgrounds. As a social signifier, ethnicity has been associated with a sense of belonging based on awareness of a common language, belief, religion and culture (Hino et al., 2012). However, given the prevalence of various values and interests that set different groups apart, ethnic diversity and sensitivity between the majority and the minorities are unavoidable (Hylton, 2004; Wood, Landry, & Bloomfield, 2006). In the wake of civilisation, most organisations have to deal with the need that comes with diversity. Diversity within an organisation represents groups distinguished by different factors like race, ethnicity, language, gender, wealth, age, tribe, etc (Nurwati, 2012). These distinctions could alter a firm's rules, policies, procedures, processes, and applications (Parhizgar, 2001, cited in Nurwati, 2012). This alteration could either lead to a positive or negative outcome. In essence, diversity might create value and improve firm performance, but it is not without challenges (Kang et al., 2017; Carter et al., 2003, as cited in Nurwati, 2012).

Different approaches can be taken to address these challenges. It is well-established that traditional-structured systems effectively resolve diversity-related problems (i.e., conflicts) to enhance corporate governance and overall firm performance. The traditional structured system involves the use of a pre-determined framework on how operations within the organisation are to be carried out. For instance, this kind of system adheres to top-down authority. This helps all parties within an organisation coordinate activities in managing the organisation's strategic plan. However, relying on a traditional structural approach to tightening rules and fine-tuning the independence of self-reliant parties does not guarantee the effectiveness of corporate governance (Grant & McGhee, 2014). The traditional structured systems are fixed and inflexible. Therefore, change in this kind of situation might be challenging. It may be noted that the capacity to effect change that would cut across any organisational body of framework is ultimately gained through relations among parties within the organisation (Soderstrom & Weber, 2020; Venugopal, 2016). According to Andrei (2018), relations within an organisation are typical among parties of diverse backgrounds. For instance, relations between a firm's board of directors and its stakeholders, between management and employees, between a firm's shareholders and its management, etc. However, engaging people of diverse cultural values with different language skills and thought processes does not necessarily result in an improvement in good governance and the performance of the company as a whole (Guest, 2019).

Despite Guest's (2019) deduction, recent research has mainly focused on the importance of parties' relationships in ensuring accountability, responsibility, fairness, assurance and transparency in a diverse environment (Venugopal, 2016). Upadhyay & Zeng's (2014) argument affirmed that there is a direct connection between parties' relations with one another and corporate transparency in a socially diverse environment. However, according to Balc, Ilies, Cloban, and Cuza (2013), accountability and transparency in a diverse environment can only be achieved through structured rules and practices. In addition to Soderstrom & Weber's (2020) idea on the importance of relationships and Balc, Ilies, Cloban & Cuza's (2013) adoption of a traditionally structured system, Andrei (2018) and Teng, Fuller & Li (2018) emphasized the significance of information exchange in promoting transparency and resolving conflicts among stakeholders of diverse backgrounds.

Another approach for addressing challenges related to diversity is to examine the characteristics of individuals and the effects of their positions within a group. For instance, Shamser and Annuar (1993), as cited in Haniffa & Cooke (2002), examine the importance of a firm's board as a whole, its characteristics, composition, and role duality to corporate performance. On the other hand, Grace et al (1995), as cited in Haniffa & Cooke (2002), relate corporate performance to the characteristics of a fraction of individuals within a group. For instance, Grace et al. (1995) and Shamseer & Annuar (1993) also noted that the composition and proportion of non-executive directors to total directors is an important factor often discussed in corporate governance. According to Gassmann et al. (2003), Kelley (2002) and Sooyoung (2004), a firm's board's growing representation of ethnically varied non-executive people fosters intercultural collaboration and relationships among stakeholders, encourages accountability and transparency. Therefore, firms are advised to try to appoint talented non-executive directors with diverse backgrounds and directors from ethnic minorities (Singh, 2007). Beyond that, proper intercultural relations of a firm's board of directors from varying backgrounds are required. According to Chatman & Jehn (1994), understanding diverse cultural values is a prerequisite to the possibility of solving any firm's problems despite the existing cultural diversities among the various stakeholders, which means that all must universally and readily understand individual values. Organisations should hereby modify and implement identifiable diversity initiatives that align with their governance approach accordingly (Grant & McGhee, 2014). According to Singh (2007), this affords the firm the opportunity for higher market capitalisation through more independent, diverse individuals within the organisation.

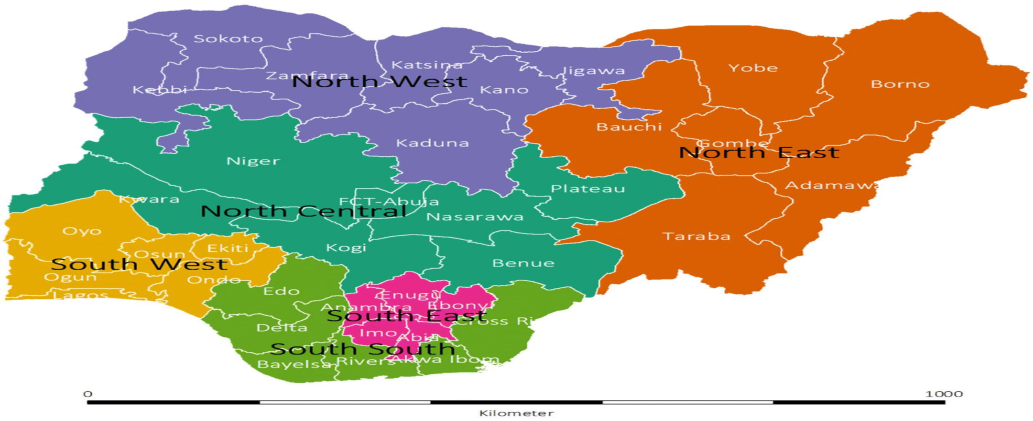
Aside from assessing the fraction of non-executive directors within a firm's board, it is important to identify how the proportion of family members represented on a firm's board can influence its corporate governance, especially in firms where families do have substantial equity holdings (Haniffa & Cooke, 2002). In cases where there is little or no physical separation between the firm's owner and managers of capital, a proper understanding and distinction of the firm as an entity from its owner is crucial (Nicholls & Ahmed, 1995, as cited in Haniffa & Cooke, 2002; Workman, 2008). However, due to the opportunistic behaviours of individuals (i.e., managers), as regards their decision-making, it is also important to emphasize the need for control and monitoring (Jensen & Meckling, 1976; Fama & Jensen, 1983; Pettigrew & McNulty, 1995; Mak, 1996 as cited in Haniffa & Cooke, 2002).

Control and monitoring is a form of checks and balances mechanism that enhances a firm's effectiveness. According to Haniffa & Cooke (2002), the effectiveness of this mechanism on managers is dependent on the ethnic composition of a firm's board. Sadly, most firms' commitment to diversity is much rooted in the self-serving desire of members of a firm's board rather than a moral dictate of fairness (Rahim, Oluwafemi and Afolabi 2017). Above all, overlooking the importance of having capable individuals with knowledge and experience within the firm's board may negatively influence the chance to achieve the desirable outcome of reducing costs and improving the firm's performance, other things being equal. According to Eisenhardt (1989), the primary focus is working out effective means of governing that help limit the self-serving behaviour of parties while taking into consideration the affiliation that may exist among these individuals and the effect on members' capacity to perform their function, hence, the purpose of this research work. An overview of an emerging economy like Nigeria as a case study provides a perfect scenario for this research work. Not just because of the researcher's familiarity with the cultural terrain of the country, but because Nigeria, as a multi-cultural country (with an estimated 374 ethnic groups), gives a broader outlook into the effect of this factor (i.e., tribal affiliation) on corporate governance.

1.1 Nigeria's History

Anthropologists and historians argue that various characteristics (i.e., economies, development, etc) of African countries cannot be understood without references to colonial and post-colonial administrations in these countries (Hino et al., 2012). In Nigeria, for instance, the amalgamation of the Northern and Southern protectorates by Lord Frederick Lugard, the protectorate's Governor-General under the British crown, in 1914, marked the beginning of the colonial regime; likewise, the country's geographic division and state formation (Falola & Heaton, 2008). The wife of Lord Lugard and writer Lady Flora Louise Shaw suggested the name "Nigeria". After Nigeria gained independence from Britain in 1960, the Northern and Southern protectorates were divided into thirty-six states (National Bureau of Statistics, 2022). As seen in Figure 1.1 below, these states have been subdivided into six geo-political zones: North-Central, North-East, North-West, South-East, South-South, and South-West. The North-Western is the most populous, having seven states, and next is the South-Western zone with six states (National Bureau of Statistics, 2022).

Figure 1.1: Geopolitical zones in Nigeria



Adopted from GADM 2018

Before this partition, seen in Figure 1.1 above, Nigeria had three major regions. According to Falola & Heaton (2008), these regions depict the three major ethnic groups in Nigeria. These regions are the Hausa-Fulani in the North, the Igbo in the East, and the Yoruba in the West. These regions represent the three largest ethnic groupings. In 1963, the midwestern region was separated from the Western region, bringing the total up to four (Falola & Heaton, 2008). Seven years later, a few ethnic minorities started to agitate for the split of these districts because these regions have been politically dominated by the three main ethnic groups (United Nations, 2022). On May 27, 1967, General Yakubu Gowon, Nigeria's second military head of state, responded to this uprising by establishing twelve new states. The former Northern area was divided into six states: the Benue-Plateau, Kwara, Kano, North-Western, North-Eastern, and North-Central (Kaduna state). Two states (the Western state and Lagos state) were established from the old Western region. The former Mid-Western region became Bendel state, and the former Eastern region has East-Central, Rivers and Cross River states.

Following a successful coup on February 13, 1976, General Murtala Muhammed divided the East-Central State into seven new states, including Imo and Old Anambra. Benue-Plateau state was split into Plateau and Benue states, and the northeastern state was partitioned into the states of Bauchi, Gongola, and Borno. Additionally, the Western state was split into Ondo, Ogun, and Oyo states while Niger and Sokoto states make up the North-Western states. According to Falola & Heaton (2008), nineteen states were created by combining all these divisions. While the federal capital of Nigeria (i.e., Abuja) was formed by combining the North-Central state of Kaduna, Benue-Plateau, Kwara, with the North-Western state (Niger state) (Falola & Heaton, 2008).

In 1987, General Ibrahim Babangida created two more states: Akwa Ibom and Katsina states, for twenty-one states (National Bureau of Statistics, 2022). However, in 1991, General Babangida created an additional nine states, namely, Abia, Enugu, Delta, Jigawa, Kebbi, Osun, Kogi, Taraba and Yobe states, making it a total of thirty states (National Bureau of Statistics, 2022). As of 1991, the following states were created: Akwa Ibom from Cross River State, Katsina from Kaduna State, Adamawa and Taraba from Gongola State, Enugu from Anambra State, Edo and Delta from Bendel State, Yobe from Borno State, Jigawa from Kano state, Kebbi from Sokoto state, Osun from Oyo state, and Kogi from Kwara and Benue states (Falola &Heaton, 2008).

Following the resignation of the interim government headed by Chief Ernest Shonekan in 1993, Nigeria's military head of state, General Sani Abacha, took over power. On the 1st of October 1996, Nigeria's head of state, General Sani Abacha, created six more states following calls for the creation of more states by ethnic minorities. As a result, Ebonyi State originated from both Abia and Enugu states, Bayelsa State from Rivers State, Nasarawa State from Plateau State, Gombe State from Bauchi State, Ekiti State from Ondo State and Zamfara State from Sokoto State.

The creation of states over 33 years (i.e., from 1963 to 1996) signals recognition, acceptance and inclusion of groups, especially minorities, in politics.

1.1.1 Politics and Tribalism in Nigeria

As earlier stated, Nigeria gained independence from the United Kingdom in 1960 and went on to become a republic in 1963. Up until 1999, democratic elections, coups, and counter-coups have always defined Nigeria's post-independence (Hanson, 2017). However, since the fourth republic, Nigeria has held six successful presidential and legislative elections from 1999 to 2019. Different political parties competed in these elections, but the two (i.e., PDP and APC) were more dominant (Omodia, 2010). PDP was formed in 1997 and has ruled for 16 years, influencing the business activities of similar tribal connections with the party leaders. For instance, in 2007, the PDP government granted Dangote Cement factories a ten-year tax holiday, elevating Dangote Cement Ltd to the number one cement producer in Nigeria, with a market share of more than 65% (Adesunkanmi, 2014). APC, on the other hand, was formed by an alliance of Nigeria's three major opposition parties and took power in 2015. In August 2016, the APC government established the Presidential Enabling Business Environment Council (PEBEC) (Channel T.V. 2018). This council gives the President the authority to award contracts to anyone of his or her choosing. This means that governments can easily award contracts to firms with ties to them. These ties can either be in the form of tribal or family ties. For instance, the APC government has awarded contracts for 19 road projects in Nigeria to companies such as Dangote Group, Lafarge Africa, Unilever Nigeria, and Flour Mills. The business magnates behind these companies are said to have some form of tribal ties with the APC leaders. Irrespective of the political party in power, a common denominator for these parties is the connection they have via tribal ties.

According to Fishman (2001), political connections are formed through common ties among individuals with similar family and tribal backgrounds. In Nigeria, political connections through family ties are also very common. For instance, family members of incumbent politicians benefit from tapping into the politician's networks to expand the business. According to Agha (2017), Abdullahi Babalele's son-in-law, former Vice President Atiku Abubakar, used his political influence to grow his company. Nigeria, being the most populous and influential country in Sub-Saharan Africa, is home to more than 250 different ethnic groups speaking over 500 different dialects (Demographic Statistic Bulletin, 2021; National Population Commission, 2021; United Nations, 2022; World Bank, 2021). Political dominance among different tribes in Nigeria became common as a result of this type of diversity (i.e., tribal) (Obi, 2001). Three major ethnic tribes have dominated politics and business in Nigeria, and these tribes are depicted by their regions (National Bureau of Statistics, 2022).

Major tribal regions in Nigeria

These major regions depict the three major ethnic groups in Nigeria (Falola & Heaton, 2008). As seen in Figure 1.2 below, these tribal regions are the North (Hausa-Fulani), the West (Yoruba) and the East (Igbo).

Figure 1.2: Nigeria's three regions

Adopted from BBC by Ogbonna

The Northern Region (Hausa-Fulani)

According to Falola & Heaton (2008), the Hausa and Fulani are the two largest ethnic groups in northern Nigeria. While the Fulani continue to reside in rural regions, the Hausa are more urban. Though they are both Muslim. The groups are politically organised on a feudal basis and have developed a cohesive culture. However, even though these tribes come from the same region, they speak different languages. For instance, the Fulanis speak Fulfulde, while the Hausas speak Hausa. In Northern Nigeria, farming and herding are common occupations. For instance, crops are grown by Hausa farmers while herders are mostly from the Fulani tribe. Cows are rarely killed for food. Despite their major occupation as farmers and herders, few elites from this region have found their way into politics through a pre-colonial native system of government. They are now known to be controlling the APC.

The Western Region (Yoruba)

In the western part of Nigeria, the Yorubas make up most of the ethnic population (Falola & Heaton, 2008). While many Yoruba are Christians, others practice Islam or hold to more ancient faiths. Nigeria was first settled by the Yoruba circa 100 BCE. According to Falola& Heaton (2008), the Yorubas resided in small towns that eventually became kingdoms. Each of these kingdoms had its kings and accents (a version of a language). City-dwelling Yoruba are employed as teachers, doctors, engineers, and in industries and offices, while others travel to their tiny family farms in the countryside to work. The Yorubas are fairly divided between APC and PDP, with the majority in APC.

The Eastern Region (Igbo)

According to Falola & Heaton (2008), the Igbo are the largest ethnic group in Nigeria's eastern area (pronunciation: ee-bo). The Igbo dominate the Eastern part of Nigeria, even though they comprise about 18% of Nigeria's population. Other ethnic groups did not like the Igbos' dominance when Nigeria became independent. The Igbos' attempt to leave Nigeria in 1967 led to the brutal murder of several Igbo people (United Nations, 2022). The Igbo's primary source of income used to be farming, but oil now accounts for most of their riches. Unlike their Northern counterpart, the Igbos appreciate education, and many of them are well-educated. Others interested in politics align themselves with the PDP party.

From the above, there is an unspoken and informal pact that regulates the distribution of political power among the tribes (Tawiah, Zakari & Wang, 2021). For instance, the North (Hausa-Fulani) with APC, the East (Igbo) with the PDP and the West (Yoruba) navigate themselves between APC and PDP, with the majority in APC. This simply shows the importance of tribal affiliations in making informed decisions, such as a tribe (individuals with similar shared interests who share similar cultural backgrounds) supporting a political party.

1.1.2 Power Sharing in Nigeria

Politics in Nigeria is a form of competition among ethnic groups over limited resources. In a multicultural country like Nigeria, its citizens are distinguished based on inherent homogeneous physical/biological, national, ethnic, cultural, and social features. For instance, distinguishing minorities from the majority ethnic group in power. A majority group is defined as any group that is dominant in society. In Nigeria, they are the Hausa-Fulani, Igbo and Yoruba. This set enjoys more than a proportionate share of the income, power, and/or social prestige in that community (Farley, 1995). Contrarily, minorities are purposefully excluded from participating in the social, economic, and particularly political economy. In Nigeria, these groups include the Edo, Ijaw, Fulbe, Kanuri, Urhobo-Isoko, Ibibio, Ebira, Nupe, Gbagyi, Jukun, Igala, Idoma, Ogoni and Tiv, among many others. Minorities are culturally distinct and comparatively cohesive groups that hold a position of numerical inferiority and/or socio-political subordination in comparison to other cultural groups in the community (Ekekwe, 1986; Nnoli, 1978; Otite, 1990; Osaghae, 1994). Minorities in Nigeria frequently occupy a position of subordination as the exploited, expropriated, disempowered, isolated, marginalised, and targeted. A similar occurrence is being experienced within the corporate society. This affects how decisions are made and the consequences of those decisions on performance. Due to these domestic divisions, federalism was developed.

Federalism is the framework through which Nigerian politics are practised. Before the emergence of Nigeria, there were many communities and institutions in pre-colonial Nigeria, each with various levels of independence and autonomy (Otite, 1990). The federal system of government used in today's Nigeria governs over 500 different ethnic groups (Otite, 1990). According to Otite (1990), federalism is a government that strives for unity while accepting differences (Otite, 1990). It can also be referred to as an appropriate form of government that could be offered to communities with distinct and varying ethnicities. According to Duchacek (1977) and Wheare (1964), federalism provides a common ground for people of different ethnicities who wish to retain their identity, independence and individual ethnicity. This form of government encourages both individual independence and diversity. Similar to what applies in the political sphere, diversity within an organisation may be applied to successfully implement an exchange transaction. To make this happen, control is a foundation upon which exchange transactions are executed.

1.2 Overview of Corporate Governance in Nigeria

Exchange transactions between parties within an organisation are readily managed with the use of governing mechanisms. According to Okike (2007), there has been an upsurge in global initiatives, recognising the vital role these governing mechanisms play in ensuring the good governance of these organisations. These initiatives have prominently featured developed countries like the UK and the US (Okike, 2007). However, the literature on corporate governance is largely lacking, particularly in developing countries. For instance, there is little evidence of corporate governance developments in Africa (except South Africa), even though some authors (Apreda, 2001; Hussain & Mallin, 2002; Fremont & Capaul, 2003; Mallin & Jelic, 2000; Ow-Yong & Guan, 2000; Sarkar & Sarkar, 2000) provide evidence of corporate governance developments in some developing countries. Research studies on the development of corporate governance in Nigeria are limited to the banking industry (Yasaki, 2001). Evidence of research has analysed Nigeria's accounting and financial reporting system (Wallace, 1987, 1989; Okike, 1989). For instance, Okike (1994, 1995, 1998, and 1999) offers in-depth assessments of the audit reporting environment in Nigeria.

As earlier stated, corporate governance is the system of rules, procedures and structure by which an organisation is governed and managed. In Nigeria, a firm’s corporate governance aims to facilitate effective and prudent management that will potentially result in its long-term success. To guarantee the long-term success of any Nigerian firm, the goal of a firm’s corporate governance is to oversee the activities of its management and its relationships with other stakeholders. According to Khan (2011), the critical challenge for any Nigerian company is aligning the interests of business managers with those of other stakeholders, especially those represented on the Board of Directors in multi-ethnic settings. Boards of Directors (BoDs), the central force in firms’ governance, oversee the firm’s management. The responsibility of Nigerian shareholders in governance is to select these directors who ensure that there is a suitable governance framework and mechanism in place. For instance, a governance framework like the Nigerian Code of Corporate Governance (NCCG) 2018 allows businesses to foster an atmosphere of trust, openness, and responsibility. This facilitates the attraction of long-term investors that can contribute to both economic growth and financial stability in Nigeria.

Aside from its ability to attract long-term investors, established governance frameworks like the NCCG 2018 are a set of regulations, processes, and principles essential in influencing the structure and operational system of any organisation (Ozili, 2021). Globally, there is a growing emphasis on the importance of governing frameworks and mechanisms in ensuring effective corporate governance (Okike, 2007). According to Ozili (2021), a governing framework (i.e., code) serves distinct functions within the country's economy by outlining the duties and obligations of a company’s management. Instances of these frameworks include the Companies and Allied Matters Act (CAMA), the Investment and Securities Act 2007 (ISA), the Financial Reporting Council of Nigeria Act 2011 (FRCN Act), the 2018 Revised Nigerian Code of Corporate Governance, Insider Trading Policy, Board Performance Appraisal, etc. These listed frameworks provide the means to securely and effectively make changes to business rules as needed. Therefore, a successful governance framework is important in maintaining the effectiveness of controls and adapting to organisational changes. A governing mechanism, on the other hand, consists of rules, methods, guidelines, and tools that aid a company in functioning through oversight and regulation of its management's actions (Kaswan, 2018). According to Demsetz & Lehn (1985), governing mechanisms can either be market or non-market induced. In Nigeria, for instance, mechanisms regarding board size, board independence, audit strength, CEO duality, and ownership structure impact the behaviour of economic actors and help manage their exchange transactions in a way that encourages alignment of interests among these parties.

According to Okike (2007), developed countries such as the UK and the US have made significant strides in tackling the issue of effective corporate governance. However, in developing countries like Nigeria, effective corporate governance is lacking despite the benefits it brings (Okike, 2007). Contrary to Okike (2007)'s argument, several researchers such as Apreda (2001), Hussain & Mallin (2002), Fremont & Capaul (2003), Mallin & Jelic (2000), Ow-Yong & Guan (2000) and Sarkar & Sarkar (2000) have showcased some evidence of corporate governance effectiveness in developing economies. Despite various established governance frameworks and mechanisms in Nigeria, little can be said of the effectiveness of these tools (Okike, 1989; Wallace, 1987, 1989; Yasaki, 2001). Therefore, in-depth assessments of these tools are necessary to achieve effective corporate governance in Nigeria (Okike 1994, 1995, 1998, and 1999).

Aside from the enforcement of in-depth assessment of governing frameworks and mechanisms, various institutions and individuals may be responsible for ensuring public companies' effective accountability. In Nigeria, these institutions include the government, the Corporate Affairs Commission, the Securities and Exchange Commission (SEC), the Nigerian Stock Exchange, directors, auditors, audit committees, and shareholders. According to Sanda, Mikailu, and Garba (2005), these institutions are founded for a specific purpose. Though each institution is distinctive in its own right, the institutions exist within an environment that impacts their operations. The environment comprises all the external factors or influences that impact a firm's operation. These factors (i.e., political, economic, sociological, technological, legal, and environmental/ecological) could be used in various scenarios that can direct the strategic decision-making of a firm. These also allow firms to discover and evaluate factors that may affect their operations, both in the present and the future.

1.2.1 Using PESTLE analysis

Various available but distinct strategic tools can be utilised to assess a company and the effectiveness of its corporate governance. These strategic tools are PESTLE- Political, Economic, socio-cultural, technological, legal, and environmental; SWOT- Strengths, Weaknesses, Opportunities, and Threats; VRIO and Porter's five forces, to mention a few. Two of these parameters (i.e., PESTLE and SWOT) could have been used to give a more holistic and balanced view of the business situation in Nigeria. However, only PESTLE analysis is explored to facilitate the understanding of the wider business environment in Nigeria (Christodoulou & Cullinane, 2019). PESTLE is a framework for assessing how external factors impact the operations and activities of an organisation by navigating barriers and opportunities. Francis J. Aguilar first introduced PESTLE in his book 'Scanning the Business Environment'; it has evolved into its current form (Citilci & Akbalik, 2020). PESTLE is clustered into six categories (an acronym for Political, Economic, Sociological, Technological, Legal, and Environmental) (Citilci & Akbalik, 2020). These factors are external to the business, outside the organisation's control (Mihailova, 2020). For instance, Table 1.1 below illustrates these various external factors according to the nature of their effects and importance to Nigerian tribes. Important enough to disrupt or alter the 'trajectory' of a firm's system of rules and practices.

Table 1.1: PESTLE analysis

Analytical framework (PESTLE)	**Instances of these factors**	**Important issues faced by tribes**	**References**
Political	Government policies and regulations include political zoning, tax, trade, criminal, health, and education policies.	Political zoning has affected the South East (i.e., **Igbos**) negatively. In the South East, the Igbos suffer marginalisation, as they are the only geo-political zone that has not presided over Nigeria since the advent of the zoning convention in 1999. On the other hand, the Hausa/Fulanis have been the political dominants since 1960. The National Policy on Health Workforce Migration has affected the Yorubas more.	Akpakpan & Okoro (2023); Awopeju, Adelusi & Oluwashakin (2012); Balogun (2021); Cheeseman, Bertrand & Husaini (2019); Fawehinmi (2022) in Vanguard, March 22, 2022, and Nsoedo (2019).
	Political instability (i.e., insecurities) and political culture include corruption and mismanagement of public funds.	Much of the ongoing insecurity within the country is prevalent in the North (**Hausa/Fulani**).	Balogun (2021); Nsoedo (2019) and Okechukwu (2019).
Economic	Economic growth can be affected by exchange rates, inflation, interest rates, labour costs, etc.	The **Yorubas** are regarded as the most productive tribe in Nigeria. They have traditionally been among the most skilled and productive artisans in Africa. The **Igbos** are considered exceptionally successful, with the advent of 'patronage networks/apprenticeship' systems within the tribal group. However, the **Hausa/Fulanis** have the highest GDP in Nigeria, making them the most prosperous region.	National Bureau of Statistics (2024) and Nsoedo (2019).
	Income inequalities.	Affecting all tribal groups. Mostly the **Hausa/Fulanis**.	Balogun (2021); National Bureau of Statistics (2024) and Nigeria Inequality Report (2024).
Socio (tangible)	Demographics relate to the structure of populations.	Demographers discovered that the 1973 population census was heavily falsified (Metz, 1991). Notwithstanding, the current structure of Nigeria's population shows that the **Hausa/Fulanis** make up 30% of Nigeria's population, making them the **most dominant** and **largest** tribal group in the country.	National Bureau of Statistics (2024). Ebereonwu (2021);

Cultural (abstract)	Tradition/norms	The Yorubas comprise approximately 20% of the population, which makes them the second-largest tribal group in the country. Patronage networks/apprenticeship systems within the **Igbo** tribe.	Ejo-Orusa & Destiny (2019).
Technology	Research and development include information and communication technology and technology infrastructure (e.g., new ways of manufacturing, marketing, and distributing).	The **Igbo** tribe expressed their creativity via various innovations. For instance, they display their innovation at the Ariaria International Market, the Aba market. The Aba market is an open-air market versatile in making wear and leather works.	Awoniyi (2016); Ikioda (2012); Jones & Bennett (2015) and Whittington (2023).
Legal	Legal issues like labour, environmental and consumer regulation.		Whittington (2023).
Environmental/ ecological	Pollution, waste, and climate change (seasonal/terrain variations).	The primary source of pollution (i.e., air) in Nigeria is road transport, with PM2.5 air pollution at 30 % in **Lagos**. Other sources of pollution in Nigeria are biomass fuels, industrial emissions like generators, sea salt and waste mismanagement. The **South-South (i.e., one of the significant minority tribal groups)** region of Nigeria is more prone to land-based and air pollution via the production of biomass fuels because it is the country's oil-producing region. Meanwhile, the **northern** region of the country is susceptible to water pollution.	Abaje, Bello & Ahmed (2020); Asubiojo (2016); Izah (2016); Ohimain (2015); Richard, Izah & Ibrahim, (2023); Whittington (2023) and World Bank (2024).

Source: Author’s Compilation (2024).

Table 1.2: PESTLE analysis (factors, affected tribe and its relative effect)

Analytical framework (PESTLE) factors	Factors	Instances of these factors	Affected tribe(s)	Effect
Political	Government laws	Health workforce migration Political zoning and Marginalisation	Yorubas Igbos	Negative Negative
	Political instability	Insecurities	Hausa/Fulanis	Negative
	Political culture	Corruption and mismanagement of public funds.	Hausa/Fulanis	Positive
Economic	Economic growth	Inflation rate Labour costs Trade barriers, currency valuation and foreign exchange capacity Income inequality	Igbos Yorubas Hausa/Fulanis Hausa/Fulanis.	Positive Positive Positive Negative
Socio (tangible)	Demographics	Population structure	Hausa/Fulanis.	Positive
Cultural (abstract)	Tradition/norms	Patronage networks and apprenticeship systems	Igbos	Positive
Technology	Research and development	Technology infrastructure via the Aba and Alaba market	Igbos	Positive
Legal	Legal issues	Labour laws Environmental laws Consumer regulations	Yoruba Minority groups (Ogonis) Igbos	Positive Positive Positive
Environmental/ ecological	Seasonal/terrain variations	Water pollution Air pollution: Climate change Air pollution: Waste/oil spill	Hausa/Fulanis Yoruba Minority groups	Negative Negative Negative

Source: Author's Compilation (2024).

Political

From Table 1.2 above, the first of the factors is **political**. The political factors include government interventions, policies, political instabilities, insecurities, political culture, corruption and mismanagement (Yusop, 2018). Various factors may impact the political environment of a typical Nigerian organisation. One of which is laws and policies (Breyer, 1986). Laws and policies are often interrelated but serve different purposes (DeLong, 1979). Law is an established standard or system of rules that community members must follow (Leff, 1978). Instances include employment law, corporate law, immigration law, labour law, criminal law, etc. Under the employment law, for instance, the Nigerian government officially signed into law the National Policy on ***Health Workforce Migration***, a legislation aimed at curbing the mass emigration of healthcare professionals from Nigeria. In Nigeria, this policy, which has been a subject of debate, among other things, legally binds healthcare personnel to remain and work after completing their education. This situation could be beneficial or harmful to the healthcare sector in Nigeria. For example, there will be an increased number of healthcare professionals available to attend to patients, and healthcare facilities will not have to contract out resources, ultimately reducing costs for the organisation. However, when experienced medical professionals are obliged to remain in a challenging work setting due to legal restrictions preventing them from seeking other opportunities and advancing their careers, their discontent could potentially lead to negative repercussions for organisations, such as lawsuits for medical negligence. This presents a significant danger to their success.

Conversely, policy is a decision or course of action adopted or proposed by an individual, organisation or government to address long-term issues and achieve specific goals within society (Estrada, 2011 and Colebatch, 2009)—for example, tax policies, monetary policies, fiscal policies, political policies, etc. One of the policies proposed by the Nigerian government is the ***zoning of political positions*** (Cheeseman, Bertrand & Husaini, 2019). Zoning is a political practice in Nigeria in which political parties agree to split their presidential and vice-presidential candidates among the six geopolitical zones (i.e., North Central-NC, North East-NE, North West-NW, South West-SW, South East-SE, and South South-SS) (Cheeseman, Bertrand & Husaini, 2019). This ensures that no country region is permanently excluded from power (Awopeju, Adelusi, & Oluwashakin, 2012).

For instance, the zoning principle aims to prevent the permanent exclusion of either the northern or southern regions from power and to avoid any party being perceived as exclusively representing a single area of the country (Awopeju, Adelusi, & Oluwashakin, 2012). This concept was initially brought in during the Second Republic, after the Biafran Civil War, from 1967 to 1970 (Balogun, 2021). According to (Cheeseman, Bertrand & Husaini 2019), the National Party of Nigeria (NPN) implemented a zoning system to choose party officials to reduce interethnic tensions after the conflict. Subsequently, at a National Constitutional Conference held after the cancellation of the 1993 elections and General Sanni Abacha's seizure of power, several influential figures proposed a system of rotating the presidency among Nigeria's six geopolitical zones (Balogun, 2021). Despite the widespread support for the policy, it was ultimately turned down in favour of a more straightforward approach of rotating the executive between the northern and southern regions (Cheeseman, Bertrand & Husaini, 2019). According to (Awopeju, Adelusi & Oluwashakin, 2012), this partition was chosen to represent the country's main religious divide between the predominantly Christian southern and predominantly Muslim northern regions. However, it should be noted that both areas are not entirely uniform.

Tensions between the northern and southern regions had been fuelled since colonial times due to the British government's divide-and-rule tactics and accusations of northern favouritism by the British (Fawehinmi, 2022). Additionally, before gaining independence, politicians from the southern region expressed fears that the north's larger population would marginalise the south (Nsoedo, 2019). The tensions persisted during the postcolonial era and have frequently escalated during elections, resulting in suggestions for a power-sharing arrangement to uphold national political stability(Cheeseman, Bertrand & Husaini, 2019). This clarifies why the concept of equalising power between the North and South has been informally accepted and established as a rule by various groups and organisations (Cheeseman, Bertrand & Husaini, 2019). In 2009, the zoning principle was incorporated into the constitution of the then-ruling People's Democratic Party (PDP) as the ruling party (Cheeseman, Bertrand & Husaini, 2019).

According to Teniola (2022), the zoning/rotation system as a policy is a protest against the abuse of power. If things had been fair in the country, there should not have been any demand for zoning (Teniola, 2022). According to Okechukwu (2019), in his dialogue with Okocha from This Day newspaper, implementing the Falae/Obasanjo zoning/rotation system in 1999 aimed to promote unity, harmony, fairness, and justice in our beloved country. Indeed, the objective of unity was undoubtedly accomplished through the rotational presidency model from south to north, which not only showcased but also influenced the results of the 2007 and 2015 presidential elections. Despite promoting democratic development, Nigeria's power zoning/rotation scheme has led to significant ***political marginalisation*** due to disagreements among politicians (Akpakpan & Okoro, 2023). For instance, the Igbos continue to face enormous political and economic challenges since the instigated and imposed civil war of 1967. Post-civil war, the economic and political standing of the Eastern (i.e., Igbos) region stacks up against that of the Northern (i.e., Hausa/Fulanis) and Western (i.e., Yorubas) regions.

Just before the civil war, the military government under General Gowon had begun the fragmentation process of the Eastern region to weaken the Igbo ethnic group. After the Nigeria-Biafra civil war ended, military regimes implemented a set of decrees that brought in policies that did not support the Igbo people's interests. These policies include the incomplete rebuilding of the destroyed Igbo land, a flat refund policy of 20 pounds, an indigenisation decree, a skewed population census impacting state and local government formation, intentional neglect of seaports, and the absence of an international airport. It is crucial to mention that these policies were introduced during the military administration, in which no Igbo individual was included in the Supreme Military Council. Further obstacles consist of an abundance of police checkpoints targeting Igbo individuals and enterprises, customs officials harassing Igbo business ventures, and the employment of individuals to extort and demand unlawful fees from Igbo stores with political backing, notably in Lagos state. Igbo individuals face excessive extortion and harassment at numerous police checkpoints in their native region and along routes to the Southeast. Harassment increases during holidays when people from the Southeast region go home to visit their families (Okolie, 2017). Mr. Peter Obi, the ex-governor of Anambra State, criticised the operations of the Customs department on the highways, especially along routes towards the Igbo heartland. He noted multiple Customs checkpoints from Ore to Onitsha. The Customs extorting cleared containers at Southeast-bound roads raises doubts about Buhari's anti-corruption stance (NAN, 2016).

In summary, it is noted that the economic and political marginalisation of the Igbo people is not subtle; it is an active and deliberate effort designed by the federal government to checkmate the Igbo's ascendency or recovery from the devastation of the Nigeria-Biafra civil war. An instance of the active and deliberate effort can be seen in Table 1.3 below. As of the timeline used in this study (i.e., 2019), the South East (i.e., the Igbos) is the only geopolitical zone that has not presided over Nigeria since the advent of the zoning convention in 1999. Even though politically, the Igbos played pivotal roles through the political leaders of the regional powerhouse, the NCNC. Looking at all angles, Nigeria is unfortunately still split (Okechukwu, 2019).

Table 1.3: Cumulative Duration of Geopolitical Zones by Percentage during the Military and Civilian Regimes.

S/N	Presidential Zone/ Timeline	Vice-presidential Zone/ Timeline	Cumulative duration for the presidency	Cumulative duration for Vice-presidency	Percentage for Presidency	Percentage for Vice-presidency
1	North-West/ Jul’75-Feb’76, Oct’79-Jan’84, Jan’84-Aug’85, Nov’93-Jun’98, May’07-May’10, May’15-May’23.	South-South/ Jul’66-Jul’75, Aug’93-Nov’93, Jun’98-May’99, May’07-May’10.	21 years and 4 months	19 years and 8 months	35.1	35.8
2	North-Central/ Jul’66-Jul’75, Aug’85-Aug’93, Jun’98-May’99.	South-West/ Jan’66-Jul’66, Jul’75-Feb’76, Nov’93-Jun’98, May’15-May’23.	17 years and 11 months	12 years and 6 months	28.6	22.8
3	South-West/ Feb’75-Oct’79, Aug’93-Nov’93, May’99-May’07, May’23-date	North-West/ Feb’75-Oct’79, May’10-May’15.	11 years and 10 months	7 years and 8 months	19	14.0
4	North-East/ Oct’60-Jan’66.	South-East/ Oct’79-Jan’84, Aug’85-Aug’93.	5 years and 4 months	5 years and 4 months	8.5	9.7
5	South-South/ May’10-May’15.	North-Central/ Jan’84-Aug’85.	5 years	1 year and 8 months	8.0	3.0
6	South-East/ Jan’66-Jul’66	North-East/ May’99-May’07, May 2023-date.	6 months	8 years and 1 month	0.8	14.7
Total			**753 months**	**659 months**	**100**	**100**

Source: Adopted from Akpakpan & Okoro (2023).

Another political factor affecting the Nigerian tribes is the ***country's political instability (i.e., insecurity)***. For instance, in the last ten years, there have been numerous cases of innocent citizens being kidnapped in Nigeria, especially in the northern states (Balogun, 2021). On February 26, 2021, 317 girls were kidnapped by armed men from the Government Girls Secondary School in Jangebe, Zamfara state, with one police officer losing their life (Balogun, 2021). Balogun (2021), this specific event marks the second large-scale kidnapping in a short period, part of an ongoing pattern that traces back to 2014 when Boko Haram took 276 girls in Chibok, Borno state. Reportedly, the Nigerian military was responsible for safeguarding the school. The abductions are now being conducted not only by Boko Haram but also by organised criminal groups called bandits and Fulani herders nationwide. The government's failure to protect citizens, schools, and borders, particularly in the north, is one of many security failures (Balogun, 2021).

Political culture is another political factor that significantly influences Nigerian tribal groups. According to Christensen & Laegreid (2005), political culture (i.e., corruption and mismanagement of public funds) is a significant factor contributing to Nigeria's inability to enhance the quality of life for everyday Nigerians (i.e., all tribal groups). Most often, corruption and mismanagement of public funds (i.e., no stable infrastructural facilities) influence the economics of a system, resulting in a lack of progress in development for all tribal groups. For instance, the Global Corruption Report 2003, produced by Transparency International, ranked Nigeria as the second most corrupt nation in the world, after Bangladesh. This suggests that the investment climate in Nigeria is very volatile and needs to be more reassuring, especially to foreign investors, if Nigeria is to tap into its full investment potential. Since he was elected president, the Nigerian President has been determined to minimise and possibly eradicate corruption in Nigeria. Accordingly, he set up two anti-graft bodies, the Independent Corrupt Practices and Other Related Offences Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC). Whilst these initiatives are already yielding some results in the public sector through the many arrests of corrupt high-ranking government officials, their impact is yet to be felt in the private sector. Therefore, before making any strategic decision, Nigerian firms must consider these political issues to provide the latest initiatives and new frameworks that could help mitigate and take advantage of these external pressures (Castells & Sole-olle, 2005). Following Nigeria’s political instability and culture, it is noted that a steady political climate is necessary for economic development and investment, making it vital for businesses to succeed (Irtyshcheva et al., 2020; Koubi, Bernauer & Spilker, 2012; Stern, 2015). A steady political climate can be achieved when the causes of these political factors, i.e., political competition and rivalries over resources, ethnicity, religion, or communal issues, are addressed.

Economic

The subsequent classification is ‘**economic factors’**. Nigeria is seen as the leading African country, possibly having the biggest economy in Africa. The country's GDP is $410 billion, accounting for 0.34% of the global economy (National Bureau of Statistics, 2024; Trading Economics, 2024; World Bank Group, 2024; World Population Review, 2020). In 2010, farming was still a significant industry. The economy relied heavily on this sector, which engaged around 30% of the population and underwent significant changes due to commercialisation across different scales of enterprises. Beans, rice, sesame, cashew nuts, cassava, bananas, yams, cocoa beans, groundnuts, gum Arabic, palm kernels, palm oil, plantains, kola nut, corn, melon, millet, rubber, sorghum, soybeans are the primary crops cultivated. Before the Nigerian Civil War, Nigeria could produce all the food it needed until 1973. However, now, the country struggles to produce sufficient food for its people. Ten years ago, groundnut and palm kernel oil were important agricultural exports. However, their exports to other countries have declined in recent years. Some years ago, nearby businesses shipped out peanuts, cashews, sesame seeds, moringa seeds, ginger, and cocoa, but this pattern has declined. Wheat bread imported from America became the most affordable basic food, replacing local crops. From 1980 to 2016, the production of yams grew from over five million tons to 44 million tons.

In 2013, Nigeria's resurgent manufacturing sector became the biggest in Africa and the leading economy on the continent. It generated sufficient goods and services for the West African area. Petroleum makes up 75% of Nigeria's income, yet its production is only around 3% of the worldwide volume, in contrast to Saudi Arabia and Russia at 13% and the United States at 9%. Even though the government's income is mainly derived from oil, it constitutes a minor portion of the nation's total economy, accounting for only approximately 9% of the GDP. Citi economist Willem Buiter predicted in 2011 that Nigeria would experience the highest average GDP growth worldwide from 2010 to 2050, making it one of two African countries among 11 nations that drive growth worldwide (Weisenthal, 2011). The projections for 2021 might not be achievable anymore due to the mishandling of the nation's resources. Nigeria's GDP in 2018 reached $398,186 million, representing a 1.9% growth compared to the previous year, 2017. The GDP increased by $21,825 million compared to 2017 in absolute value. In the same year, the GDP per capita was $2033, which was $61 lower compared to 2016, when it was $1972. During the period spanning from 2008 to 2018, the peak GDP occurred in 2014 at $568,496. The highest was in 2007 ($322,898 million), and the lowest was in 2009 ($297,458 million). Nigeria was placed 31st in terms of GDP; it ranked 147th in GDP per capita among the top 196 countries globally. Nigeria's population faces lower wealth levels than the other 196 countries. The ***increasing inflation rate*** and ***ongoing cost-of-living*** **crisis** may affect how organisations decide to spend their dividend, irrespective of the tribal makeup of the firm (Owolabi & Inyang, 2012). In times of financial struggle, organisations will have fewer funds to spend and opt to cut back on high-risk investments (Neal, 2022).

Economic factors (i.e., ***trade barriers, investment obstacles, currency valuation, foreign exchange capacity,*** etc) are essential. For instance, trade barriers (whether they are tariffs or non-tariff measures) can limit Nigeria's economic growth, challenges in investing can limit Nigeria's economic growth opportunities, and doubt over the valuation of the currency can limit Nigeria's economic possibilities. Therefore, Nigerian firms must consider these factors when assessing pricing and target markets (Odusanya, Yinusa & Ilo, 2018). Any organisation operating under a system will be affected by changes in the economic environment (Castells & Sole-olle, 2005). Things that can cause these changes include taxes, interest rates, and foreign exchange rates. Despite the recent and direct engagement with foreign investors that has resulted in substantial interest and commitments totalling USD 30 billion since President Tinubu's inauguration (as noted by the Minister of Trade and Investments), actual investments have yet to materialise due to investor apprehension over the forex market's instability (Private Equity and Venture Capital Association of Nigeria-PEVCA). In recent times, other economic factors that could affect the market include the provision of subsidies and the creation of import tariffs to protect and support the market, unification of exchange rate windows leading to a significant devaluation of the naira at the erstwhile investors and exporters (I&E) window, scarcity of Forex, reduction in forex reserve, reduction in crude oil production, forex speculations, uncontrolled activities of operators in the parallel market, high Forex demand pressure, access to infrastructure-finance (Igwe, Ogindana &Egere; National Lease Conference, 2023).

Income inequality ranks high among Nigeria's urgent yet neglected issues. About $1000 per year is needed to maintain a healthy lifestyle in urban Nigeria, while about $700 is needed in rural areas. Almost three-quarters of the population earns less than this amount annually (Abeeda, 2018). Approximately 86 million people are in extreme poverty, with the wealthiest individual, Aliko Dangote, making 8000 times the daily amount a poor worker would spend on essential needs in a year. In 2017, Oxfam and Development Finance International created a "global index" ranking 157 countries on their dedication to diminishing inequality, with Nigeria coming in last place (Oxfam, 2017). After examining the government's allocation of funds for health, education, and social protection, the report states that Nigeria's levels are embarrassingly insufficient, resulting in dismal social results for its people. Confident technocrats are concerned that the wealth gap in Nigeria, rather than poverty alone, is causing anti-government feelings and may lead to civil unrest in the future (Akinwotu & Olukoya, 2017).

Socio-cultural

A crucial aspect of the business environment in Nigeria is the **socio-cultural environment** (Masovic, 2018). According to Masovic (2018), a socio-cultural setting involves a mix of social and cultural elements. According to Whittington et al. (2023), Aguilar, in his book, stated that the social element is tangible while the cultural aspect is abstract. However, because of their significant interconnection, it is challenging to determine their impact on the business operation. One of the significant social factors whose influences are outside of a firm's internal jurisdiction is the country's demographics (Masovic, 2018). The cultural factors, on the other hand, may include stakeholders' religious beliefs, extended family, ostentatious lifestyle, social spending, mindset, beliefs, societal levels, distribution of riches, dialect, commercial customs, cultural norms, client choices, and societal structure (Johnson & George, 2014; Kareem, Jiboye, Adejumo & Akinyosoye, 2020).

Nigeria's ***population structure*** (i.e., large size and diverse ethnic makeup) may create significant obstacles for businesses operating there. The population is varied, consisting of almost 300 ethnic groups communicating in more than 500 languages and following two main religions (Islam and Christianity). According to the National Bureau of Statistics (2024), roughly 70% of Nigeria's people are among the top three ethnic groups: Hausa/Fulani, Yoruba, and Igbo. The Hausa and Fulani populations are primarily found in the North of Nigeria and are regarded as the biggest ethnic communities in West Africa. Hausa is the most widely spoken language in sub-Saharan Africa, with approximately 40 million speakers. The Fulanis are a minority group in many West African countries, such as Senegal, Mali, and Burkina Faso, where they are nomadic and raise cattle. The Nigerian population is made up of approximately 30% Hausa-Fulani people. The Yoruba people are found in the Southwest and Southern part of Benin, comprising around 20% of Nigeria's population. The Igbo people, approximately 30 million and about 18% of Nigeria's population, are mainly in the Southeast (Ancestry, 2021).

The structure of Nigeria's population shows that the Hausa/Fulanis are the most dominant and largest tribal group in the country. At the same time, the Yorubas are the second-largest tribal group in the country. Nevertheless, the Nigerian census exercises were inadequate in multiple cases. Certain regions felt a strong urge to maintain a significant population advantage over other regions. The population census of 1973 was discovered by demographers to be significantly manipulated (Metz, 1991). For example, the census data revealed that Nigeria's population increased by 44% over a decade, with the Northern region seeing a growth of 64% compared to 53.7% in 1963 (Metz, 1991). The population size has implications for state formation, local governance, and revenue distribution in Nigeria, as the country operates more as a unitary system in reality rather than the federal system it claims to have. While the **Hausa/Fulanis** have the highest GDP in Nigeria, putting them as the wealthiest region based on their political dominance, the **Yorubas** are regarded as the most productive tribe in Nigeria (National

Bureau of Statistics, 2024). The Yorubas are traditionally the most skilled and productive tribe in Africa. The **Igbos** are considered the most successful tribal group among the three, especially with the advent of 'patronage networks/apprenticeship' systems within the tribal group.

The ***patronage networks/apprenticeship system*** is one specific practice within the Igbo tribal group. Although the apprenticeship system is a common practice globally for training and skill-building, it has traditionally been utilised to help workers acquire occupational skills in various nations (Lerman, 2012). According to Henry & Lloyd (2019), the apprenticeship system is an informal arrangement between individuals that aids in the growth of entrepreneurial groups within the Igbo community in Nigeria. The Apprenticeship System is the most deeply rooted and lively mechanism for promoting entrepreneurship in Nigeria, significantly contributing to the expansion and advancement of small and medium-sized enterprises. The system plays a key role in creating wealth, generating employment, reducing poverty, and promoting economic growth and development. The paper begins by providing a short historical context and argues that the system is deeply ingrained in Igbo culture. Two main categories of apprenticeship systems are 'Imu-Oru Aka' (learning a craft or skill) and 'Imu-Ahia' (learning to trade), covering a wide range of trading and craft skills. The system is extremely casual, not linked with the structured private sector, and essentially falls outside the scope of government supervision and assistance.

The apprenticeship system is not without its challenges. Exploring challenges in the Apprenticeship System is accompanied by suggestions on enhancing and revamping the system for the 21st Century. These recommendations involve aligning anti-industry aspects of the entrepreneurial ecosystem to foster an enterprise culture, upgrading physical and technological infrastructure, implementing a strong legal framework for formalisation, creating centres for entrepreneurship development and skills acquisition, and building connections with local and multinational companies.

Even though practices like the apprenticeship system are suitable for businesses, some existing values and practices within the sub-cultural systems in Nigeria continue to block the progress of individuals, specifically women (Robaro &Mamuzo, 2012). The saying that women only belong in the kitchen has eliminated opportunities for Nigerian women to explore and exhibit their capabilities in the corporate world. Though these listed factors affect all Nigerian firms, research has shown that these factors can significantly impact small-scale agro-allied firms in Nigeria (Onodugo & Onodugo, 2015). According to Johnson & George (2014), Nigerian firms need to consider the stakeholders' social and cultural preferences when assessing their current state and developing a new strategic plan that could help minimise agency costs, improve the effectiveness of corporate governance and maximise their performance. Without this, socio-cultural factors can increase the risk and cost of doing business and limit a business's potential for long-term growth and development.

Technological

According to Whittington (2023), another important factor within the macro-environment that could influence the operational system of an organisation is the **technological** factor. According to Jones & Bennett (2015), technological factors not only affect how a firm operates, but they also impact how it, through innovation, sells its products and interacts with and gathers intelligence on customers, suppliers and competitors. Whittington (2023) recommended conducting a thorough macro-environmental analysis to pinpoint potential areas for innovation. Whittington (2023) identified five indicators for this purpose: research and development budgets, patenting activity, citation analysis, new product announcements, and media coverage. By utilising the indicators noted earlier, it can be inferred that the Igbos stand out for their innovative spirit, independence, and boldness as a community (Awoniyi, 2016; Ikioda, 2012). According to Awoniyi (2016), the Igbos constitute 82% of the entrepreneurs and innovators in the country. The Igbos demonstrated creativity through ***technological infrastructure and innovations*** (Ikioda, 2012). Innovations that encompass the manufacturing, advertising and delivery of electronics, apparel, computer accessories, and more. The Igbos are also recognised for their expertise in gathering, manufacturing, and importing inexpensive and locally produced components for a wide range of products, from electronics to household items, to cater to various consumer markets.

The Ariaria International Market, known as the 'Aba market', is where the Igbos showcase their innovations. The Aba market is a diverse open-air market known for producing, marketing and distributing various products like clothing, electronics, and leather goods. The market is known as the "China of Africa" due to its wide range of innovative products and services, making it one of the biggest in West Africa. The popular Alaba International market in Lagos is another primary centre showcasing these innovations. Alaba International Market has become well-known in Nigeria and other West African nations as a convenient marketplace for various imported goods, focusing on electronics and household products from countries like China, Japan, India, and other Far Eastern nations. The market is popular because Nigerians and other West Africans are open to foreign goods, products, and services. Innovations such as gadgets, solar panels, electrical and electronics, phone accessories, and lighting equipment are being offered at affordable prices. These markets (i.e., Aba and Alaba) cater specifically to neighbouring countries like Togo, Benin, Ghana, and even further. These markets have experienced continuous growth throughout the year due to consumers' inclination towards imported products, leading to the development and success of small and medium-sized businesses.

For the Igbos to flourish and not simply survive in such a marketplace, there needs to be a network of collaboration/a community of practice among stakeholders. A community of practice is seen as a group of individuals who come together to learn and exchange knowledge to create new ideas in a specific field. Many authors who use the term mainly focus on showing proof of these communities in highly organised settings where events are *relatively homogenous* and *collaborative*. In open-air markets like Aba and Alaba, interactions among market traders reveal the existence of a 'community of practice' in these environments (Ikioda, 2012). However, Ikioda (2012) suggests that a comprehensive view of the market traders' practices at the Alaba-Suru market in Lagos goes beyond just shared communal ties, enabling trade to thrive in a competitive environment. Ikioda (2012) also reveals how the various daily activities of buying and selling carried out by individual traders and their organisation and interactions with other traders, customers, and suppliers are interconnected with broader systems of regulations that operate through cultural, economic, and political connections. These systems are constantly changing, contested, and renegotiated in ways that cannot be easily categorised within a community of practice. Additionally, the research recognises that ideas like community of practice can be beneficial in explaining how a diverse group of competing market traders can cooperate despite conflicts. The extent of this practice within market traders necessitates an adaptable and open approach to generating innovations in a community of practice.

The innovations introduced by the Igbos have improved choices of products and services at more affordable prices for people and small businesses in Nigeria. Developing new or enhanced products and production processes certainly allows a company to maintain its competitive edge in the market. While Nigerians benefit from the innovations introduced by the Igbos, upcoming endeavours need to consider the advancement of technology (such as digital conference calls), the incorporation of cutting-edge technology and the ever-changing competitive landscape, particularly from non-native markets. Hence, the ongoing use of the community of practice must adjust to and include the evolving arrangement of events in space and time.

Legal

Legal aspects are the fifth element to be considered in a PESTLE macro-environment analysis. Under this factor, various subjects include labour, environmental, and consumer laws, tax and reporting obligations, and regulations on ownership, competition, and corporate management. Only three (i.e***., labour, environment, and consumer regulations***) of these laws will be considered. The fundamental characteristic of labour law in nearly every nation is that the rights and responsibilities of both the employee and the employer are facilitated through an employment contract. This has been true since the fall of feudalism. Numerous contract terms and conditions are governed by labour law. In Nigeria, the Employment and Labour Laws and Regulations 2024 cover common employment and labour laws issues. The Yoruba tribe is the most affected. Being the most productive and skilled tribe among other tribes in Nigeria (Akintoye, 2010), the Yorubas enjoy all the benefits of labour and employment laws accrued to them as employees.

Consumer regulation in Nigeria protects consumers against issues like fraud and mis-selling when they purchase a product or service. Consumer complaints are integral to business, positively impacting the organisation and its products. They serve as a mechanism for misguided businesses and organisations to recognise their shortcomings and begin to address the issues identified by consumers. Customers and consumers are the royalty of business, acting as kings, queens, princes, and princesses; they are sovereign and deserve exceptional and fair treatment to help companies sustain their profitability, market share, and loyalty. Ayozie (2012) and Akpanenua (1999) stated that consumers in Nigeria are powerless, despondent, and mostly disadvantaged. Consumer sovereignty seems erroneous and foolish (Ayozie, 2012; Akpanenua, 1999). Meanwhile, consumers in Nigeria demonstrate a combination of preferences for local and foreign products. Some consumers focus on backing local businesses and buying products made nearby, while others are drawn to the quality and prestige linked with imported items. The Igbos are positively affected in this respect, being the most industrious tribe in Nigeria. However, regulations can pose challenges for Igbo businesses due to legal complexities.

In recent times, the lifting of legal constraints via deregulation has opened up numerous new business prospects. Legal matters are a key aspect of the institutional setting of businesses, referring to the formal and informal guidelines. This idea implies that in a PESTLE analysis, it is beneficial to consider official laws and unwritten norms: the 'L' in PESTLE can encompass all formal or informal regulations. Informal rules are commonly observed patterns of behaviour that are difficult to overlook. Despite legal regulations, there are clear expectations for respecting the environment properly. For instance, most firms in high-brow areas of the country, like Lagos, are skyscrapers (i.e., have more than five floors in a building) without a functioning lift, which could easily lead to accidents that could have been prevented. However, differences in formal and informal rules across countries create distinct institutional environments, often called 'varieties of capitalism'. These varieties influence business practices and management approaches, impacting the success of both local participants and foreign entities. While each country may vary in specifics, three main types of capitalism have been recognised, each with its own set of formal and informal regulations that shape business practices.

Environmental/ecological

The last of the factors to be considered is '**environmental/ecological factors**'. According to Whittington (2023), the second 'E' letter in the PESTLE framework represents environmental macro-environmental concerns, which include pollution, waste, and climate change. To examine these environmental concerns in the macro-environment, organisations may face three types of challenges that they must address. These challenges include direct pollution, product stewardship and sustainable development (Whittington, 2023). ***Direct pollution*** can be produced in various forms. For instance, it can be produced by burning fuel for power or heat, through chemical reactions, or from leaks from industrial processes or equipment. It could also come from releasing fluids directly into the water, such as firms expelling contaminated water or toxic solids mixed with water directly into the sea or river, which harm aquatic life.

Water is the ultimate environmental sink. Hence, it receives the most environmental abuse from all sectors (Ado et al., 2015; Asubiojo, 2017). Water is vital for the survival of life on Earth and is necessary for human daily tasks (Krishna et al., 2020). For instance, water provides resources for fishery, transportation, irrigation, recreation and domestic use (Ekige et al., 2010). Access to clean water and treatment facilities is crucial for preventing waterborne diseases (Forstinus et al., 2016). According to the World Health Organisation (WHO), it was estimated that 5.2 billion individuals have access to safely treated drinking water services (Ravindra et al., 2019). Approximately 1 billion individuals globally lack access to clean drinking water (Ekere et al., 2019). Approximately 2.2 million deaths occur yearly in developing nations because of waterborne illnesses (Olukanni et al., 2014). The issue of standard water quality is a significant challenge for numerous countries, especially in developing nations such as Nigeria (Seiyaboh et al., 2017b). Accessible, safe drinking water is important.

The water systems, especially in the Northern region of Nigeria, face challenges due to outdated infrastructure, limited source water, and strained finances (Ur Rehman et al., 2020). Rural communities in the Northern region of Nigeria often rely on untreated or minimally treated water from surface sources or shallow wells. However, multiple areas throughout the nation have experienced recent decreased water quality that has significantly affected the general public's well-being (Allaire et al., 2018). A large portion of the wastewater in Nigeria is channelled to water treatment facilities. However, a small proportion of the population has access to a sewage system linked to these treatment plants (Kanu & Achi, 2011). This implies that water quality and the discharge of treated water into the environment are typically contaminated by farm run-off with fertilisers, insecticides, and pesticides (Brooks et al., 2020; Ighalo et al., 2020b). These increase people's vulnerability to waterborne diseases and contamination (Ishaku et al., 2011). Therefore, it is essential to monitor and assess water quality for different reasons to determine the cleanliness and safety of water for various uses (Ighalo, Adeniyi, Adeniran & Ogunniyi, 2021). However, several research studies have been conducted in Nigeria over the past two decades to assess and monitor water quality (Izah & Srivastav, 2015). Various rules and laws implemented to safeguard the marine environment and other water sources in Nigeria have proven unsuccessful in curbing the uncontrolled disposal of waste into open water sources (Ado et al., 2015; Ado, Gumel & Garba, 2014).

As previously stated, ***air*** is another form of direct pollution. Air pollution is the contamination of the indoor or outdoor environment by any chemical, physical or biological agent that modifies the natural characteristics of the atmosphere (World Health Organisation, 2024). There are various sources of air pollution. They are biomass fuels and industrial emissions (from vehicles, power plants/generators, industrial facilities), sea salt (from agricultural areas), wildfires and oil spills (from refineries, drilling rigs, etc). However, regardless of the sources, air pollution is the most dangerous pollutant (Abaje, Bello & Ahmed, 2020; World Bank, 2024). Air pollution frequently discharges noxious smells, particles, and hazardous gases into the surroundings (Richard, Izah & Ibrahim, 2023). According to Abaje, Bello, and Ahmed (2020), air pollutants consist of sulphur dioxide (SO2), particulate matter (PM), carbon monoxide (CO), and ozone. Sulphur dioxide (SO2), when combined with water vapour (H2O) in the air, produces sulphuric acid (H2SO4) and creates acid rain (Abaje, Bello & Ahmed, 2020). Particulate matter (PM) smaller than 10 μm, such as fine particles (PM2.5) and particles smaller than 0.1 μm (ultrafine particles), can carry harmful chemicals associated with cancer (Abaje, Bello & Ahmed, 2020). Carbon monoxide (CO), even in minimal amounts, can hinder the delivery of oxygen to vital organs in the body (Abaje, Bello & Ahmed, 2020). Ozone, a highly reactive gas, leads to the oxidation of specific molecules in a biological system and generates free radicals that harm DNA and promote cancer formation (Abaje, Bello & Ahmed, 2020).

Consequently, the primary source of air pollution in Nigeria is road transport, with PM2.5 air pollution at 30 % in Lagos (Abaje, Bello & Ahmed, 2020). Lagos State (South-West) has been home to different indigenous ethnic groups for many years, though the Yorubas are the most dominant group living across the state. Hence, the most affected tribal group. Proper mitigation measures, such as installing filters on vehicle exhausts. Also, it is suggested that top priority should be placed on setting up air monitoring stations in every urban area (like Lagos) in the nation to offer precise and ongoing data on air quality.

Alternatively, another source of air pollution in Nigeria is oil spills (i.e., ***waste***). Oil spills have harmed traditional fishing and farming livelihoods, especially in the South-south (Niger/Delta) region of the country. The Niger/Delta region of the country is one of the significant minority tribal groups in Nigeria. The region is prone to land-based and air pollution via the production of biomass fuels (Richard, Izah & Ibrahim, 2023). In the Niger Delta region of Nigeria, various industrial operations, such as gas flaring from petrochemical activities, industries, and bush burning for agricultural processes are common. Being the central oil-producing region of the country, a large number of people heavily depend on fuel as their primary energy source, leading to the simultaneous emission of carbon monoxide (Abaje, Bello & Ahmed, 2020; Izah, 2016; Ohimain, 2015). However, the pollutant that has been identified occasionally surpasses the permitted level suggested by the Federal Environmental Protection Agency of Nigeria and the World Health Organisation, possibly leading to adverse health consequences. Some health issues linked to air pollution include nose, eyes, skin, and throat irritation, coughing, difficulty breathing, dizziness, and weakness. Carbon monoxide (CO), even in minimal amounts, can hinder the delivery of oxygen to vital organs in the body (Abaje, Bello & Ahmed, 2020). According to Richard, Izah, and Ibrahim (2023), the pollutants may increase the likelihood of specific organ dysfunctions, especially in people with weakened immune systems. Given the above information provided, the impact of the pollutant on people (Niger/Delta; significant minority tribal group in Nigeria) living or working near the contaminated area could be harmful depending on its type, concentration levels and exposure time (Richard, Izah & Ibrahim, 2023).

Therefore, proper mitigation measures should be implemented to reduce emissions. It will decrease the dangers to public health caused by human activities contaminating the air (Asubiojo, 2016; Richard, Izal & Ibrahim, 2023). Also, the government can implement the environmental regulations and standards that firms in Nigeria must comply with and thoroughly adhere to. These environmental regulations may lead to extra expenses, such as implementing pollution control measures, yet they also provide the potential for businesses to supply renewable energy to national electricity grids (Whittington, 2023). Non-compliance with these regulations and standards should be penalised. However, in most situations, companies recognise their influence on the environment and seek to support stakeholders on environmental issues via corporate social responsibility. By considering this, Nigerian firms are showing corporate social responsibility and gaining a strategic competitive edge.

However, a PESTLE analysis is often combined with a SWOT analysis as it identifies and classifies internal parameters into the various PESTLE categories. This research particularly focuses on PESTLE analysis since the external factors are beyond the organisation's control and are difficult to identify and control. Also, knowing fully well that organisations in Nigeria operate under a very volatile atmosphere (i.e., mainly because of the insecure state of the nation), analysis of external influences is necessary to proactively contend with all manner of organisational challenges that could spring up under different circumstances (Zalengera & Blanchard, 2014).

1.3 Background and Evolution of the Nigerian Code of Corporate Governance

The concept of corporate governance has existed for an extended period, especially before modern times. Historical accounts indicate that corporate governance has its roots in an era when members of tribal societies were held accountable by their community to uphold tribal values by being monitored for their actions. This was followed by a series of changes inspired by Anglo-American legal principles and rules. This approach assumes that the issue is preventing self-interested actions from shareholders, groups of shareholders, or other stakeholders. It does not depend on typical German or Japanese corporate governance methods involving stakeholder relationships like two-tier boards and supervisory councils. Instead, it aims to limit tribal control rather than embrace it to bring about effective corporate governance. The saying goes, 'Good corporate governance is good for business'. This means that effective corporate governance is instrumental to the success of any system. For instance, with effective corporate governance, Nigerian firms can attract foreign investment, which may, in turn, enhance the nation's economic growth. However, for corporate governance to be effective, investors must have confidence in Nigeria's legal system and its capability to protect minority shareholders (Ahunwan, 2002).

Aside from the possibility of boosting investors' trust, Nigeria is under growing pressure from the global community to implement effective corporate governance and economic liberalisation measures similar to those obtainable in Western countries like the USA and the UK (Ahunwan, 2002). Judging from the 2018 Nigerian Code of Corporate Governance (NCCG), various aspects of the code show several similarities to the corporate governance codes of its Western counterpart. As seen in the table below, these aspects include the regulatory approach, board structure and composition, CEO tenure, board size, board independence, audit committee, and CEO-chair duality, to mention a few.

Table 1.4: Corporate Governance Mechanisms

Corporate Governance mechanisms and related literature	**Definition**	**Adoption or Practice in Nigeria**	**Adopted practice in Western countries**
'Regime' or 'regulatory approach' (Adegbite, 2012; Okike (2007).	This outlines the method of overseeing corporate governance.	Nigeria adopts the 'apply or explain' approach to Corporate Governance regulation.	Most Western countries, such as the UK, the US, Canada, and France, adopt the "comply or explain" approach. Australia embraces the "if not, why not" approach.
Board structure and composition (Uadiale, 2010; Ujunwa, 2012).	This includes the composition of board directors and the mix of skills, diversity, and expertise. Typically, the board comprises non-executive directors, executive directors, independent directors, the CEO, and the board Chairman.	The 2018 Nigerian Code of Corporate Governance (NCCG) mandates a balanced mix of skills, diversity, and competence on the board without specifying the specific requirements for skills, diversity, gender, and competence the board should be composed of.	In France, at least 40% of males and females must be on the board.
CEO tenure (Sanda, 2011).	The number of years an individual will serve as the firm's Chief Executive Officer.	The 2018 NCCG did not specify a tenure for the CEO; instead, it required that the board determine the tenure of the MD/CEO.	In most Western countries, the board's independent directors have the authority to decide on the CEO's tenure.
Board size (Sanda et al, 2010; Ujunwa, 2012).	The duration a person will hold the CEO position at the company.	The 2018 NCCG did not specify the board's minimum or maximum size.	No set board size is universally accepted for companies in Western countries. Shareholders can decide on board size during their yearly general meeting.
Board independence (Sanda, 2011; Uwuigbe et al, 2018).	The board is deemed independent when it includes many external directors and fewer internal board members.	The 2018 NCCG necessitates the selection of independent or non-executive directors. Shareholders, former employees, shareholders' family members, and similar individuals are ineligible. A director with executive responsibilities can join any board subcommittee except those related to	In the UK, the members of the board subcommittees are mostly independent directors. In Canada, the CG legislation mandates that independent directors must serve on the audit and compensation committees of the board.

		compensation, auditing, or nominating and governing.	
Audit Committee (Mgbame et al, 2020; Owolabi & Ogbechie, 2010).	An audit committee is a subcommittee of the company's board responsible for overseeing financial reporting and disclosures and ensuring that the information reported in financial statements is true, reliable, and accurate.	The 2018 NCCG require that the members of the audit committee of firms should be (i) financially literate and should be able to read and understand financial statements; (ii) they should have at least one member of the committee who has expert knowledge in accounting and financial management and be able to interpret financial statements; (iii) for private companies, members of the audit committee should be non-executive directors (NEDs), and a majority of them should be independent NEDs where possible; (iv) a presiding officer should be elected from amongst its members, and should have financial literacy; (v) the audit committee should meet at least once every quarter.	In France, an audit and risk committee is essential. Canada and the USA mandate that public companies have a Board audit committee. The UK mandates that companies have an audit committee of independent non-executive directors.
CEO-Chair duality (Ehikioya, 2009; Ranti, 2013).	This means that the CEO also serves as the Chairman of the board.	The 2018 Nigerian CG code does not permit the same person to be the company CEO and board Chairman.	The UK Corporate Governance code prohibits the same individual from serving as CEO and Chairman, whereas the US allows CEO-Chair duality. In the US, the CEO is allowed to hold the position of Chair.
Ownership concentration (Obembe et al, 2010; Ozili & Uadiale, 2017; Usman & Yero 2012).	This measures the proportion of the company's total shares owned by shareholders as significant equity holdings.	The 2018 NCCG did not provide any remarks regarding the quantity of shares a director or shareholder can own in a company.	Canada has no restriction on the number of shares a director can hold.

Source: Adopted from the Nigerian Code of Corporate Governance (2018).

Table 1.4 shows Nigeria has since adopted a corporate governance code system that mimics its Western counterparts. To enhance the country's economy via foreign investment, long-term financial viability, and Western capital inflow, Nigeria first instituted the concept and principles of corporate governance in its company laws in 1968. Adapting these Western codes to Nigeria's developing corporate governance guidelines reflects the unique socio-political and economic environment. However, it does not mirror the distinct socio-cultural landscape or tribal make-up of the country (Ahunwan, 2002; Okike, 2007).

Numerous regulations and principles have been highlighted in the Nigerian Code of Corporate Governance (NCCG) to capture and address various weaknesses at different stages of the NCCG's evolution. For instance, the introduction of the highly regarded Code of Corporate Governance for Banks and Other Financial Institutions by the Bankers Committee in August 2003 made collective attempts to enhance their corporate governance frameworks and procedures. The code was launched in reaction to the economic downturn in Nigeria in the early 1990s, as it was observed that inadequate corporate governance measures caused many institutional failures. The code had a limited impact because it was only used by a few corporate entities, mainly in the banking and financial sectors. Aside from that, the issuing authority being a voluntary self-regulatory association for banks and other financial institutions makes the code less effective to implement.

On the other hand, the 2003 Securities and Exchange Commission (SEC) Code of Best Practices on Corporate Governance in Nigeria made a notable difference in Nigeria's corporate governance environment. Also referred to as the 2003 SEC Code, the 2003 SEC Code of Best Practices on Corporate Governance was impactful because it was the first corporate governance code released by a regulatory body in Nigeria before its application was extended to all Nigerian public companies. The 2003 SEC Code originated from a group of 17 members appointed by the SEC in partnership with the Corporate Affairs Commission to spot flaws in Nigeria's corporate governance practices and devise improvements. Nonetheless, the regulations outlined in the 2003 SEC Code were no longer sufficient to handle the evolving changes in the corporate environment since their implementation. This deficiency led to certain regulators in particular industries issuing codes for corporate governance specific to those industries. These codes considered the current circumstances when they were issued and the important regulations specific to each sector. Certain industry-specific codes include the following: the Code of Corporate Governance for Banks in Nigeria Post-Consolidation 2006 from the Central Bank of Nigeria and the Code of Corporate Governance for Licensed Pension Operators 2008 from the National Pension Commission, as well as the Code of Good Corporate Governance for the Insurance Industry in Nigeria 2009 issued by the National Insurance Commission.

Following the shortcomings of the 2003 SEC Code, the SEC released the 2011 SEC Code on 01 April 2011. The 2011 SEC Code was created to address the shortcomings of the 2003 SEC Code by enhancing the enforceability of corporate governance codes. The National Committee in charge of drafting the 2011 SEC Code was assigned to find flaws and limitations, suggest ways to improve adherence to good corporate governance practices by public companies in Nigeria, and align the 2011 SEC Code with global standards.

In 2014, the SEC released the 2014 Code of Corporate Governance for Public Companies in Nigeria to incorporate global standards absent in the previous 2011 SEC Code. Amidst all these, the Nigerian Federal Government enacted the Financial Reporting Council of Nigeria (FRCN) Act 2011, creating a Corporate Governance Directorate for the FRCN. This Directorate can formulate corporate governance principles, issue governance codes, and provide guidelines. Before the directorate enacted the FRCN Act 2011, Nigeria did not have a universally applicable corporate governance framework. Nevertheless, the lack of a universally applicable national code was partially alleviated by regulators issuing sector-specific corporate governance codes to tackle governance issues in their respective sectors. Therefore, the FRCN utilised its authority under the FRCN Act to release the 2016 National Code of Corporate Governance, consisting of three levels: for the Private Sector, Not-for-Profit entities, and the Public Sector. This new code aimed to address deficiencies in previous codes (such as the 2011 SEC Code and sectoral codes) to unify corporate governance standards of various sectors and establish a codified corporate governance regime that can be implemented across the board. Unfortunately, the governance benefits brought by the NCCG did not last long. The 2016 Code was suspended shortly after implementation due to political and legal controversies and its effect on the government's efforts to improve the business environment.

After this development, the FRCN was tasked with involving stakeholders to revise a national corporate governance code that aligns the FGN's goals of facilitating business operations with global best practices. The discussions led to the FRCN's endorsement of the 'current' Nigerian Code of Corporate Governance 2018. The code is by its authority under Sections 11(c) and 51(c)1 of the Financial Reporting Council of Nigeria Act 2011. In 2019, the Code was reintroduced to the public, marking a significant change from previous codes for corporate organisations in the country. The Vice President of Nigeria, Prof. Yemi Osinbajo, alongside the Minister of Trade and Investment, Dr. Okechukwu Enelamah, revealed the 2018 NCCG Code on January 15th, 2019. The main goal of The Code is to establish corporate governance standards in Nigerian companies to enhance the credibility of the Nigerian business environment and encourage more trade and investment. Also, the Code outlines basic standards for companies to follow. It promotes flexibility and scalability through an 'Apply and Explain' approach, which can be utilised in different situations and by companies of all sizes. The Code mandates that companies implement the principles that align with their business nature and size and details how they were employed to achieve the intended purpose specified in the Code. While the impact of the Code(s) on corporate governance in Nigeria is uncertain and has resulted in a complex historical narrative of the development of corporate governance, these unique corporate challenges have led to in-depth assessments of corporate governance practices over the years. This Code's evolution showcases a fresh approach by the FRCN to promote good corporate governance in a nation striving for positive change.

1.3.1 Current reality

Although little is known about the state of corporate governance in Nigeria, various institutions and individuals are responsible for ensuring the effective accountability of public companies in Nigeria. These institutions include the government, the Corporate Affairs Commission, the Securities and Exchange Commission (SEC), the Nigerian Stock Exchange, directors, auditors, audit committees and shareholders. Despite efforts from these institutions, implications cannot be overlooked. One such implication is corruption. In the Global Corruption Report 2003, produced by Transparency International, Nigeria was ranked the second most corrupt nation in the world, after Bangladesh. This suggests that the investment climate in Nigeria needs to be more reassuring, especially to foreign investors, if Nigeria is to tap its full investment potential. Consequently, since he was elected President in 1999, the Nigerian President has been determined to minimise and possibly eradicate corruption in Nigeria. Accordingly, he set up two anti-graft bodies, the Independent Corrupt Practices and Other Related Offences Commission (ICPC) and the Economic and Financial Crimes Commission (EFCC). Whilst these initiatives are already yielding some results in the public sector through the many arrests of corrupt high-ranking government officials, their impact is yet to be felt in the private sector. As the preceding analyses suggest, it is not the lack of corporate governance structures in Nigeria that is the issue, but their appropriateness, as well as the effectiveness of monitoring the compliance mechanisms.

The current reality in Nigeria is that the country has some institutions that regulate the conduct and actions of companies. However, these establishments lack sufficient authority to penalise companies that break the rules (Adekoya, 2011; Ahunwan, 2002). For instance, these institutions find it difficult to enforce discipline on non-compliant firms with corporate governance codes (Nakpodia & Adegbite, 2018). According to Nakpodia & Adegbite (2018), these firms are often associated with influential political figures serving on the firms' boards of directors. Also, executives at companies that break these rules are frequently linked to high-ranking government officials or may hold political connections themselves, offering a bribe to their institutional supervisor or regulator to avoid sanctions and the neglect by government bodies to ensure and oversee compliance (Adegbite et al., 2012). Just like Adekoya (2011) and Ahunwan (2002), Oyejide & Soyibo (2001) share a comparable viewpoint as they examine the condition of corporate governance in Nigeria. They argued that Nigeria has the institutions and legal framework for efficient corporate governance. However, compliance and enforcement are either weak or non-existent. This means it is not Nigeria's lack of corporate governance structures that is the issue, but their appropriateness and the effectiveness of monitoring the compliance mechanisms.

Aside from compliance issues, Adegbite et al. (2013) and Osemeke & Adegbite (2016) demonstrated that other problems may be attributed to the multiplicity of regulations, conflicts among different corporate governance codes, and different interpretations of the NCCG. According to Adegbite et al. (2013) and Osemeke & Adegbite (2016), this issue impedes the functionality and effectiveness of existing corporate governance codes (Adegbite et al., 2013; Osemeke & Adegbite, 2016). Over time, there have been series and versions of the Nigerian Code of Corporate Governance that may confuse and impede how parties interpret these codes. This interpretation of codes is subject to a few factors. It could be based on the parties' educational background, experience, language, and cultural background. Even though individuals such as managers, lawyers, and the courts in Nigeria often have varied interpretations that typically align with their interests, the above underlying factors could affect how NCCG codes are interpreted. Diverse interpretations, whether intentional or unintentional, can affect the implementation of corporate governance in Nigeria, thereby posing a longstanding issue.

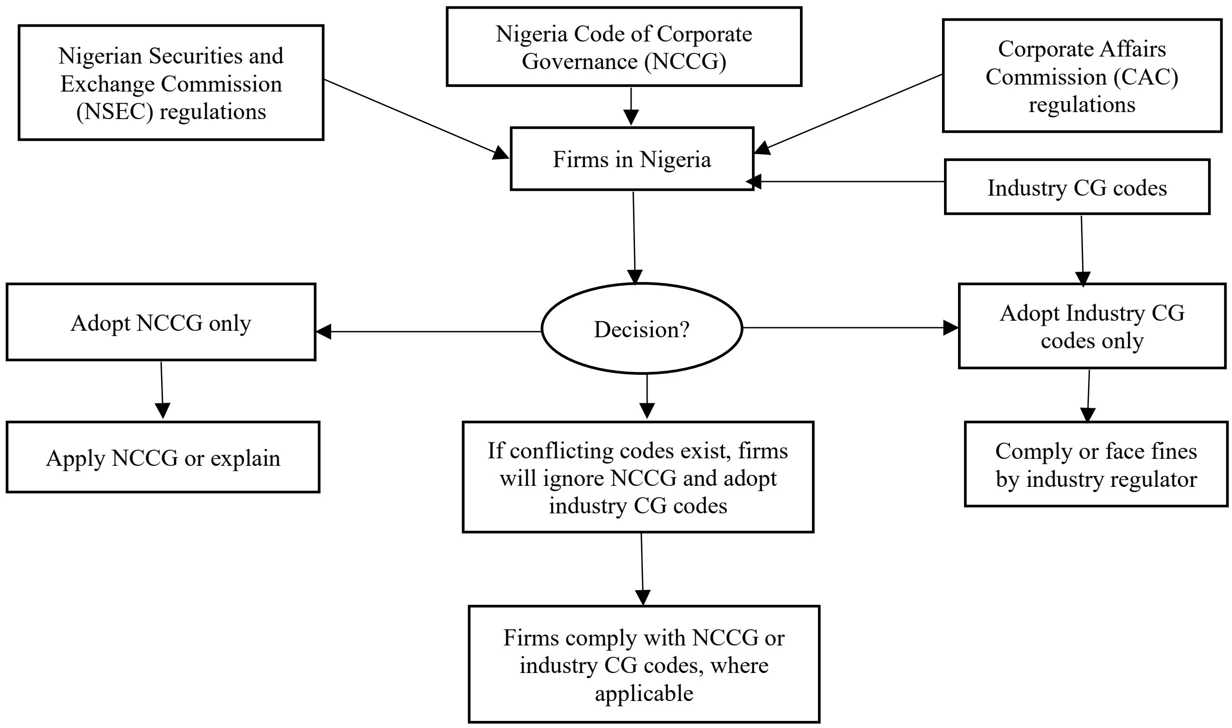
Other reasons for corporate governance failures in Nigeria include the nation's entrenched unfavourable business environment, the culture of favouritism, and corruption in political institutions (Adekoya, 2011; Letza, 2017). Furthermore, Abdulmalik & Ahmad (2016a) demonstrated that inconsistencies in regulatory laws, an ineffective board of directors, and a lack of auditor independence due to the firm ownership structure in Nigeria, among other reasons, lead to failures in corporate governance. Nwidobie (2016) suggested that one may need to concentrate on corporate insiders to address these stated corporate governance issues. This is because the corporate governance issues peculiar to Nigeria stem from self-interested controlling shareholders who also serve as directors (Nwidobie, 2016).

These problems (compliance, conflicting corporate governance codes, various NCCG interpretations, institutional environment, favouritism, and corruption) are valid and arose from implementing governance codes without considering Nigeria's specific situation. Corporate governance codes in countries such as the USA, UK, and Germany are designed to align with the specific environmental context of each country. For example, Germany's reform measures on corporate governance aimed to attract future investment from the Western world. Thus, implementing these precise codes in a developing economy without any adjustments to fit the country's specific situation was sure to lead to these problems. Various reforms have taken place over the years to compensate for the discrepancies caused by the adoption.

The new 2018 NCCG codes update aims to establish best corporate governance practices in Nigerian companies by introducing the ‘Apply and Explain’ principle. A guiding principle that applies principles in a tailored way by establishing a sustainable business environment customised to the business landscape's specific needs and conditions (could pertain to social or cultural aspects). The principle helps governing bodies understand how their actions are intended to help companies achieve their goal of ‘profit maximisation’. Furthermore, the ‘apply and explain’ principle is a reformulation of the ‘comply or explain’ approach that implies that a company that offers explanations for the reasons for non-compliance has not complied with the stated codes and was non-compliant. The reformulation eliminates flexibility and the urge for a company to be non-compliant and act in their self-interests because there is provision for explanation (not mending whether the explanation is sufficient). Implementing the ‘apply and explain’ principle reform against the previous ‘comply or explain’ approach does not allow companies to deviate from standards without worrying about penalties because of their self-interest. Hence, acknowledges agency theory's belief in the self-interested actions of individuals and the necessity of regulations to enable market mechanisms (such as free entry and exit) to function efficiently.

The diagram below shows the present corporate governance practices in Nigerian companies.

Figure 1.3: Corporate Governance Practices by Nigerian Firms



Sources: Adopted from the Nigerian Code of Corporate Governance (2018)

1.3.2 Overview of the current Nigeria Code of Corporate Governance (2018 NCCG)

Nigeria operates as a sovereign state where the government governs the citizens with complete independence and authority to function within a framework of laws and guidelines. (Eberlein, 2006; Okon, 2014). According to Krasner (2001) and MacCormick (2018), these sets of laws and guidelines are acknowledged as governing the behaviour of their members. The Nigerian Code of Corporate Governance may be regarded as one of these laws. As indicated in the previous section, the Nigerian Code of Corporate Governance oversees how companies effectively manage governance, risk, and internal controls. There have been several versions of the Nigerian corporate governance and sectoral codes, the most recent being the 2018 NCCG Code. The 2018 NCCG Code was released and presented to the public in 2019. The 2018 Nigerian Code of Corporate Governance emphasises important principles to establish the best corporate governance practices in Nigerian companies.

There is no exaggeration in emphasising the significance of effective corporate governance practices. Strong corporate governance practices are essential for local and international economies, especially in emerging markets like Nigeria. The benefits of embracing practical corporate governance ethics in an emerging economy are crucial and attractive today. For instance, systems rooted in transparency, equity, and accountability are essential in protecting the interests of all parties by ensuring that people are held responsible for their decisions and actions. To promote effective corporate governance in Nigeria, the Financial Reporting Council of Nigeria (FRCN) introduced the Nigerian Code of Corporate Governance 2018 to establish the highest standards of best practices in Nigerian companies and enhance public understanding of important corporate values and ethical behaviours, ultimately improving the integrity of corporate operations in Nigeria.

For instance, one of the 'best practices' is the 'Apply and Explain' implementation strategy. The 'Apply and Explain' of the 2018 Code is perhaps its most significant innovation. This is because this strategy involves companies showing how their activities align with the goals of the Code's corporate governance standards rather than simply following the mandatory compliance approach indicated in the Nigerian Code of Corporate Governance 2016. Though the Nigerian corporate governance system focuses on adhering to legal procedures and frameworks, it does not have a moral basis. For instance, the Nigerian Code of Corporate Governance 2016 was silent on the following areas (applicability and commencement period; transition arrangement; treatment of current sectoral codes that may have more stringent rules; and guidance for the frameworks to be utilised in developing and reporting on internal control and sustainability frameworks). It is, however, necessary for the Code to transition the emphasis from structural to ethical concerns. This is because many corporate actions that have upset the public in the past are in full compliance with legal structures and processes. Consequently, the Financial Reporting Council (i.e., FRC) must issue directives for companies to follow and evaluate the silent areas mentioned.

Following the shortcomings of the previous version (i.e., the Nigerian Code of Corporate Governance 2016), the Nigerian Code of Corporate Governance 2018 highlights the following: Board structure, the chairman of the board, transition to chairmanship, the independent director, the company secretary, board committee structure, internal control, information technology, tenure, performance evaluation, remuneration (policy, claw back/exempted payments), external audit firm& audit partner rotation, other services provided by external auditors, risk management, internal audit, compliance, whistleblowing, sustainability and disclosures.

In summary, the 2018 Nigerian Code of Corporate Governance advocates for stronger governance practices within companies and accountability to shareholders. The practices outlined in the Code will necessitate companies, particularly those who have not previously been regulated by a governance Code, to conduct a preliminary assessment of their existing governance practices in line with the principles articulated in the Code to implement suitable procedures and protocols to rectify any shortcomings found and to enhance the Code's efficacy in promoting transparency, fairness, and accountability.

1.4 Purpose of this study

As earlier stated, corporate governance is the system of rules by which an organisation is governed. There have been various studies on this subject area of corporate governance, especially about firm performance and board efficiency. The primary purpose of this research study is to first address an existing gap by creating a different context in which the effect of corporate governance can be viewed. Most extant studies focused on developed economies like the UK, the US and a few other developed countries (Gugler, 2001; Keenan, 2004; Maher & Anderson, 2002; Weimer & Pape, 1999). For instance, an outlook on emerging economies like Nigeria helps create a different context by addressing the effect of an underlying factor (i.e., tribal affiliation) that could alter the results of extant studies.

The second purpose of this research study is to test the effect of tribal affiliation in reducing agency costs (i.e., the existing problem). Agency costs are a form of internal expense that typically occurs in the wake of core inefficiencies and dissatisfactions, such as conflicts of interest between shareholders and management. Using Nigeria as a case study thus provides a perfect scenario. Nigeria, a multicultural country that houses an estimated 500 ethnic groups, gives a broader outlook on the effect of tribal affiliation on corporate governance. This research study fills a gap in the literature. It advances our understanding of corporate governance in emerging nations by providing a thorough assessment of underlying issues that could influence the impact of corporate governance in Nigeria, hence, the next section.

1.5 Research Aim, Question and Hypothesis

Aim

To understand the effects of tribal affiliation on corporate governance and agency costs.

Question

The research question based on the current research's aim is:
Are tribal affiliations among shareholders' representatives and managers associated with Type 1 agency costs?
If not, what are the benefits of such tribal affiliations?

Hypothesis

Two different hypotheses can address the research question of whether tribal affiliations among owners' representatives and managers are associated with Type 1 agency costs. A hypothesis is a specific, testable prediction about what could happen in a research study. Furthermore, it is a tentative statement about the relationship between two or more variables.

There are three variables (i.e., independent, latent and dependent). Tribal affiliation among parties is considered the cause (i.e., independent variable). This means its value is independent of other variables, such as the dependent and intervening variables. The effect (i.e., dependent variable) of this cause is the agency costs incurred. The value of agency costs depends on changes in the independent variable (i.e., tribal affiliation). This means that an intense presence of tribal affiliation among parties within an organisation tends to reduce agency costs and vice versa.

The intervening variable (i.e., corporate governance) is the variable that handles the change in the dependent variable due to the change in the independent variable. This means the outcome of the dependent variable (i.e., agency costs) is decided through the latent variable (i.e., corporate governance), which itself gets influenced by the independent variable (tribal affiliation).

The first hypothesis will test how tribal affiliation among board members could be associated with weak governance (i.e., how it hampers monitoring and efficient resource acquisition). This means that the hypotheses will test how tribal affiliations across board members and managers could affect their ability to perform their monitoring function, select efficient managers from a shallower pool of talent, and efficiently acquire resources. All these invariably lead to increased agency costs.

H1: Tribal affiliations within boards of directors are positively associated with Type 1 agency costs.

As with ownership, the second hypothesis addresses the association between managerial control and agency costs.

H2: Managers affiliated with a dominant tribe are positively associated with higher Type 1 agency costs.

The third hypothesis considers how tribal affiliation among board members of a dominant tribe and CEO membership of that tribe may jointly affect the BoD's capacity to perform its strategic and control tasks in lowering agency costs. The third hypothesis combines tribal ownership and control affiliations in performing these two functions (i.e., through strategies and operations).

H3: Interaction between the board's proportion of the dominant tribe and the managers' membership of that tribe is positively associated with Type 1 agency costs.

1.5.1 Significance of this thesis in relation to the importance of minimising Type 1 agency costs

The primary purpose of this research study is to address an existing gap by investigating a different context in which the effect of corporate governance can be viewed. Most extant studies on corporate governance have focused their research on developed economies like the UK, the US and a few other developed countries (Gugler, 2001; Keenan, 2004; Maher & Anderson, 2002; Weimer & Pape, 1999). This has limited the scope of these findings to only cover the developed economies (Gugler, 2001; Keenan, 2004; Maher & Anderson, 2002; Weimer & Pape, 1999). Therefore, an outlook on emerging economies like Nigeria (i.e., a multicultural country that houses an estimated 500 ethnic groups), for instance, helps create a new and interesting research context that gives a broad outlook into how an underlying factor, such as tribal affiliation could alter the results of extant studies on corporate governance. Even though it is recognised that a significant challenge in corporate governance is finding a balance between the needs of different stakeholders while reducing agency costs (Fama, 1980). Considering the cultural makeup of an organisation or society being studied is imperative. This means that some underlying cultural factors may hinder the complexity of balancing the needs of different stakeholders and reducing agency costs (Davis, 2005). This study, for instance, aims to gain a deeper understanding of how the cultural aspect of an organisation impacts balancing the needs of different stakeholders, particularly in developing economies.

To balance the needs of different stakeholders, an organisation must establish a system of rules and procedures that guide the actions of all parties involved (Khan, 2011). This system of rules and procedures is regarded as corporate governance. According to Monks & Minow (2011), Mallin (2016) and Khan (2011), corporate governance can be defined as the system of rules and practices through which a company's operations and activities are controlled and regulated. Corporate governance aims to improve shareholder value by facilitating effective and prudent management that can deliver the long-term success of an organisation while also considering the interests of other parties involved (Khan, 2011). Effective corporate governance embodies both performance and conformance. Therefore, long-term success may ensure businesses have appropriate decision-making processes and controls to reduce agency costs.

Agency costs are a form of internal expense that typically occurs in the wake of core inefficiencies and dissatisfactions, such as conflicts of interest and information asymmetry between shareholders and management (Jensen, 1986). For instance, a manager with significant power over information may make decisions based on their own interest instead of the company. Other instances include executives using company resources and assets for personal advantage, such as purchasing costly items with company credit cards or selecting luxurious hotel rooms during business trips, which ultimately reduce shareholder value. There are three types of agency costs. They are bonding costs, monitoring costs, and opportunity (residual) loss. Bonding costs occur when the agent actively signals to the principal that they work in the firm's best interests. This may involve financial obligations (such as putting up a bond) or non-financial gestures (like agreeing to a contract). Monitoring costs arise when the principals (shareholders) try to mitigate agents' unethical behaviour (e.g., billing a company for hours they did not work) by ensuring that the agents behave in a way that benefits them. These costs may come from paying for direct monitoring, such as contracting an outside auditor. Residual loss happens when the principal's actions to benefit themselves do not align with the agent's actions, even with monitoring and bonding efforts. Residual loss leads to indirect agency costs.

To address the issues of agency costs, performance-based compensation, such as profit sharing or stock options, or even a variety of non-monetary incentives, may successfully motivate management to better act in the best interest of principals. Companies can design executive compensation packages with shares to ensure managers' interests align with stakeholders' interests. Compensation shares motivate managers to work for the benefit of shareholders by linking their wealth to the company's share price. This motivates managers to maximise the stock price since their wealth will increase with the other investors. In their research on agency problems, Lee, Lev, and Yeo (2008) discovered that increasing pay differences, such as equity compensation for managers, can help alleviate agency costs and enhance a company's performance. Compensating shares is the most effective yet costly way to address agency issues. Compensation shares aside, the presence of large investors and diverse ownership can also help mitigate agency costs. Shareholders exert control over management by utilising their influence to silence poorly performing management teams. For instance, scattered ownership impacts the management's ability to control the company; the greater the ownership dispersion, the weaker the authority of the management team. Another way to address the issue of agency costs is by distributing dividends. Bigger companies producing significant amounts of excess cash often face serious issues with the agency, as managers are inclined to invest the excess cash rather than distribute it to shareholders.

Minimising Type 1 agency costs may be crucial as failing to do so can have various detrimental effects on any company, e.g. decreased earnings, inadequate resource use, poor financial performance, investor worries, inefficiencies and associated costs. The importance of reducing agency costs cannot be over-emphasised, as failure poses potential consequences for the ability of listed companies to attract domestic and international investment capital. This research study fills a gap in the literature. It advances our understanding of corporate governance in emerging nations by providing a thorough assessment of underlying issues that could influence the impact of corporate governance in Nigeria.

1.6 Significance of the study (Research gap)

This study examines the relationship between various parties in an organisation, using agency theory as its lens. The intriguing work of the classic agency theorists, like Berle & Means (1932), Eisenhardt (1989) and Jensen & Meckling (1976), who theorised agency, has narrated agency relationships in many contexts, i.e., from the principal-agent relationship to the principal-principal relationship. Many research studies have built on these classical works. Despite the burgeoning works in this field looking at agency relationships, problems, and costs to organisations and their control mechanisms, several questions remain unanswered. First, according to Panda & Leepsa (2017), most studies on agency theory have concentrated corporate governance research in developed economies, like the USA, the UK and a few other developed countries (Gugler, 2001; Keenan, 2004; Maher & Andersson, 2002; Weimer & Pape, 1999). Though some have featured emerging economies, extant studies have paid significantly less attention to corporate governance in emerging economies than their developed counterparts.

Secondly, none of these extant studies has considered context-specific circumstances that consider diverse settings (Shapiro, 2003; 2005). For example, according to Shapiro (2003; 2005), agency theory does not recognise the social conditions that might inflame the source of goal (i.e., interest) conflict. Extant works have significantly focused on the same themes, such as families and business networks in Japan (Gerlach, 1992). This is perhaps because agency theory only focuses on the relationship within the firm without looking at the external forces impacting a firm’s governance and performance. This lack of research attention on context-specific circumstances like tribal affiliations is a gap in what we currently know about theorisation on corporate governance.

1.7 Nature of this study

The nature of any research study depends on the questions the study is set to answer. Based on the questions, 'Are tribal affiliations among shareholders, representatives and managers associated with Type 1 agency costs? If not, what are the benefits of such tribal affiliations? This study is set to answer. The nature of this study is broad. This is because it involves comparisons between several listed firms. This study will focus its analysis on a sample of all Nigeria-listed companies through their annual reports. Firms' reports for 2019 (i.e., before the breakout of COVID-19) were chosen so as not to complicate the result with the epidemic's effect. There are two approaches in which research can be conducted. They are quantitative and qualitative.

The quantitative approach was chosen for this research because it involves collecting and analysing numerical data. For instance, this research study adopts a quantitative approach because it collates and analyses 2019 annual reports from all Nigerian listed companies. Also, quantitative research refers to the systematic empirical investigation of social phenomena via statistical, mathematical or computational techniques. For instance, the analysis for this research will entail using SPSS. Furthermore, quantitative research is used to find patterns, make predictions, test relationships, and generalise results to the broader population. This is to develop theories or hypotheses about phenomena that help to attain greater knowledge and understanding of the social world. For instance, this research study aims to understand if tribal affiliation among shareholders, representatives and managers is associated with Type 1 agency costs. Above all, it should be noted that research studies are based on assumptions with limitations.

1.8 Assumptions and limitations of the study

This research study assumes that individuals are self-interested opportunists primarily motivated by self-interest. It proposes that individuals constantly aim to maximise their interests (Bohren, 1998). Thus, there is no guarantee that such individuals will act in the best interest of others. However, this assumption is not without its limitations (which could be confirmed in the course of data analysis). One major limitation of this assumption is that it restricts collective actions. For instance, the control mechanisms available to combat the issue of interest misalignment (which resulted from self-interested opportunism) are expensive and interfere with the realisation of strategic decisions. Strategic decisions concern the whole environment in which an organisation operates, resources (i.e., human and non-human) and the interface between the two.

1.9 Summary and organisation of the thesis

As shown in Figure 1.2 below, the thesis is organised into six chapters. These chapters investigate the influence of tribal affiliation on corporate governance in Nigerian firms.

The first chapter introduces the research objectives, presents the research question, and articulates the study's primary motivation while discussing the study's background using Nigeria as a case study. The chapter concludes with a brief outline of how the thesis is organised.

Chapter Two presents a review of the literature. This overview is subdivided into six parts. The first part briefly introduces the literature review, the second part discusses the theoretical framework of the study, the third part briefly discusses the literature (i.e., corporate governance), and the fourth part shows the theoretical literature on corporate governance. This part shows the foundational review of existing theories that serve as a roadmap for developing the arguments used in this research work. The fifth and sixth parts discuss the various influences (i.e., internal and external) of corporate governance. This chapter ends with a summary of the whole review.

Chapter three presents the research design and methods used in this research. It discusses the compatibility of the selected research design with the research objectives and questions and addresses the challenges of a quantitative research design. The methodology and statistical analysis of the data used (e.g., SPSS) were also discussed.

Chapter four discusses empirical findings obtained by running the multivariate regression analysis using SPSS.

Chapter five, the last chapter, concludes by discussing findings, highlighting limitations, recommending solutions, and presenting suggestions for possible future research.

CHAPTER 2: LITERATURE REVIEW

2.0 Introduction to the literature review

Discussions in this chapter will centre on the influence of tribal/ethnic diversity on a firm's corporate governance in Nigeria. To generate an appropriate and adequate context for relevant analytical investigations, the research will critically review existing literature on firms and their board composition, diversity and various types within Nigerian firms, corporate governance of a firm, and the relationship between board decision mechanisms and outcomes. This study's theoretical framework will also encompass major leading theories such as agency, network, stakeholder, stewardship, and institutional theories.

2.1 Theoretical framework

2.1.1 Theoretical model explaining the relationship between tribal affiliation, corporate governance and agency costs.

Figure 2.1: Theoretical model explaining the relationship between tribal affiliation, corporate governance, and agency costs.

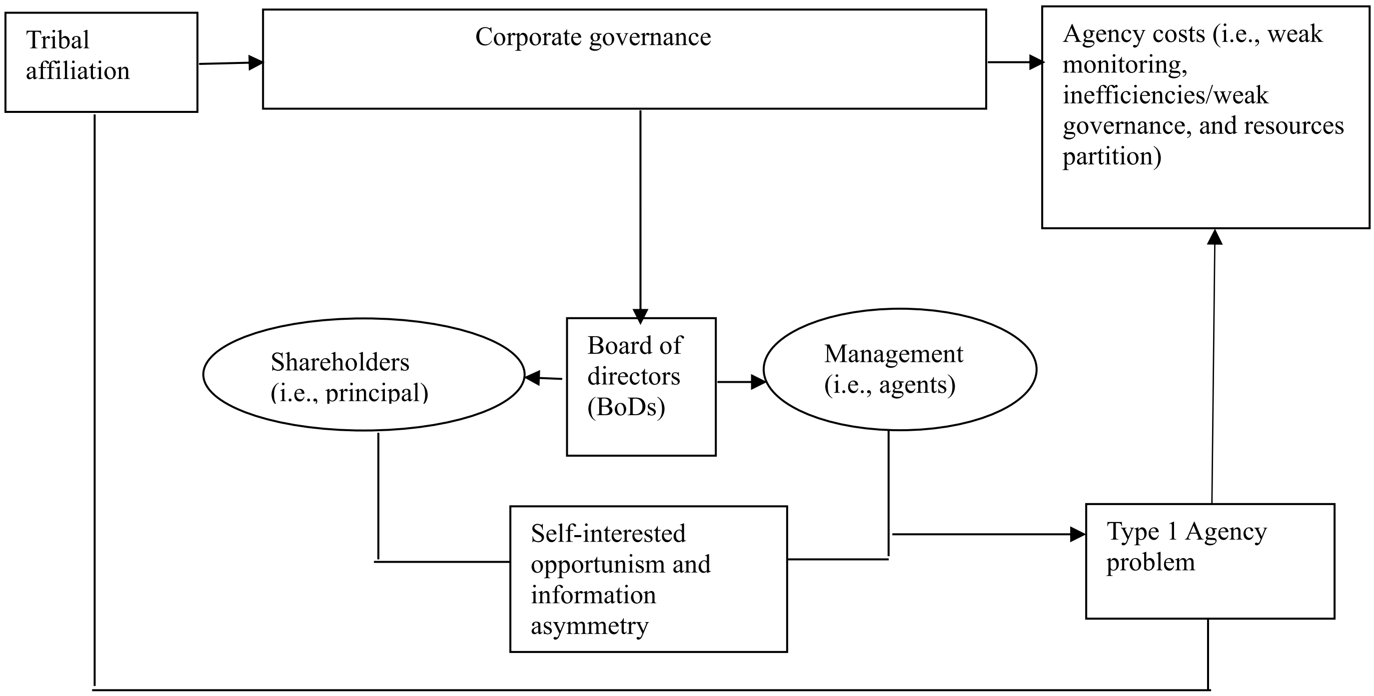


Figure 2.1 above shows that the Board of Directors (Board) is a central force in a firm's governance (Baysinger & Butler, 2019). However, there are different parties (i.e., the Board of Directors (BoD), the shareholders, and management, to mention a few) within an organisation that influence a firm's corporate governance. A firm's board serves as a governing body, sets the direction of a firm and is obligated to represent the firm's shareholders by monitoring the activities of the firm's management to guide against self-interest and information asymmetry

(Kamardin & Haron, 2011; Young, Stedham & Beekun, 2000). According to Bosse & Phillips (2016), self-interest can be described as actions taken to benefit oneself, often without considering others. Information asymmetry, on the other hand, occurs when one party in a transaction has more or better information than the other (Akerlof, 1970; Bergh, Ketchen, Orlandi, Heugens & Boyd, 2019). The flow of information within a firm's governance structure can be determined by the dynamics of the existing social ties among these individuals (Jorge da Silva et al., 2024). According to a 2020 GREDEG working paper, information asymmetry can generate hidden self-serving interests. For instance, a situation where a party possesses greater knowledge about the worth of something than others results in an unequal power dynamic during transactions, potentially resulting in selfish behaviours and inefficiency.

Considering the potential negative impacts of self-interest and information asymmetry on a firm's corporate governance, a critical challenge for any board is aligning the interests of business managers with those of other stakeholders, especially those represented on the board in multi-ethnic settings like Nigeria (Desender et al., 2013). For instance, when a firm's ownership structure changes from a sole proprietorship to one involving more than one owner (of the equity), there will be a conflict of interest between the equity owners and management. Due to this divergence in their interests, decisions made by the management may not lead to wealth maximisation for all parties, hence agency costs. Agency costs are costs incurred by the equity owners (i.e., principals) because of the existence of professional managers (i.e., agents). According to Jensen & Meckling (1976), an agency relationship is a contract in which a principal hires an agent to perform on its behalf. Agency theory has also been used to understand challenges that might originate from these relationships (Berle & Means, 1932; Fama & Jensen, 1983; Jensen & Meckling, 1976) and how these might be mediated via vertical monitoring of managers (Fama & Jensen, 1983; Jensen & Meckling, 1976). Based on agency theory, the initial stage in reconciling these interests is to examine the connection between the parties by offering a structure that aids in comprehending and overseeing this interaction. Subsequently, tackling the issues (i.e., agency cost) that can occur when the involved parties are from different cultural backgrounds and possess varying goals and risk perceptions (Jensen & Meckling, 1976; Ross, 1973).

Agency theory is chosen as a theoretical framework for this research, not just because extant literature theorising the relationship between stakeholders within corporate governance has relied substantially on agency theory but because it identifies and explains many of the strengths and drawbacks of various models of corporate governance, for instance, by establishing the significance and effects of self-interest and risk preference in relationships (Eisenhardt, 1989). Agency theory has been used to understand relationships. For instance, the relationship between the board of directors and shareholders (Eisenhardt, 1989; Fama & Jensen, 1983), between board composition and a firm's financial performance (Dalton, Daily, Ellstrand & Johnson, 1998); between a firm's board and its CEO (Daily, Johnson, Ellstrand & Dalton, 1998) etc. In an agency relationship, one party (the principal) assigns decision-making and/or tasks to another party (the agent). Agency theory has consistently served as a framework applicable to relationships that embody the essential agency structure between a principal and an agent (Eisenhardt, 1989). The agent acts on behalf of the principal and is required to prioritise the principal's best interests over their self-interest.

In addition to its capability to examine human relationships, agency theory, as a framework, is regarded as a compelling organisational theory that investigates how human behaviour influences managerial challenges, i.e., agency problems and costs (Jensen & Meckling, 1976; Ross, 1973). Agency theory offers theoretical foundations for numerous research initiatives by producing testable hypotheses that can test human behaviours within an organisation (Eisenhardt, 1989). Central to agency theory is the premise that human beings as agents are rational, risk-averse individuals driven by self-interest and will invariably act to their benefit whenever chances present themselves. For instance, agents consistently seek to reduce their effort (moral hazards) and present themselves as more capable and skilled than they are (adverse selection). The extensive application of agency theory to human behaviour can be linked to the theory's attractiveness based on its assumptions regarding individuals (such as self-interest, limited rationality, and risk aversion), organisational structures (like goal conflicts among members), and information (considered a commodity and a monitoring tool) (Eisenhardt, 1989). Hence, for this research, agency theory is employed to analyse the connections between principals (shareholders) and agents (corporate managers or executives) and the relative effects of this relationship on corporate governance.

Following the reasons stated above, agency theory is the most impactful theory that forms the foundation of most corporate governance and management control studies in the Western world (Ekanayake, 2004). Despite its broad applicability in understanding stakeholders' relationships in corporate governance, a limited amount of empirical research directly tests agency theory in different cultural contexts. Therefore, agency theory may be limited in its practicality and ability to describe context-specific circumstances adequately. Whether (or not) the fundamental nature of agents remains consistent across different cultures is essential for establishing the universal applicability of agency theory in management (Ekanayake, 2004; Sharp & Salter, 1997). According to Ekanayake (2004), one of the several shortcomings of agency theory is the impracticality of the theory, especially in a multi-cultural setting. For instance, the theory fails to sufficiently conceptualise and address the dynamics of small group relationships, focusing primarily on the interests of huge groups as observed in the Western context. The study finds a lack of cross-cultural transferability of assumptions underlying agency theory. In other words, agency theory might suit agents in Western societies, but it might not be relevant to non-Western cultures like Nigeria because of cultural differences (Nanayakkara, 1992; O’Connor & Ekanayake, 1997; Roth & O’Donnell, 1996; Sharp & Salter, 1997; Taylor, 1995; Wijewardena & Wimalasiri,1996). Therefore, the realistic and reliable nature of the theory for the Nigerian context is quite improbable and largely uncertain due to the country's cultural settings (Ekanayake, 2004). Given that the professional standards and beliefs of individuals within an organisation vary across different cultures (Hofstede, 1980), one could contend that the fundamental characteristics of individuals differ among cultures (Nanayakkara, 1992; Wijewardena, 1992; Wijewardena & Wimalasiri, 1996).

Despite the uncertainty, agency theory has been viewed as a cohesive structure to evaluate managerial problems (Baiman, 1990). These managerial challenges often arise from agency relationships, especially when the agent's objectives diverge from the principal's (Baiman, 1990; Jensen, 1983). It is considered that most relations governed by the agency are founded on complex agreements. These agreements allegedly impede a company's capacity to establish relational governance, undermining trust (Poppo & Zenger, 2002). When trust is missing in a social transaction, agents seize the opportunity to pursue self-interest. According to agency theory, affiliations (i.e., tribal) may negate principals’ attempts to control agents’ opportunistic behaviour and their Type 1 (i.e., conflict of interests between shareholders and managers) agency problems. However, if they are found to solve these challenges in practice, then alternative theories (i.e., trust-based theories like networks) may be used to suggest explanations.

2.1.2 Theoretical model explaining the relationship between tribal affiliation and corporate governance

Network theory could address the limitations of agency theory about how a firm's system of rules and its capacity to direct (i.e., corporate governance) may be influenced by parties' tribal affiliations. The reply to this comment will emphasise the importance of network theory and how it differs from agency theory in tackling the issues associated with corporate governance.

According to Chen (2024) and Hart (1995), corporate governance issues are challenges in managing and controlling a firm's affairs. These issues include conflicts of interest, ethics violations, accountability, information asymmetry, moral hazard, opportunistic behaviours, and transparency and accountability problems. Though corporate governance issues may originate from a firm's action plans, internal controls, performance measurement, succession planning and corporate disclosure, they often occur when the interests between a company's owners (i.e., principals) and its directors (i.e., agents) do not align. According to agency theory, misalignment occurs when the agents are said not to act in the principal's best interest, often leading to agency problems. Agency problem, as stated by Eisenhardt (1989), is the conflict of interest inherent in any relationship where a party is expected to act in another's best interests. While it is not possible to eliminate agency problems, steps can be taken to minimise the risk (i.e., cost of inefficiencies, monitoring costs) associated with them.

There are various ways in which risks (i.e., cost of inefficiencies, monitoring costs) associated with agency problems can be addressed and minimised. One of which is the application of network theory. Network theory studies interconnectedness (Borgatti & Halgin, 2011). According to Burt (1995), network theory examines how individuals are connected through various social interactions (tribal ties being the focus of this research). By definition, network theory refers to a framework that analyses complex relationships and interactions between individuals within or across a group by focusing on how these connections may influence information flow, decision-making, and overall performance (Borgatti & Halgin, 2011; Jones, Hesterly & Borgatti, 1997). Based on this definition of network theory, risks associated with agency problems can be addressed and minimised mainly by studying how parties within an organisation connect and interact (Moliterno & Mahony, 2011). According to Bourke (2024), individuals within a group may connect and interact through the following means: communication, shared experiences, common goals, social cues, trust and mutual understanding. This means' interplay is central and essential to human interaction and stable relationships' (Bourke, 2024). However, it may not be sufficient in dealing with complex situations like inefficiencies and other risks that could emanate from agency problems.

Beyond the connection and interaction of individuals within a group, it is important to understand the network of parties and its structure (Burt, 1995). According to Moliterno & Mohanty (2011), exploring the structures of human connections is essential. This is because individuals may likely interact or connect more with certain people, defer to specific authority figures or follow particular norms based on the structure of a network (Borgatti& Halgin, 2011). Hence, exploring structures of human connections emphasises understanding different patterns and arrangements within a network of interconnected individuals. Essentially, the way a group is organised determines how individuals will interact with one another within that group. According to Granovetter (1973), an individual's interaction and connection with others are directly influenced by the established pattern of relationships or structure in place, hence Granovetter's focus on tie strength. Granovetter (1973) in Krackhardt, Nohria & Eccles (2003) stated that individuals who share a common background and whose interests are mutually connected pose some level of influence depending on how strong the ties are. The fundamental ideas of the "strength" of a relationship are subjected to the blend of time spent together, emotional connection (i.e., culture), mutual confiding (i.e., trust), and reciprocal services (i.e., communication) (Granovetter, 1973). While each appears distinct, the overall collection of these ideas exhibits strong interconnections. According to the Cambridge dictionary, interconnection is the mutual connection between two or more related individuals who have some form of ties. While it is possible for an individual to exert influence within an organisation, those with shared cultural ties may have an even more substantial influence on corporate governance. According to Granovetter (1973), tie strength can be crucial for assessing information and opportunities across different groups. For instance, information sharing with an individual of weak ties can leverage their connection to access valuable information and insights more efficiently. This helps solve the information asymmetry problem and goes a long way in minimising the risk of agency problems (i.e., inefficiencies).

Past Granovetter's recommendation (i.e., the intensity of a relationship), minimising the risk of agency problems entails recognising an individual's position within the network structure (Burt, 1992; Pen et al., 2018). This directly impacts access to information, ability to influence decisions, and level of accountability, allowing for better monitoring and alignment of incentives with the principal's goals, thereby reducing the risk of self-serving behaviour by the agent.

Although recognising an individual's position within a network cannot be over-emphasised, network theory emphasises the importance of identifying the most significant individuals within a network using centrality measures (Peng et al., 2018). There are four methods of centrality. They are degree, closeness, betweenness and eigenvector centrality (Borgatti, 2005; Borgatti et al., 2006; Frantz et al., 2009; Freeman & Newman, 2005; Opsahl et al., 2010; Rabade et al., 2014). These measures evaluate an individual's position in a network to determine their level of influence. In a network, the individual most crucial for minimising agency problems is typically the 'gatekeeper' or 'monitor'. Someone with a central position in the network who has significant value and access to information and can actively oversee the actions of other network members, ensuring they act in the best interests of the overall group and not just their own gain. Furthermore, identifying the most significant individuals within a firm may help identify structural holes that could potentially be mended or escalate the risks (i.e., moral hazard) of agency problems, hence providing a strategic advantage in bridging these holes (Burt, 1992). According to Goran (1994), organisation is about constructing certainty and control. Some organisations fulfil this obligation (i.e., bridging structural holes) by recruiting and selecting affiliates with ties or affiliations to manage and potentially improve their system. Affiliation is an essential by-product available to organisations that seek to stabilise and control relevant organisational environments for survival purposes (Panebianco, 1988; Streeck, 1987).

Outside of recognising the most important individual within a network, network theory emphasises the need to understand the dynamics of the relationships among parties and how these may impact the flow of information, behaviour and attitudes (Borgatti & Halgin, 2011). This step analyses how people interact with each other within a group, considering factors like power dynamics, trust levels, and closeness and how these interactions influence the way information is shared, behaviours are exhibited, and attitudes are formed within the group. Furthermore, it is crucial to consider the power dynamics and influence exerted by social networks they belong to, particularly groups with strong tribal affiliations, as these networks can significantly shape interactions and decision-making within a community. In practice, ties that network theorists tend to focus on can be categorised into two basic types: states and events. States have continuity, but this is not to say they are permanent; instead, they have an open-ended persistence. Examples of state-type ties include kinship or tribal ties (e.g., parent of), other role-based relations (e.g., friend of or boss of), cognitive/perceptual relations (e.g., recognises or knows the skills of), and affective relations (e.g., likes or hates). State-type ties can be dimensionalised regarding strength, intensity, and duration. These characteristics show that individuals within these ties (kinship/tribal) connect and interact based on the ties' propensity of continuity, thereby breeding a free and persistent flow of information and interaction among their members (Borgatti & Halgin, 2011). According to Borgatti & Halgin (2011), a free and persistent flow of information and interaction among members of a tribal group allows for accountability, transparency and sustainable practices, thereby minimising risks associated with agency problems. Consequently, network involvement may also bring additional costs and interference with attempts at efficiency. The adverse effects are why network theory could not be used in this thesis.

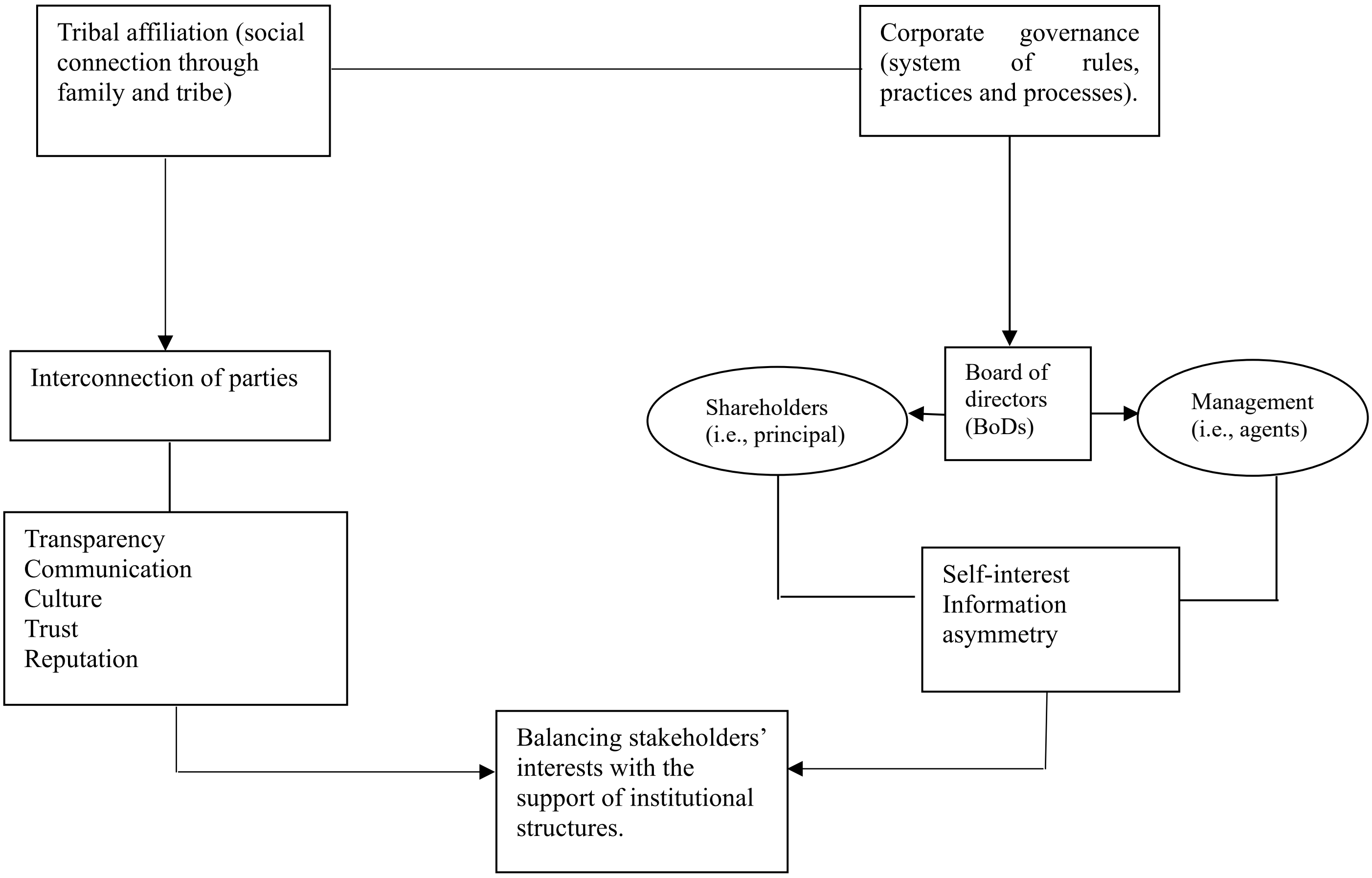
Contrary to network theory, agency theory proposes establishing rules and designing incentives that encourage the agent to act in the principal’s interest and discourage wrong and selfish behaviour (Bosse & Phillips, 2016). According to agency theory, establishing rules and regulations could help mitigate risks associated with agency problems. Agency theory pointed out the importance of establishing a system of rules, practices and procedures to address the impact of agency conflicts on corporate governance by ensuring a fair balance of interests among a firm’s key stakeholders despite their tribal orientation (Eisenhardt, 1989; Jensen & Meckling, 1976). Corporate governance is a system of rules, practices and procedures by which organisations are managed and controlled (Khan, 2011; Mallin, 2016; Monks & Minow, 2011). In most organisations, rules and practices exist as a structure for planning, organising, directing, controlling and motivating (Ekanayake, 2004). Rules and practices do not necessarily eradicate agency problems and their associated risks. Using Nigeria as a case study, notwithstanding the NCCG 2018’s promise of full implementation, which should encourage business success and economic expansion, reduce capital costs, and lessen corruption and waste in the country, the 2018 NCCG may be declared incompetent and/or invalid by a court of competent jurisdiction upon challenge because the enabling body that allowed the rule to be passed, as alluded to in the body of the 2018 NCCG. Although, according to Shapiro (2005), rules and regulations may be designed to align parties’ interests in a way that discourages inefficiency, waste and unethical behaviour (i.e., corruption), in this instance, there is a question of transparency and reliability when it comes to the rules and regulations being enacted. However, the effectiveness and efficiency of this system of rules and practices are determined by the quality and appropriateness of the management control systems in place, which, according to Ekanayake (2004), may impact social ties among individuals within the system. Despite the importance of a system of rules and practices, Barnes's (1954) study of social structure noted that many actions and inaction of individuals within a system could not be explained by formal systems but rather by social relationships that exist among these individuals. Social relationships within structured institutionalised groups are usually based on kinship, common interests and shared experiences (Mitchell, 1973). Hence, examining how tribal connections impact corporate governance in Nigerian companies extends beyond implementing regulations to address inefficiencies caused by self-interest, opportunism, and unequal access to information. It involves establishing a mutual reliance among individuals by fostering trust and transparency.

Also, about designing incentives (as suggested by agency theory), it should be noted that an agent may be motivated to act in a manner that is not favourable for the principal if the agent is presented with an incentive to act in this way (Ballwieser et al., 2012). For instance, a firm manager may make three times as much money by recommending a service the firm does not need. The incentive in this situation is (three times the pay) present, causing the agency problem. In this case, managerial compensation (i.e., profit-sharing, stock options or ownership) may be framed so that it is tied to a firm's performance (Shapiro, 2005). This can help reduce agency problems and costs instead of escalating them. Also, regular review and evaluation of managers can help keep an agent's behaviour in check (Eisenhardt, 1989). Irrespective of the above suggestions, agency theory may be applied to solutions to agency problems depending on the situation and the context. For instance, Taylor (1995) argues that the "effectiveness of traditional control sub-systems (i.e., participation and compensation scheme), as predicted by agency theory for the Western group, does not hold for multi-cultural settings.

In contrast to the above-suggested solutions (rules and incentives) by agency theory, network theory emphasises the need for relationships and interdependence. According to network theory, addressing agency problems goes beyond establishing rules, designing incentives and monitoring the activities of the agents. It involves examining the parties involved in a relationship and how their existing relationship or interaction can affect each other's performance and other external stakeholders. Network theory recognises that an organisation's parties are a network of people (Boorman & White, 1976). These networks of people may be informal, they could be multilevel in scope, and they can have positive or negative effects (Moliterno & Mahony, 2010). A situation where a network of parties at one level of the system relates to other parties to work together to achieve collective goals, like minimising risks associated with agency problems. Some underlying influences are crucial in mitigating risks associated with agency problems. According to Swift (2001), these influences are transparency, communication, culture, trust, and reputation. All these influences help create a culture where parties feel comfortable sharing ideas. For instance, practising transparency means being honest about practices, policies and decisions and being open to sharing relevant information (Bello, Abdulraheem, Afolabi, 2024). According to Fung (2014), transparency can be fostered by creating a safe and trusting environment where parties feel comfortable disclosing and sharing their ideas. Open communication fosters trust, collaboration and a culture of efficiency (Child & Rodrigues, 2004).

In summary, while agency theory uses formal structure to balance the misalignment problem, network theory focuses more on a firm's informal and integral structure. Despite network theory's usefulness in providing a better fit for understanding behaviours, relations and its influence among parties, there are significant gaps relating to the theory's scope, mission, accessibility, and integration with other perspectives (like its attention to corporate governance issues) (Parkhe, Wasserman & Ralston, 2006). For instance, network analysis contains no theory of its own (Salancik, 1995), even though the two well-known network perspectives (i.e., Granovetter's strength of weak ties theory- Granovetter, 1973 and Burt's structural holes theory- Burt, 1992) seek to identify characteristic elements of network theorising, its practicality of addressing the risks associated with agency problems. These network theories share an underlying theoretical model (network flow model) that causes additional implications. Furthermore, the ultimate goal of network theory is to understand and predict the behaviour of various individuals within a network. While it might be easy to understand human behaviour, it cannot be perfectly predicted. Human behaviour is partially predictable to a significant degree, especially when considering patterns based on past behaviour, situational factors, and individual characteristics. However, the complexity of human psychology and external influences means that accurate predictions are often challenging and unreliable. In a quantitative investigation like this research, network theory could not be utilised to formulate testable hypotheses and propositions for organisational analysis. This is because the influence of networks may be either positive or negative, resulting in uncertain predictions. Thus, agency theory would remain the foundational framework of the thesis and be used as a 'straw man' in predicting the negative outcome of agency problems. In contrast, network theory may be applied to interpret agency-based findings. The role of these theories (i.e., agency and network) in explaining the relationship between tribal affiliation and corporate governance is illustrated using the framework below (i.e., Figure 2.2).

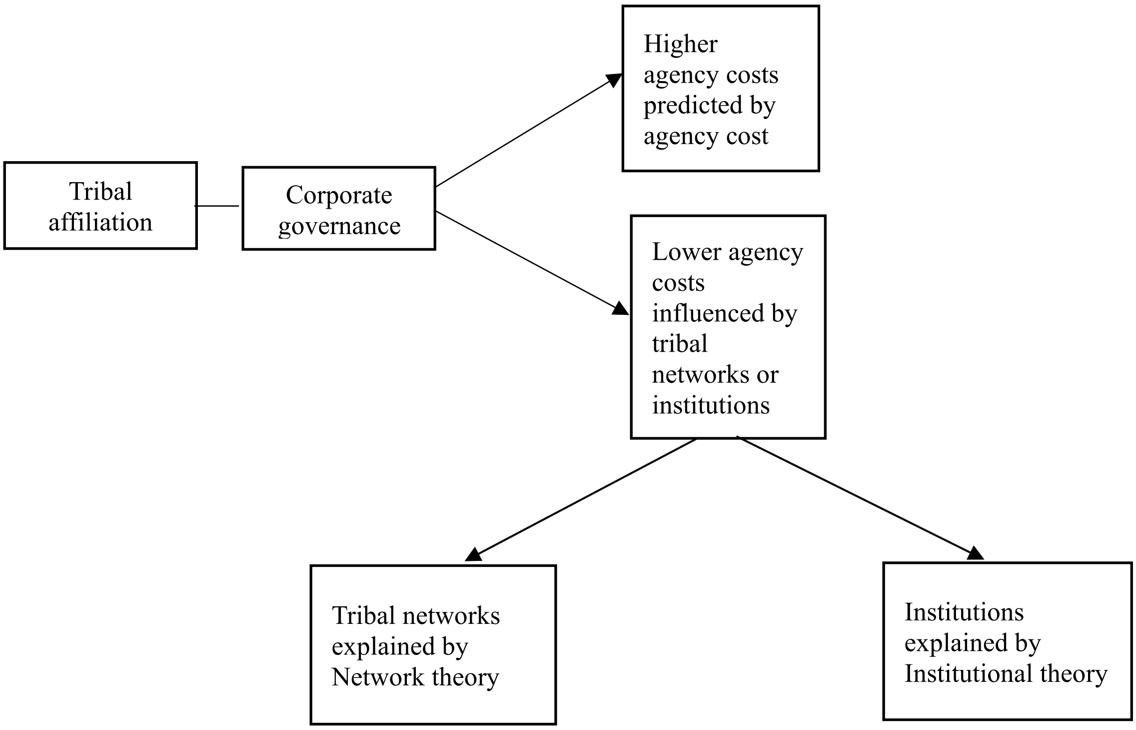
Figure 2.2: Theoretical model explaining the relationship between tribal affiliation and corporate governance



While agency and network theories examine relationships and interactions within a system, the key difference lies in their focus. Agency theory primarily focuses on and analyses the hierarchical power dynamics in a relationship between principals (i.e., shareholders) and agents (i.e., management) with distinct interests. On the other hand, network theory examines the broader and complex network of interconnected parties and their influences on each other. Following the discussion in the last paragraph, it is crucial to acknowledge that network theory cannot be used as a framework in this instance. As this research examines the costs of having tribal affiliation on the board, I think agency theory is more appropriate.

2.1.3 The interaction between agency, network and institutional theory

Figure 2.3: The interaction between agency, network and institutional theory



Agency theory anticipates higher agency costs in a tribal context. As earlier noted, agency costs occur due to fundamental inefficiencies and discontent resulting from conflicting interests between parties (such as shareholders and management) within a company. If the relationship between these parties results in reduced agency costs due to the parties' aligned interests, agency theory could be disproved. If agency theory is refuted, tribal networks or other institutional influences could have been responsible. The rebuttal of agency theory in this Nigerian research will establish the need for further research that embraces networks and institutions. Network theory will then explore the impact of tribal connections on corporate governance in a diverse environment such as Nigeria. Network theory goes beyond an organisation with a system of rules it abides by; it elaborates on the importance of social connections and relationships in defining individual-specific roles and responsibilities. According to theoretical physician Schirmer (2015), network theory studies how network elements interact. A simple way to understand a network within an organisation is by assuming that a set of individuals are connected by a link or connection network (Schirmer, 2015). Network theory explains the clusters of relationships within a network, i.e., it involves the study of the way parties within a network interact. This interaction provides tools for predicting parties' behaviour under various circumstances.

It can be inferred from Figure 2.3 that both agency and network theories seek to maintain a balance of stakeholders' interests through distinct methods. While agency theory stresses the significance of organised regulations and procedures in managing relationships to avoid conflicts, network theory underlines the importance of social connections through trust and transparency. Major critics of agency theory and its implications for corporate governance raise concerns about unrealistic assumptions regarding managers' behaviours and motives (i.e., acting in their self-interest) and ineffective suggestions drawn from it (Segrestin & Hatchuel, 2011). The boundaries of agency theory's relevance are primarily defined by the assumptions made when modelling different agency relationships. Basic ideas about how people act in relationships, like opportunism and focusing only on personal gain, are insufficient to understand human behaviour fully. Basic assumptions are valid for mathematical modelling, but unrealistic for explaining human actions. We face a choice: balancing accuracy with elegance and precision in formal terms. Dependence solely on the principles of agency theory could result in superficial portrayals of the relationships in corporate governance and ultimately lead to insufficient practical resolutions. The premises of agency theory limit its overall applicability, according to Davis et al. (1997), and only apply it in cases where there is a conflict of interest between shareholders and managers, which can be mitigated by effective monitoring and suitable compensation.

Agency theory is biased because it does not cover all the complexities of human actions (Mesjasz, 2007). For example, agency theory concentrates only on two stakeholders: the agents and the principals. Corporate analysts believe it is detrimental for a company to solely prioritise two stakeholders while disregarding the significant roles of other stakeholders in the organisation. In another instance, agency theory solely considers specific economic factors, disregarding political, cultural, stakeholder involvement, environmental, and institutional factors (Mesiasz, 2007). Critics also observed that control mechanisms proposed by agency theory are costly and economically inefficient. These mechanisms can hinder strategic decision-making, limit collective actions, skew investment plans, and disregard other stakeholders' interests, ultimately reducing their dedication to creating economic value.

Following the failures of agency theory to address all complexities of human action adequately, network theory was proposed to explain and understand the interconnectedness of parties within an organisation. Network theory assumes that individuals involved in commercial transactions have interdependencies. The relationships between parties can aid managers in comprehending how individuals within an organisation operate as connected networks. Networks' efficiency relies on reciprocity, exchange, and similarity of a common culture. Although different individuals within a company have diverse backgrounds and perspectives, a common interest and connection (such as a tribe) among these parties may trigger a positive outcome. Aside from agency and network theory, various other theories, such as stakeholder, stewardship, actor-network, and business network theories, were examined briefly. Ultimately, institutional theory was applied because it focuses on how structures, such as rules and norms, gain recognition as authoritative standards for guiding social interactions among individuals in an organisation. Alternatively, institutional theory explores the intersection between organisational structure and social relationships.

According to Coase (1937) and Williamson (1985), institutions were established by people to reduce the uncertainties in transactions among economic agents, with a significant portion of those uncertainties stemming from opportunistic human behaviour. Williamson (1985) continued to point out that institutions and markets are essential for creating firms and initiating transactions. The traditional understanding of institutions is based on what we consider acceptable or unacceptable, setting the boundaries for actions to be deemed legitimate. Suchman (1995) stated that an organisation cannot thrive without legitimacy: an endorsement from its external environment that its actions are considered favourable, appropriate, and in line with the norms, values, and beliefs socially constructed within. In 2005, Krishna and Das came to a similar conclusion, stating that the institutional perspective suggests that the environment enables institutions to provide or withhold resources like legitimacy to firms. The principles of institutional theory are most effectively applied in a business setting with a high degree of regulation.

In other words, institutional perspectives on corporate governance are most effective in a regulatory environment with high levels of efficiency (Krishna & Das, 2005). This discovery is akin to Kathleen's study, which suggested that organisations operate as they do simply because that is the accepted way to structure them. The main idea of institutional theory is that the actions of an organisation change over time and gain acceptance within the organisation itself and its surrounding environment. Seal (2006) stated that institutional theory emphasises the transparency of human behaviour and organisational methods. This theory provides a way to connect management accounting research informed by institutions, which has been more prevalent at the organisational level, to the broader political, legal, and social processes related to corporate governance and professionalisation.

In summary, institutional theory suggests that organisations are not only facilities for creating goods and services but also function as social and cultural systems. In simple terms, companies compete with each other and establish their legitimacy. DiMaggio and Powell's influential work on institutional theory established the concept of an institutional field as a collection of organisations that define a recognised area of institutional life.

2.1.4 Factors that shape the transition between tribal affiliation, corporate governance and agency costs

Figure 2.4: Factors that shape the transition between tribal affiliation, corporate governance and agency costs.

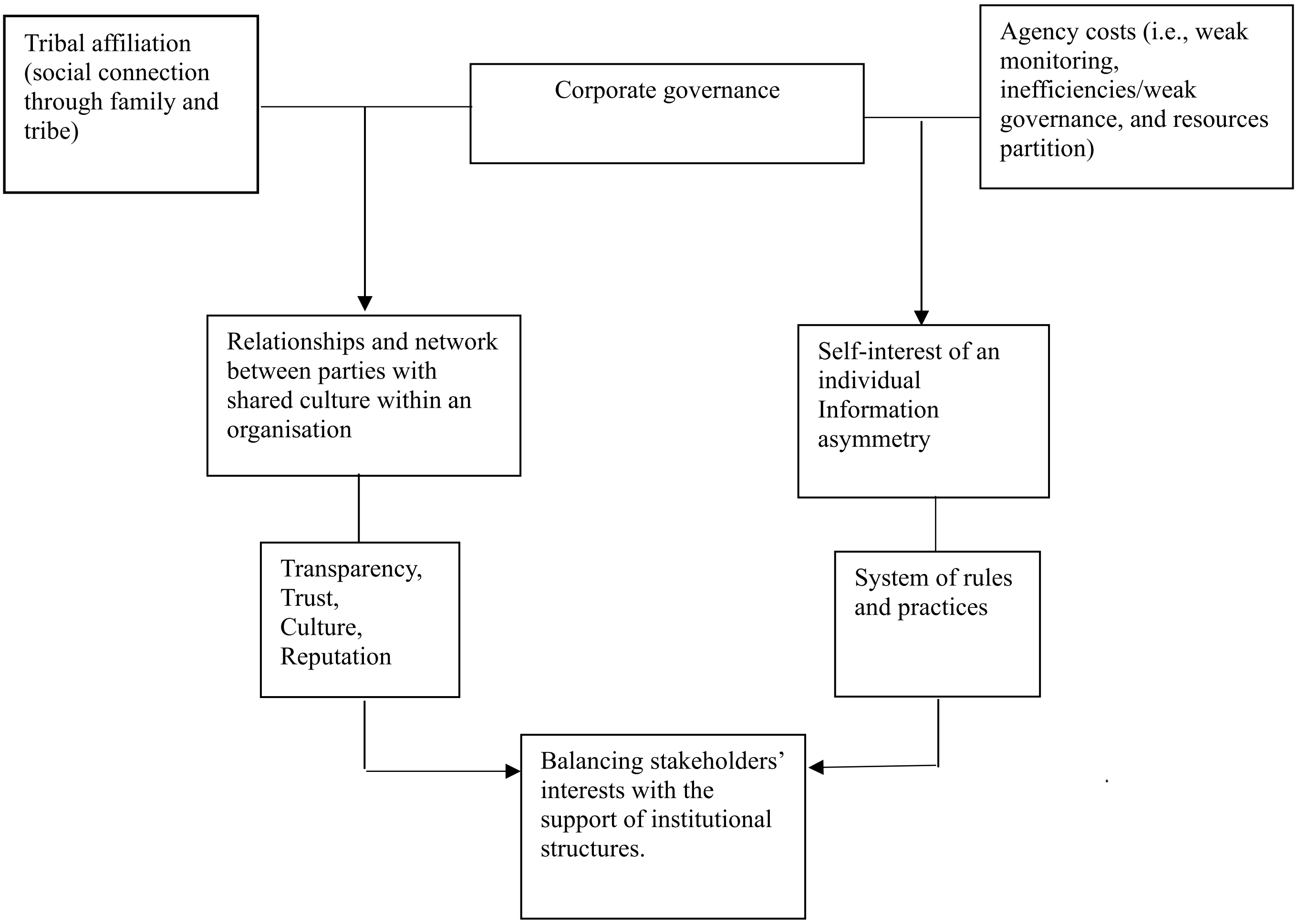


Figure 2.4 above emphasises the factors that shape the transition between tribal affiliation, corporate governance and agency costs. Tribal affiliation is the acknowledgement of being part of an indigenous tribe. For this to occur, relationships and networks (i.e., between parties with shared cultural backgrounds) are the two important factors influencing connections. In other words, relationship building and networking are two distinct approaches to establishing connections. Relationship building focuses on transparency, trust, culture and reputation. On the other hand, networking is more about expanding networks and making strategic connections. Even though there are suggestions for this research to investigate the utilisation of a multi-paradigm conceptual framework, similar to Taylor's (1995) use of multi-paradigm (i.e., cultural and institutions) conceptual framework in examining behaviour in a multicultural setting, it is not possible to use network theory and institutional theory to generate testable hypotheses for this quantitative thesis, hence the utilisation of agency theory as a 'strawman'.

Agency theory, when employed as a testable theory, offers an ideal solution or representation (known as a straw man) to the issue of goal alignment resulting from incomplete information (Ekanayake, 2004). Within this research, the impact of tribal affiliation on corporate governance could stem from insufficient information. Therefore, employing agency theory as a testable theory serves as a template upon which explanations, solutions and conclusions to this research problem can be built. Though there is serious doubt about the realistic nature of agency theory (i.e., based on the self-interest of individuals) in illustrating the peculiar Nigerian context, it was decided that agency theory would be used only as a ‘strawman’ that could be refuted by empirical evidence on agency costs. This research may then flag the inappropriateness of the theory's assumptions of individual self-interest within the Nigerian context. Hence, the usage of network theory to explain how the interaction among parties with cultural ties could positively affect a firm’s corporate governance.

While research grounded in agency theory has enhanced our comprehension of management and control systems in Western organisations, the cultural disparities between Western and Asian societies (e.g., Hofstede, 1980) raise doubts about the applicability of agency theory findings in Asian contexts. The limited available Empirical studies on this matter (e.g., Sharp & Salter, 1997; O’Connor & Ekanayake, 1997) indicate that agency effects are diminished in Asia. In this age of business globalisation and Western management approaches, we need to conduct more research on the issue of the applicability of agency theory-based management control recommendations across various contexts and cultural environments.

2.2 Review of the Literature

The Board of Directors (BoD) is a central force in a firm's governance (Baysinger & Butler, 2019). Although different parties exist, a firm's board must represent other stakeholders as a governing body. This obligation necessitates considering other stakeholders' needs and expectations by overseeing a firm's management (Young, Stedham & Beekun, 2000). According to Desender et al. (2013), a critical challenge for any board is aligning the interests of business managers with those of other stakeholders, especially those represented on the board in multi-ethnic settings. Extant literature theorising the relationship between stakeholders within corporate governance has relied significantly on agency theory. Agency theory has been used to understand relationships. For instance, the relationship between the board of directors and shareholders (Eisenhardt, 1989; Fama & Jensen, 1983), between board composition and a firm's financial performance (Dalton, Daily, Ellstrand & Johnson, 1998); between a firm's board and its CEO (Daily, Johnson, Ellstrand & Dalton, 1998) etc. It has also been used to understand challenges that might originate from these relationships (Berle & Means, 1932; Fama & Jensen, 1983; Jensen & Meckling, 1976) and how these might be mediated (Fama & Jensen, 1983; Jensen & Meckling, 1976). Despite its broad applicability in understanding stakeholders' relationships in corporate governance, agency theory is limited in its practicality and ability to describe context-specific circumstances adequately. Some of these specific circumstances include the role of BoDs in a more ethnically diverse setting and the relationship of such directors with the firm's external environment. Other proximate corporate governance theories (stakeholder, stewardship, and network) are reviewed to understand these circumstances better.

The rest of this literature review chapter is arranged into sections, detailing the review as follows:

Section 2.2 begins by reviewing governance as a concept. It then considers the various forms of governance, namely corporate, contractual (formal), relational (informal), and participatory, regarding a firm's BoDs.

Section 2.3 starts with the definition of agency theory and a review of its numerous assumptions. It then shows how agency theory predicts Type 1 (i.e., conflict of interests between shareholder principals and managerial agents) and Type 2 (conflict of interests between shareholders) agency problems (Nguyen, Doan & Nguyen, 2020). This discussion then investigates the characteristics of an efficient corporate mechanism for addressing agency problems (two types). After which, an assessment of how the presence of a single tribe among a company's board members may be advantageous or have agency implications for corporate governance. This evaluation details several firm categories, their boards' make-up, decision-making methods, and results.

Section 2.4 This section follows with a critical study of agency theory using alternatives such as stakeholder, stewardship, and network theories.

Sections 2.5 and 2.6 examine the various parties within and outside a firm. Influences within the firm highlight the importance of networks (e.g., family or tribal/clan). At the same time, influences outside the firm emphasise factors external to the firm, such as its institutional environment, socio-cultural environment (e.g., culture, language, and religion), and political environment.

This review then concludes by identifying gaps in the literature. After this, pertinent research questions (identified from the review) were presented, and hypotheses were developed. However, the following sections will discuss the concepts of governance and its various forms.

2.2.1 Concepts of Governance

Governance has been conceptualised in three different ways within the literature. The first two are instances of governance processes, while the remaining one focuses on the outcomes of these processes. First, some researchers have framed governance as a mechanism for 'control', while others either frame it as a pattern of rules or a mix of multiple management elements. For instance, Brautigam (1991), Goodstein & Boeker (1993) and Pechlaner, Ruhanen, Scott, Ritchie & Tkaczynski (2010) view governance as a framework of authority that shapes the control and structures of interactions between people, resources or management processes to achieve organisational objectives.

The second category of the definition of governance focuses on the 'patterns of rules' (Fukuyama, 2013; Williamson 1996,1998). For example, Fukuyama (2013) defines governance as the ability to make and implement rules. Williamson (1996, 1998) further describes governance as a pattern of rules that enable people to thrive. According to Williamson (1996), 'governance' is not just a pattern of rules but a pattern of rules that is reliant on the proliferation of networks in which the decisions and actions of individuals are held to account. In his later work, Williamson (1998) defines governance as the structure of an institutional environment in which stakeholders interact to achieve their goals.

The third categorisation in the definition of governance is a mix of multiple management elements (Edwards, 2000, 2002; Fukuyama, 2013; Zeppel, 2012). For instance, Edwards (2000) defines governance as the effective management of resources that guarantee the sustainability of an organisation's strategic objectives. Fukuyama (2013) views governance as an effective way of managing subordinates' performance in fulfilling superiors' goals. According to Zeppel (2012), governance "highlights the transition from 'top-down forms of bureaucracy to 'bottom-up' inputs into decision-making" (p. 604). In summary, Rhodes (2007) defines governance as a "system of structures and processes that are designed to ensure accountability, transparency, responsiveness, stability and inclusiveness of parties within an organisation" (pp. 1246-1247).

The literature above suggests that there are several distinct but interwoven characteristics of governance. These include mechanisms of control, patterns of rules that guide interaction between people and their usage of organisational resources, dependency on a network of people to thrive, and a means of building accountability, transparency, responsiveness, effectiveness, stability (i.e., structure) and inclusiveness (i.e., involvement) in organisations (Pechlaner, Ruhanen, Scott, Ritchie & Tkaczynski 2010). These characteristics are geared towards achieving organisational efficiency and sustainability.

From the first definition of governance, governance as a means of control is defined as a system of structure and processes designed to direct the activities of an organisation (Brautigam, 1991; Goodstein & Boeker, 2017; Pechlaner, Ruhanen, Scott, Ritchie & Tkaczynski, 2010). Control is integral to the way an organisation functions.

This has been acknowledged as a crucial component in managing exchange relationships within an organisation (Aulakh & Gencturk, 2000). Therefore, getting people to comply with organisational standards and accomplishing the organisation's goal is a significant function of control (Tannenbaum, 1968). Such control can be achieved through different means. In Table 2.1 below, various control mechanisms relevant to organisational exchange include overt (e.g., office layout, uniform), while others are covert (e.g., communication, organisational structure).

Table 2.1: Control, its means and how it is expressed

	Overt/covert	Means of control in organisations	How control is expressed
	Covert	Job description	Clarity of roles and responsibilities shapes behaviour.
		Organisational structure	Determines who makes decisions and how information is communicated.
		Communication	What information is communicated or concealed
	Overt	Office Layout	Open or enclosed layout
		Uniform	Instils discipline

Source: Author's Compilation (2024).

Following Table 2.1, control mechanisms can be divided into three types. According to Anderson & Oliver (1987) and Jaworski (1988), they are process, outcome and social control. Both process and outcome controls are regarded as formal types of control because they are management-initiated mechanisms, but these differ in their monitoring objectives. Process control refers to the level of a principal's monitoring of an agent's behaviour. For instance, a firm's organisational structure (i.e., hierarchical organisational chart) outlines how activities are directed through the distribution of positions (James & Jones, 1976; Scott, 1975; Wintrobe & Breton, 1986). Also, according to James & Jones (1976), the organisational structure (i.e., job description) informs about an organisation's chain of command and clarifies the roles and responsibilities of an agent. Organisational structure (i.e., hierarchical organisational chart and job description) is viewed as a constrained set of variables that may be changed to create desired results (Scott, 1975). This helps dictate the agent's degree of autonomy and behaviour. On the other hand, outcome control is the level at which the principal monitors the agents' output. For example, the job description of an agent (i.e., manager or employee, depending on the scenario) can also monitor an agent's output by serving as a template that measures agents' actual job performance against its standards. A job description is an explanation in writing of a position's primary responsibilities and related obligations (Hampton, 1947). Alternatively, social control is an informal method based on an organisation's prevalent social perspectives and interpersonal interaction patterns. For instance, the existing means of communication within an organisation determine the nature of interpersonal interactions among its parties.

Based on the second definition of governance, 'governance' as a 'pattern of rules' is important to organisations because it helps guide the following: parties' behaviour, ways in which organisational goals are achieved, how risks are monitored, how performances are measured against standards, and how failures are addressed. These rules are achieved by preserving the strength of interaction among parties. Therefore, achieving effective governance requires input from all parties in an organisation. For instance, the board's input is to provide a framework for planning, implementing and monitoring activities to ensure that the organisation is proactive in responding to external changes.

Besides vertical control through monitoring inputs and outputs, 'governance' may involve a mix of different management elements to manage resources (human and non-human) effectively. The effectiveness of resource management may also necessitate networks and interactions among parties. Thus, Governance "involves establishing and maintaining new relationships" (Dredge & Jenkins, 2007, pp.54-55, as cited in Zeppel & Beaumont, 2011). This definition of governance focuses on alliances, networks, collaboration, and cooperation, as opposed to individual opportunism. Governance, either as a means of control, a pattern of rules or a mix of different management elements, is concerned with successfully implementing a good governance strategy. According to Filatotchev, Toms & Wright (2006) and Yin & Zajac (2004), the implementation of a good governance strategy is determined by its structure (i.e., a good governance strategy is a function of its structure).

Two significant forms of governance structure are as follows (Claro et al., 2003). They are market and hierarchy and an intermediate mode, known as hybrid forms of governance (Williamson, 1991). According to Williamson (1991), the market structure of governance solely relies on market forces to coordinate transactions and relationships among parties within an organisation (Williamson, 1991). Under the market structure of governance, the price system offers exchange participants incentives to be effective and adjusts to market signals and "changing" relative prices (Chaddad & Reuer, 2009). Hence, no authority relationship is needed to govern transactions among parties (Chaddad & Reuer, 2009). Additionally, under the market structure of governance, ***partners' identities*** may be irrelevant, so partners' selection mechanisms are unnecessary. In a situation where the selection mechanisms of exchange partners and their identities are absent, there will be no need for mutual-dependency relations among these partners. Therefore, transactions made under the market governance structure are governed by contract law if a dispute arises (where formal terms take precedence over less formal ones) (Williamson, 1991). Besides using contract law to help settle disputes in a market structure, a centralised, hierarchical decision-making process as a coordinating device can substitute a price system (Williamson, 1991).

A hierarchical governance structure originated due to the market's failure to address growth in scope and scale. Under the hierarchical governance structure, the ***mutual dependence*** of exchange parties is needed (Chaddad & Reuer, 2009). This reliance implies that parties' identities matter, necessitating ***selection mechanisms*** (Chaddad & Reuer, 2009). For instance, selecting appropriate resources (especially human resources) may be cost-effective and help reduce time and effort. Additionally, choosing the best board members for a company (i.e., the proper combination of members' abilities, experiences, and resources while considering the members' cultural diversity) can positively affect and accelerate the organisation's growth. Nevertheless, regardless of the advantage accrued to the selection mechanism of a hierarchical structure, the incentives adopted may become low-powered, giving rise to bureaucratic or transaction costs (Chaddad & Reuer, 2009).

Some market transactions adopt hierarchy-like characteristics (i.e., power, administrative controls, and incentive structures that are less based on short-term performance) to reduce transaction costs. The 'hierarchies' as a form of governance increasingly employ market-like tools (i.e., powerful incentives, transfer pricing plans, and decentralised decision-making) to achieve economic efficiency. (Makadom & Coff, 2009). Even though the market and hierarchies are two polar (directly opposite) forms of governance structure that do adopt attributes from each other to minimise transaction cost, implementing a hybrid (second) form of governance structure revives the theoretical perspective of transaction cost economics (Williamson, 1987; 1991), which means that it is a form of governance structure that may improve economic efficiency by reducing the cost of exchange (i.e., including costs of monitoring, controlling and managing transactions). According to Garrette & Quelin (1994), a hybrid governance structure is an organisational configuration positioned between markets and hierarchies (i.e., a situation where market discrete transactions are on one extreme and highly centralised hierarchical control is on the other). Although this governance structure is not clearly defined and cannot be described based on a continuum between markets and hierarchies, it may be combined with other measures based on trust and risk concepts (Ring & Van de Ven, 1992).

Cooperative arrangements between exchange parties must be assessed to understand further a hybrid form of governance beyond a continuum between markets and hierarchies (Ring & Van de Ven, 1992). Therefore, a hybrid (i.e., intermediary) form of governance structure is an informal, unwritten and practice-based mechanism that relies on cooperation among exchange parties to influence behaviour (Rindfleisch & Heide, 1997). Also, a hybrid form of governance is seen as a self-enforcing safeguard for individuals involved in a transactional relationship (Cain et al., 2015; Dyer & Singh, 1998; Malhotra & Murnighan, 2002; and Poppo & Zenger, 2002). This form of governance structure adopts intermediate values of trust and a relational network to balance the interests of all exchange parties in a transactional relationship (Chaddad &Reuer, 2009). Therefore, exchange parties under a hybrid form of governance are governed through shared and acceptable social behaviour existing in an interpersonal relationship between two or more individuals within and/or between groups (Poppo & Zenger, 2002; Poppo et al., 2008; Zaheer & Venkatraman, 1995; and Zhou & Xu 2012). Due to the relationships between counterparts, their shared and acceptable behaviours might be unwritten agreements or norms written into legislation. (Baker, Gibbons & Murphy, 2002).

As a result of these shared behaviours, a hybrid form of governance structure is more suited to complicated relationships involving several parties (Gale & Haward, 2011). Although each party has different interests, capacities, and accountability expectations, forming new partnerships outside of the conventional top-down method of governance allows for party support in a way that conventional vertical hierarchies may not. Also, a hybrid governance structure may cater to a broader community in implementing sustainable management strategies and practices (Vince & Haward, 2017). These procedures may typically counteract rising market and shareholder expectations through shared interests and beliefs. (Vince & Haward, 2017). Furthermore, a hybrid form of governance structure may encourage the integration of different mechanisms that can work for any form of business structure (Cao & Lumineau, 2015). However, some specific governance structures can only apply to a particular form of business structure, for instance, in a family-oriented business, and the family institution must be considered in choosing the appropriate governing structure that ensures functionality (Gersick et al., 1997).

Irrespective of the forms (i.e., markets, hierarchies and hybrids) of governance structure implemented, an organisation needs to have a system in place to balance parties' interests, meet the organisation's strategic goals (short or long-term), and identify emerging trends within a firm's external environment. Therefore, an organisation needs to implement appropriate processes and procedures that manage and control parties' activities that deter opportunism within its operating system, hence, corporate governance.

Corporate governance

A single description does not characterise corporate governance; it can be understood from two distinct angles (Horrigan, 2007). One from a 'direction and control' viewpoint and another from a 'relationship' stance (Horrigan, 2007). According to Horrigan (2007), these standpoints dictate and affect the approach by which corporate governance is described.

From a 'direction and control' viewpoint, corporate governance is the framework for directing and controlling business corporations. (OECD, 1999). According to Khan (2011), "corporate governance" refers to the procedures and guidelines regulating how an organisation operates, manages, and oversees its activities. However, corporate governance has evolved beyond a 'top-down' vision of managing and controlling corporations (Horrigan, 2007). It has extended beyond how corporations are structured to how the relationship between corporate actors (i.e., corporate directors, managers, and shareholders) works to yield value (Bradley et al., 1999). Therefore, another way to think of corporate governance is how shareholders ensure they receive a return on their investment. In conclusion, corporate governance can be summed up as the structures (such as ownership distribution, capital structure, incentive programmes for managers, takeovers, boards of directors, organisational structure, etc.) that influence how quasi-rents (i.e., profits) are generated (Berle & Means, 1932; Smith, 1776).

From a relational stance, corporate governance is a term that incorporates laws, regulations and practices to govern the relationship between corporate parties (i.e., corporate directors, managers, shareholders and other business stakeholders) (Oman, 2001). Corporate governance shows how the relationships (i.e., implicit and explicit) between corporate parties serve the objective of an organisation and how these relationships are being served by the corporation (Bradley et al., 1999).

According to some studies of corporate governance, the concept is described as a collection of systems that firms must adopt to comply with the law and avoid managers misrepresenting possible self-interesting behaviour (in the form of adverse selection and moral hazard) and engaging in actions that are harmful to the welfare of all stakeholders (Larcker & Tayan, 2011). Similarly, corporate governance is regarded as controls (which are mainly internal to the firm) that direct the behaviour of individuals within an organisation (e.g., Boateng, Wen & Brew, 2015; Boshkoska, 2015; Cerioni & Keay, 2008; Larcker & Tayan, 2011; Madhani, 2016; Shrivastav & Kalsie, 2016; Teng, Fuller & Li, 2018; and Venugopal, 2016). However, to guide the behaviour of these individuals (i.e., the board, managers, shareholders and other stakeholders), it is imperative to specify individuals' rights and distribute their responsibilities accordingly. In summary, corporate governance describes the principles and practices that should be followed when deciding how a business should run to encourage survival and long-term growth and control parties' behaviour.

However, in their description of corporate governance, Madhani (2016) and Teng, Fuller & Li (2018) emphasise the significance of a company's legal and regulatory environment. According to Madhani (2016) and Teng, Fuller and Li (2018), the objectives (i.e., trust, accountability, and transparency) of corporate governance are subject to regulations that undermine the existing legal environment of an organisation, either at the firm level or the industry level (Cerioni & Keay, 2008). For instance, according to Boshkoska (2015), Madhani (2016), and Tikvaroska (2007), the implementation of a legal framework and regulatory system through accounting standards and firms' valuation (through their market share price) helps in determining the efficiency and effectiveness of a firm's governance system. Alternatively, Venugopal (2016), in his definition of corporate governance, noted the role of a company's board of directors in promoting a firm's financial situation. This is achieved by employing effective corporate governance mechanisms that help suit the establishment's needs and resources (i.e., human) (Venugopal, 2016).

Effective corporate governance is crucial for effective firm management and reducing agency problems (i.e., principal-agent) that originate from the separation of control from ownership (Prowse, 1994). To reduce the principal-agent problem, a company's governance may be shaped by its context because a general method may be more significant for some organisations and less important for others. Furthermore, to reduce the principal-agent problem and achieve a competitive advantage over firms, corporate governance may focus on structures used in managing relationships between parties to a transaction (Carey et al., 2011; Goffin et al., 2006; Lumineau & Henderson, 2012). There are two ways (family and participatory control) to set the course of exchange among parties in a transaction. However, contractual and relational governance are alternatives for managing and governing inter-organisational partnerships.

Contractual (formal) governance

Contractual governance is also referred to as "formal contract" (Li et al., 2010), "legal contract" (Achrol & Gundlach, 1999), "explicit contract" (Zhou & Poppo, 2010), or "legal safeguards" (Lui & Ngo, 2004). It describes how much a formal, written contract governs an inter-organisational relationship. The use of formal written contracts to manage collaboration in an exchange relationship is known as contractual governance (Jap & Anderson, 2003; Lusch & Brown, 1996; and Poppo & Zenger, 2002). Contractual governance outlines the deliverables, the monitoring processes to use, and the responsibilities, rights, and contingencies (Mesquita & Brush, 2008; Reuer & Arino, 2007; Ryall & Sampson, 2009). For instance, most agency-based interactions do function under complex contracts. These agreements clearly state each party's obligations and responsibilities (Abdi & Aulakh, 2012; Ryall & Sampson, 2009). Contractual governance also emphasises the' significance of contracts in preventing opportunism and conflict in exchange interactions by defining individuals' rights and obligations (Williamson, 1985). Existing research has viewed contractual governance as a crucial means of limiting exchange hazards (i.e., disputes and opportunism) (Poppo & Zenger, 2002; Weber & Mayer, 2011). Recent studies have also argued that this type of governance is crucial for coordinating people in an exchange relationship (Malhotra & Lumineau, 2011; Schepker et al., 2014).

Nevertheless, there are a few restrictions on contractual governance. First, though necessary, formal contracts may be insufficient (Chi et al., 2017; Mirkovski, Lowry & Feng, 2016; Zhang, Van Donk, & Jayaram, 2020). For instance, a complete contract that foresees every scenario and spells out everyone's proper behaviour is impossible due to the limited rationality of humans (Hart, 1988; Deakin & Wilkinson, 1998; Lewis & Roehrich, 2009; Williamson, 1979). A contract that is not fully formed has fewer clauses and/or has clauses that are not observable or verifiable, which makes it less legally enforceable (Woolthuis et al., 2005). Additionally, the absence of precise terms could lead to ambiguity and vagueness, allowing opportunistic behaviour (Luo, 2002). An incomplete contract may, therefore, perform its protective role less effectively. Additionally, incomplete contracts may not include sufficient contingency clauses and are more likely to be ineffectual at controlling people's behaviour in unforeseen circumstances.

Second, contracts may signal distrust (i.e., a lack of faith) of an exchange partner, which constrains the flexibility of an inter-organisational relationship (IOR) and is detrimental to a cooperative IOR (Cavusgil et al., 2004; Ghoshal & Moran, 1996; Poppo & Zenger, 2002). In a situation where social exchange based on trust is ignored, opportunistic behaviour (such as cheating, shirking and agreement breach), which agency theory was created to prevent, will eventually be experienced (Williamson, 1985). In this type of situation, there is no consideration for the consequences of breaking trust, however, because formal contractual clauses specify an individual's rights and responsibilities, provide proof of what was agreed on and prescribe procedures to deal with contingencies, a contractual form of governance help reduce ambiguity in interpreting information during an exchange (Reuer & Arino, 2007; and Rindfleisch & Heide, 1997).

Third, cooperative parties can apply contracts differently. For instance, some businesses apply contractual terms more tightly than others. Conflicts arise, and operations are affected when cooperative parties apply contracts inconsistently. It was suggested that the strict enforcement of contracts may hurt the flexibility of collaboration and result in conflicts and a decline in confidence between trade parties (Cao et al., 2013; Faems et al., 2008). These restrictions can make it challenging to regulate inter-organisational relationships using contractual governance.

Lastly, according to Boateng, Wen & Brew (2015), managing a transaction and balancing varying demands through formal contracts (i.e., *contractual governance)* moves with a lower degree of freedom than that which is governed by social relations (i.e., *relational governance*).

Relational (informal) governance

As described in the section above, formal contracts are only one part of the governance of inter-organisational connections that hinder a company's ability to establish relational governance (Poppo & Zenger, 2002). According to Helmke & Levitsky (2004) and Li et al. (2010), relational governance is also called informal governance, relational mechanism, social control, etc. Although Williamson first proposed the notion of relational governance in 1979, it developed from Macneil's conception of a "relational contract" from the year before 1978. According to Cao & Lumineau (2015), relational governance has earned considerable interest with Poppo & Zenger's (2002) contribution. Relational governance is the degree to which social ties (i.e., interpersonal interactions between two or more individuals) govern an exchange transaction (Cao & Lumineau, 2015; Poppo, Zhou & Zenger, 2008). Relational governance depends on member behaviour being restrained from self-serving through self-enforcing rules and informal structures (Chi et al., 2017; Mirkovski, Lowry & Feng, 2016; Zhang, Van Donk, & Jayaram, 2020). Transactions conducted through informal structures are governed by relational norms and trust (Poppo & Zenger, 2002).

Trust and relational norms are two of the most frequently addressed relational governance categories (Griffith & Myers, 2005; Gulati, 1995). In an exchange relationship, trust is the belief in the partner's honesty, reliability, and goodness (Das & Teng, 1998; Zaheer et al., 1998). In a relationship with a high level of mutual trust, both partners feel confident that the other will not take advantage of any unfortunate circumstances, and they are more likely to put their partner's interests before their own (Liu et al., 2009).

Relational norms are the social procedures that arise from a transaction's counterparts' relationships (Baker, Gibbons & Murphy, 2002). According to Cannon et al. (2000) and Liu et al. (2009), these norms offer a framework of references to help businesses perform in expected ways. Through relational norms, relational governance reduces the specific transaction dangers targeted by contractual governance (Heide & John, 1992; Heidi et al., 2010; McNeil, 1978). According to Cannon et al. (2000) and Heide & John (1992), relational norms are shared standards of conduct for those in an exchange relationship. These standards, which are based on dependability, open communication, sharing of information, and cooperation of parties, offer a frame of reference that directs businesses to perform in anticipated ways and discourage opportunism (Liu et al., 2009; Poppo & Zenger, 2002). Hence, relational norms and trust are key factors for a relational style of governance because both can lower opportunism (Liu et al., 2009; Poppo & Zenger, 2002).

Relational governance is acknowledged as a potential efficient governance system, whether seen as a complement to formal governance (Zheu, Lu & Chang, 2019) or as a replacement (Cao & Lumineau, 2015). As indicated in the previous paragraph, the relational form of governance, through standards of conduct, functions as a self-enforcing safeguard that may make transactions more effective and a less costly alternative to contracts (Poppo & Zenger, 2002). According to Heidi et al. (2010), relational governance has also characterised systems that use non-legal consequences to lessen opportunism and increase effectiveness. On a firm level, for instance, there is less reliance on a costly vertical hierarchy with monitoring at each level by the board of directors (Poppo & Zenger, 2002). On an industry level, autonomous but connected businesses might narrow their scope of operations and focus on a small number of core capabilities (Prahalad & Hamel, 1990). Furthermore, this form of governance serves a value-adding purpose by encouraging the adaptability, camaraderie, and information sharing necessary to uphold commitments and expectations within any network of people (Dyer & Singh, 1998; Poppo & Zenger, 2002). However, without relational governance, it will be challenging for exchange partners to take a bilateral approach (i.e., using hybrid governing skills) to issues and unforeseen events, as well as discover new information and opportunities that could help them achieve their goals in the short and long terms (Goo & Huang, 2008). To further consider relational governance as an efficient governance tool, it can be examined through two dimensions (i.e., structure and process) (Zaheer & Venkatraman, 1995).

According to Zaheer & Venkatraman (1995), the structural dimension of relational governance is represented as a vertical arrangement of parties in a semi-integrated manner. In such a situation, parties remain connected despite being separated by their various organisational positions. On the other hand, the process aspect of relational governance, which is regarded as an underlying factor in any relationship, explains procedures that generate common interest among exchange individuals (Zaheer & Venkatraman, 1995). This process is a joint action (Zaheer & Venkatramana, 1995). A firm operating in ‘joint action’ shows how it connects and cooperates with other firms to bring about change. The level of joint action instituted by a firm towards other firms demonstrates the degree to which the relational structure of governance is incorporated in such a relationship (Zaheer & Venkatraman, 1995). For instance, joint action entails increasingly exploring outsourcing options to help support strategic decisions made by a firm’s board (Bensaou & Venkatraman, 1995; Heide & Miner, 1992). However, it should be noted that joint actions through outsourcing practices emphasise nurturing a high level of trust and commitment.

Aside from examining relational governance through these dimensions, two kinds of joint actions aid the understanding of managing relationships of exchange parties under this form of governance: joint *planning* and *joint problem-solving* (Claro et al., 2003). Joint planning is the expressly spelling out future relational obligations and contingencies. Through this procedure, it is possible to define and specify mutual expectations and cooperative efforts early on. However, there is a growing need for collaborative goal setting when one party's activity affects the other's capacity to compete effectively. For instance, a situation where a firm’s board influences the ability of its managers to effectively manage the firm without the board’s incessant monitoring and interference. On the other hand, the extent to which disagreements with an exchange partner are resolved constructively is referred to as joint problem-solving (Heide & Miner, 1992; Lusch & Brown, 1996). A mutually beneficial resolution is found through collaborative problem-solving, which consequently adds to relationship success. In essence, the skill set required for managing relationships to promote effective collaboration between firms is based on the alignment of both interests (i.e., joint planning) and actions (i.e., joint problem-solving) through **trust and commitment** (Goo & Huang, 2008).

Most firms disregard the social contract of trust because they engage in business ties solely intending to profit from the exchange (Anderson & Narus, 1990). As earlier stated, **trust** refers to a party's confidence in an exchange relationship in a partner’s integrity and credibility (Das & Teng, 1998; Zaheer et al., 1998). For instance, when parties have a high level of mutual trust, both partners feel certain that the other will not self-interestedly take advantage of unfortunate circumstances, and they are more inclined to think about their partner's interests rather than simply their own (Liu et al., 2009). As a special case of relational governance, a specific form of governance that considers other parties' interests, with or without the existence of trust, is family governance.

Family governance

Family governance, like any other form of governance, encompasses the system of rules by which an organisation is controlled by families (Zeeb & Zeeb, 2016). Similarly, family governance describes the degree to which a family relationship governs an exchange relationship within an organisation. Family governance can also be viewed as a framework for cooperative decision-making among family members based on shared values, a common goal, and a shared vision for the family's future (Zeeb & Zeeb, 2016). Furthermore, family governance refers to the structure and process families use to organise themselves. Researchers have begun to embrace the idea that publicly listed corporations are diversified in nature, with a considerable number (a third) of them being controlled by the founding family, even though most governance research focuses on publicly listed companies (Anderson & Reeb, 2003; Bhaumik & Gregoriou, 2009; La Porta et al., 1999).

There are three signs that a company is run by a family: management involvement, board representation and ownership. For instance, family-run businesses greatly differ from those that do not in terms of management engagement, and this is reflected in both their managerial strategies and financial results. (Anderson & Rebb, 2003; Miller & Le Breton-Miller, 2005; and Villalonga & Amit, 2006). According to Suess (2014) and James (1999), the long-term orientation of a family enterprise entails building and maintaining wealth, unity, trust, and values through time and involvement. Family uses it- businesses as a device to curb short-sighted behaviour. In other words, family-controlled businesses conduct their business operations with the consideration of future generations (i.e., creating and sustaining wealth, unity, trust and values through time). However, if the controlling family uses its capacity to manage the company for its benefit, the emphasis on generating and maintaining generational wealth hurts the minority shareholders (Wang, 2006). To avoid this adverse effect, various parties within the organisation must be accountable for creating a multigenerational, high-performing team. For family governance to serve as an *effective means of accountability*, the system of rules should reflect the system of values, culture, dynamics and objectives of the family in question (Miller & Breton-Miller, 2006).
Controlled

The second instance of this distinction is possibly the existence of relatively *large*, *active* and *external* board members (i.e., non-executive directors) who have no personal or professional relationship with the family (Barach, 1984; Mathile, 1988; Nash, 1988). Contrary to a family firm, a more prevalent form of business organisation has the function of management and ownership separated, where an organisation is recognised as an 'entity' on its own. Under the non-family structure of an organisation, various mechanisms and processes (i.e., governance structure) may be put in place to help promote communication links and regulate conflicts that might emanate from the interaction between ownership and management. Family business not only creates a structure that facilitates effective communication between ownership and management, but it also recognises the *importance of the family as a system*. Although the "model of a single and competent entrepreneur" or "family as a system" may have enduring value (advantage) in some closely owned family businesses, numerous business studies have consistently highlighted the requirement for an active external board (Corbetta & Salvato, 2004).

This need for an active external board may introduce increasing pressure, especially when there is an enhancement in the market and shareholders' activism (Corbetta & Salvato, 2004; Huse, 1995). According to Corbetta & Tomaselli (1996), Fiegener (2005), Forbes & Milliken (1999), and Pieper, Klein, & Jaskiewicz (2008), the distinctive qualities of the board of directors of this type of company may significantly contribute to value creation (Castaldi & Wortman, 1984; Huse, 2000; Van Den Heuvel, Van Gils & Voordeckers, 2006). Generally, the board of directors is known to be a governance body that serves important functions for an organisation (Corbetta & Salvato, 2004). These functions include supplying personnel and financial resources and overseeing management on behalf of shareholders. However, according to Corbetta & Salvato (2004), these roles vary among national cultures, company or business types and countries.

However, before the existence of a board, most family businesses started as entrepreneurial ventures founded by one individual, and these businesses take on the characteristics of their founder or founding family (Lee & Chu, 2017). In the formative years of a family-operated firm, ownership and decision-making functions may be executed by an individual or founder using a consolidated system. Such an individual is regarded as the Chief Executive Officer (i.e., CEO). As the family grows, the founder starts handing ownership and authority to the next generation. Family-operated firms lack institutional mechanisms for resolving disputes among family members, making building an effective model for communication, cooperation, and collaborative decision-making among family members more crucial (Martin, 2001).

However, research on family businesses has been characterised by a lack of explicit recognition that different types of family firms are controlled by different governance requirements and systems (Corbetta & Salvato, 2004). No single governance system can meet the complex requirements of enterprises ingrained in diverse institutional, historical, and cultural contexts. However, family involvement through "participation" in ownership, management, and decision-making and maintaining effective communication and engagement that aid family control across generations, distinguishes family governance from other kinds of governance (Chua et al., 1999). It is important to thoroughly grasp people's abilities, resources, and weaknesses to select the best governing system that calls for democratic engagement in an organisation. Aside from family governance, the last form of governance that aids the equal engagement of parties in an exchange relationship is participatory governance.

Participatory governance

Participatory governance is a form of governance that emphasises democratic engagement through deliberative practices. Similarly, participatory governance is a style of governance in which every person actively participates. External stakeholders are included in an organisation's decision-making process through participatory governance. As a result, governance is now broadly defined as consisting of "institutions and processes," both formal and informal. Similarly, participatory governance can be defined as a form of governance involving many stakeholders' direct participation. Participatory governance involves bringing external stakeholders into an organisation's governing process. This development has broadly defined governance as ‘institutions and processes’, ‘formal and informal’, ‘contractual and relational’ (Mitlin, 2004). Contrary to the general belief, participatory governance has found acceptance throughout significant organisations, not just in political processes (Fischer, 2012). Participatory governance has grown popular as a realistic answer to a new governance context for all organisations. There is a perceived democratic gap in decision-making and implementation, which is reflected in the search for a more inclusive and participatory governance structure inside an organisation (Maravcsik, 2004).

Many reasons have contributed to the increased interest in participatory forms of governance. These elements include the development of information technology, meeting societal demands, and the goals of inclusivity. First, the development of information technology has greatly facilitated access to information. Additionally, this has enhanced everyone's involvement in decision-making and service provision. (Osborne & Gaebler, 1993). Second, a company's effort to meet societal demands has improved social consensus and participatory governance on matters affecting all stakeholders. Finally, efforts to extend decision-making to all levels for inclusiveness have drawn much-needed attention to participatory governance.

As explained in the previous paragraph, these factors (response to social demand and inclusion) have enabled accountability, especially from an organisation's managerial team to other external stakeholders. Through public involvement and external deliberation, participatory governance may enhance the effectiveness and legitimacy of decisions (Ansell & Gash, 2007; Elstub & Escobar, 2019; Geissel, 2009; Heinelt, 2018; Sorensen & Torfing, 2017; and Warren, 2009). Participatory governance, also known as ‘new governance’, emphasises democratic values of cooperation and partnership among diverse social actors for efficiency and effectiveness in decision-making (Kooiman, 2003; Peters, 1998; Pierre & Peters, 2000; Rhodes, 1996, 1997). According to Giovanni, Matteo, and Greta (2021) and Stoker (1998), participation is crucial in strengthening the quality of policies, especially during uncertainty.

Even while participatory governance has a great deal of promise to help foster efficiency and justice, this form of governance is not always practicable in the real world (Fischer, 2006). According to Balla & Wright (2001), Bevir (2006) and Yang & Callahan (2007), the formulation and implementation of choices, for instance, may not always reflect the demands and wants of the entire group. Also, increased engagement of varied social actors may not always lead to equal representation of their interests (Balla & Wright, 2001; Bevir, 2006; Yang & Callahan, 2007). Diverse participation has nonetheless been praised as a more adaptable and democratic means of addressing broad challenges.

Despite this enthusiasm, participatory governance frequently struggles to become ingrained, which reduces its efficacy and legitimacy. Regarding the effectiveness of participatory governance, for instance, Yang & Callahan (2007) noted that most managerial teams typically involve all other stakeholders after issues have been framed and decisions made. There are concerns that participatory governance is disconnected from elite governance practices (Papadopoulos, 2012) and thus fails to deliver usable insights into social relations for the managerial team who desire inputs from other exchange parties of the firm (Hendriks & Lees-Marshment, 2018). The next section of this literature review will review how agency theory can be used as a theoretical framework to understand and criticise the social relations of exchange parties within an organisation.

2.3 Theoretical literature on corporate governance

2.3.1 Agency and agency theory; its basic principles and assumptions

Agency is the capacity to act intentionally (Anscombe, 1957; Davidson, 1963). Anscombe's (1957) and Davidson's (1963) contributions established a standard conception of 'agency' and provided the groundwork for a standard agency theory. According to Davidson (1963), agency theory describes an agent's intention or motive in 'acting'. Davidson (1963) also refers to agency theory as a form of 'causal explanation', which explains that actions and decisions are actively caused by agents rather than events surrounding them.

The foundation of agency theory assumes that human nature is built into a central definition of rationality (Heath, 2009). Self-interest, goal conflict, bounded rationality, information asymmetry, the primacy of efficiency, risk aversion, and information as a commodity are the other essential presuppositions upon which this theory is built (Eisenhardt, 1989). It assumes that human agents are self-interested, have bounded rationality and avoid risk while making decisions on issues with high levels of uncertainty. In his seminal work, *The Wealth of Nations,* Smith (1776), as cited in Smith (1937), suggested that much of organisational life is based on human self-interest. This means that within agency theory, the agent is characterised as a self-interested actor rationally maximising his economic gains and does not act in the principal's best interest. For instance, there is a possibility that someone or a group managing a business who is not an owner may not act in the owner's best interests but rather their own. Berle & Means (1932) also raised a similar concern in their analysis of the ownership structure of firms, i.e., concern about agents using firms' properties for their selfish gain. Aside from being self-interested, another assumption about humans is their attitude toward risk-sharing (Eisenhardt, 1989).

Given these assumptions about people, the focus of agency theory is the ability to determine and make decisions in a variety of organisational situations, i.e., situations in which the agent and principal have different risk preferences and aims, such as those involving remuneration, rules, management of impressions, whistleblowing, vertical integration, and transfer pricing (Eisenhardt, 1989). Above all, when applying the theory to the understanding of a particular governance phenomenon like tribal affiliation, as in the case of this thesis, it is crucial to keep in mind the important nature of the theory's core benefits.

2.3.2 Agency Theory; its importance

One of the most influential theories of economic organisation and management is agency theory, which has an impact on research in business management and governance as well as policy and practice (Daily, Dalton & Cannella, 2003; Dalton, Daily, Ellstrand & Johnson, 1998; Shleifer & Vishny, 1997; and Bosse & Phillips, 2016). Agency theory is arguably an essential tool in understanding and explaining organisational phenomena that surface due to the separation of ownership from management (Eisenhardt, 1989). It can also be a theoretical approach based on social relations with others (Mitnick, 1975). This means that agency theory explains the nature of contractual relationships between parties within a firm (Hill & Jones, 1992). Additionally, agency theory is concerned with determining an appropriate method to explain problems in the agency relationship and contract process (Eisenhardt, 1989; Gersel & Johnsen, 2020). In summary, agency theory is an important theory where the agency perspective can be used as theoretical leverage, concerned with describing contracts and analysing human relations among individuals under asymmetric information and self-interested opportunism (Eisenhardt, 1989; Daily, Dalton & Rajagopalan, 2003; Heath, 2009; Noreen, 1988; and Wasserman, 2006).

Furthermore, Berle & Means (1932) viewed agency theory as the study of agency relationships within large and public corporations and issues that might arise from such relationships. Jensen and Meckling (1976) and Ross (1973), as cited in Hill & Jones (1992), define agency as an economic principle that has its primary concern with the relationship that exists between business parties as regards the structure and responsibilities of each party in the corporation. For instance, in their study, Fama & Jensen (1983) characterised the board of directors' function as an information system utilised by stakeholders to keep tabs on top management's opportunism. However, until Ross (1973) and Mitnick (1975) independently presented their versions, a thorough theory of agency did not develop until the early 1970s. Mitnik (1975) presented a much more comprehensive theory of agency that could be used in various socioeconomic circumstances. Ross (1973), in contrast, described the agency as a universal principle rather than just a theory of the corporation.

On the other hand, Eisenhardt (1989) asserts that agency theory stems from an economic perception of risk-sharing issues which occur from an agency relationship in which a person (i.e., the principal) delegates some decision-making authority to another (i.e., the agent). Agency theory emphasises the different risk attitudes of principals and agents (Eisenhardt, 1989). However, a behavioural agency model was established to refine the concept of risk and agent rationality (Wiseman & Gomez-Mejia, 1998, as cited in Gomez-Mejia, Martin, Villena & Wiseman, 2020). According to Wiseman & Gomez-Mejia (1998), a behavioural agency model sought to explain individuals' risk preferences under conditions of uncertainty. The traditional agency model's assumptions that principals are risk-neutral (i.e., seeking options where risk is compensated) and agents are rational wealth maximisers who favour lower-risk options at the expense of returns (i.e., risk aversion) are replaced by the assumptions of the behavioural agency model, which gives rise to a large stream of literature (Wiseman & Gomez-Mejia, 1998). This analysis of the individual risk preferences of these parties will not be possible without some form of social interaction, hence, agency relationships.

2.3.3 Agency relationships

According to Ross (1973), the agency relationship is one of the oldest and most common means of social interaction. Moreover, in a world of interdependence, a party acting on behalf of another is pervasive (Mitnick, 1975; Ross, 1973). For an agency relationship, the law recognises the manifestation of consent by the principal to an agent, while the agent is subject to the control of its principal. The principals have traded a private ownership position for the receipt of residual capital returns (Berle & Means, 1932), i.e., the agency is a theory of relations in which one party acts for the benefit of the other (Mitnick, 1975).

The principal-agent relationship offers a framework for studying governance. Instances of this contractual relationship include a manager managing a company on behalf of its shareholders (i.e., controlling and minority) and an employee working for an employer (i.e., management team) (Gailmard, 2012; Mitnick, 1975). Contractual arrangements, such as those listed above, contain an important element of agency. However, the definition of each party as either a principal or an agent differs under different situations. A principal in a contractual arrangement under a particular situation might be an agent under another, for instance, a manager is a principal in a 'manager-employee' relationship while an agent in a 'shareholder-manager' relationship. This definition depends on the nature and structure of contractual arrangements between parties. Therefore, these arrangements are characterised by the contract's nature, the specification's source, and the degree of discretion (Mitnick, 1975).

Aside from defining these parties according to their contractual situations, contractual arrangements also specify the importance of the separation of responsibilities (i.e., control and managerial duties) of the parties involved in a principal-agent relationship. In their analysis, Berle & Means (1932) elaborated on the importance and extent to which managerial agents are separated from owners (i.e., principals). For instance, separating ownership from control through expanded ownership of the firm creates what Berle & Means (1932) call a quasi-public corporation. This corporation is characterised by its large size and reliance on a public market for capital (Berle & Means, 1932). According to Berle & Means (1932), it was believed that modern economic activities are mainly carried out under this form of corporation.

For large businesses, ever-present agency relationships exist to create value (Bosse & Phillips, 2016). This relationship focuses on how responsive the agent's choices are to the principal's goals while considering the business settings in which they engage. Without using the term 'agency', Berle & Means (1932) showed a keen awareness of the theory by identifying how the interests of the managers can diverge from those of their owners. There is a solid reason to suppose that self-interested agents may not continuously operate in the best interest of the principal if the parties to the agency relationship are utility maximisers, i.e., agents may have preferences as to what and how decisions are being made in the attainment of the principal's goal (Mitnick, 1975). For instance, when they do not bear the wealth implications of agents' decisions, organisational survival as regards a firm's performance is of concern (Fama & Jensen, 1983). Organisations have different ways to rectify issues affecting organisational performance, including separating risk-bearing and decision functions.

According to Fama & Jensen (1983), there are two types of organisations: one whose risk-bearing and decision functions are separated (e.g., between outside shareholders and professional managers, shareholders bear risks as they share residual profits while managers receive relatively fixed salaries), and another whose risk-bearing and decision functions are combined. However, Fama & Jensen (1983) noted that this division of labour (separation of decision and risk-bearing functions) partly survives, especially in large corporations, because of the advantage accrued to the specialisation of management and risk-bearing. Jensen & Meckling (1976) recognised each party's different approaches in resolving issues and offering solutions to problems that might arise due to this separation of functions (separation of decision and risk-bearing). Either way, Eisenhardt (1989) and Laher & Proffit (2020) identified agency theory's significant role in explaining the general behaviour of cooperating parties toward the risk-sharing problems of business settings. (Fama & Jensen, 1983). For instance, the contract structures of such organisational forms limit the risks agents take, instead of unconstrained risk-bearing carried on by the principal in organisations where risk-bearing and decision-making duties are divided.

The contract also outlines each agent's rights, performance standards for evaluation, and potential payoff possibilities. Under this type of contract, payoffs and incentives are often fixed and connected to a particular performance measurement system. It is challenging for shareholders to transfer some uncertainty risks to the agents under this arrangement (Arrow, 1971). This makes them have different attitudes towards risk. However, understanding the functionality of each party as stated in the contract, different attitudes toward risk and the fiduciary effect of this on the relationship between principals and agents is an important application of agency theory (Eisenhardt, 1989). Gersel & Johnsen (2020) noted the importance of reconciling different levels of risk tolerance in promoting the most efficient relationship, given agency assumptions about people, organisation and information, which can be further expressed using the two models of agency theory.

2.3.4 Distinction between the two models of agency theory

The empirical/positivist and principal-agent models result from two distinct developments in agency theory. Although the essential agency structure of the contractual relationship between the principal and agent is shared by both models, their areas of attention are different (Eisenhardt, 1989; Jensen, 1983).

According to Ross (1973), as cited in Eisenhardt (1989), the positivist approach accepts the universality of agency theory. For instance, insight into this theory has been used in different fields such as accounting (Demski & Feltham, 1978; Reichelstein, 1992), economics (Spence & Zeckhauser, 1971), finance (Fama, 1980), marketing (Basu, Lal, Srinivasam & Staelin, 1985; Bergen et al., 1992), political science (Mitnick, 1986), law (Lan & Heracleous, 2010), organisational behaviour (Eisenhardt, 1985, 1988; Kosnik, 1987), healthcare (Jiang et al., 2012), family business (Tsai et al., 2006), and sociology (Eccles, 1985; White, 1985). Positivist agency theory offers some understanding of organisations (Jensen, 1983).

The positivist agency theory model gives insight into the causes of agency problems. It highlights circumstances when the principal and agent are likely to pursue divergent objectives and offers regulatory frameworks to help prevent self-serving behaviour (Eisenhardt,1989). Positivist researchers like Berle & Means (1932) and Jensen & Meckling (1976) studied various governing mechanisms that emphasise the exclusive relationships between principals and agents of large organisations whilst identifying various contract alternatives to protect shareholder interest by limiting agents' self-serving behaviour, minimising agency cost, and ensuring principal-agent interest alignment. To align the interests of the agent and principal, control agents' self-serving behaviour and protect the shareholders' interest, Eisenhardt (1989) noted that contractual alternatives such as rewarding managers with shares and stock options are usually offered. Alternatively, the agent is more likely to act in the principal's best interests when the agreement between the principal and agent is outcome-based. Jensen & Meckling (1976) analyse a firm's ownership structure and how stock ownership by managers can assist in aligning their interests with those of other owners in another case of limiting the self-serving behaviour of an agent. In addition, Fama (1980) addressed the significance of effective labour and capital markets as a tool for regulating the self-serving behaviour of an organisation's senior leaders. Furthermore, one of the controlling mechanisms through which stockholders may keep an eye on the opportunism of senior executives is through the function of a company's board of directors as an information system (Fama & Jensen, 1983).

On the other hand, the principal-agent version of agency theory focuses on a general theory of the principal-agent connection that may be used to understand agency relationships (Harris & Raviv, 1978). It emphasises the significance of ideal responses to a principal-agent relationship framework. This model also identifies the best contract between the principal and the agent by defining each party's share of the risk. For instance, the risk is passed to the agent in a behaviour-based contract, who is considered risk-averse compared to the principal, who is considered risk-neutral. According to principal-agent researchers, this model shows which contract is most effective under various levels of uncertainty, risk aversion, and information in assessing how capital markets can impact organisations (Barney & Ouchi, 1986). Finally, the principal agent involves logical deduction and mathematical proof, making it less comprehensible to organisational scholars (Anderson, 1985; Demski & Feltham, 1978; Eccles, 1985; Eisenhardt, 1985).

Despite the different approaches to interpreting agency theory, its main aim is to explain the principal-agent relationship using the positivist model of the theory. The Positivist model of agency theory will be used to devise a means of resolving issues brought about by the separation of ownership from management.

2.3.5 Separation of ownership from management

Management and ownership are often separated for larger companies with many equity holders. In such cases, management goals do not necessarily align with those of the owners (i.e., shareholders). Although segregating ownership from management has many advantages, it has weaknesses. For instance, managers cannot monitor an organisation with the same level of vigilance as in sole traders or partnerships where managers are also owners. One of such weaknesses is the problem of decision uncertainty, which often results from a lack of information symmetry between principal and agent, i.e., where a party in a negotiation has relevant information that the other lacks (adverse selection). Another weakness is inefficiencies resulting from a lack of incentive to guard against risk, and where an individual is protected from the consequences (moral hazard) (Fama & Jensen, 1983). The above two scenarios illustrate agency problems encountered before and after contracts.

2.3.6 Agency Problems before/after Contracts

Pre-contractual adverse selection occurs when one party to a contract possesses pertinent information that the other party does not. Asymmetry of information regarding individual risks frequently results in less profitable business decisions, involves riskier market segments, or both, e.g., buying a second-hand 'lemon' car, which only develops a significant problem(s) after purchase or lease is complete. In this case, reimbursement is likely impossible, and the principal, i.e., the buyer, is stuck with the payment for such a car; worst still, if the car was purchased on a loan basis, the buyer is responsible for loan repayment despite the car's many faults. According to Eisenhardt (1989), greater information symmetry can curb an agent's exploitation of the principal's ignorance. The argument is that a balanced level of knowledge and equal access to information between the principal and the agent help verify an agent's behaviour and decision-making process, making it difficult to deceive the principal, while informed choices can be made. The buyer could not make an intelligent choice about a car whose value was less than its worth. Another example is the Group Insurance Commission's practice of proportionally subsidising premiums while maintaining strict control over the most generous policy. Although a combination of prospective and retroactive risk adjustment offers the best chance of giving enrollees the right incentives, prices do not accurately reflect marginal costs. Thus, subscribers frequently choose incorrect insurance plans based on a cost-benefit analysis.

A moral hazard is self-interested, post-contractual opportunism by an agent. Moral hazard occur in a situation in which one party engages in risky activities because it knows that the consequences will be borne by others. It also refers to a situation when an agent to a contract alters his behaviour in line with the contract but in ways which are costly to the principal. For instance, when a bank on the verge of bankruptcy has incentives (a promise of bailout) from the state to take greater risks or when an organisation cannot reliably discern if performance levels can be attributed to managerial effort or other influences outside of agents' control (Carney & Gedajlovic, 1991; and Bradach, 1997). The more autonomy and independence agents enjoy, the more specialised knowledge is required to perform tasks, and the more significant this moral hazard may become (Holmstrom, 1979). For instance, it is difficult to tell if an employee's recruitment to a firm or an employee's promotion to become a manager will prompt a higher motivation for them to work. According to Eisenhardt (1989), an effective way to curb this is for contracts to be outcome-based. Because both parties' rewards depend on the same activities, this helps align agents' preferences with the principal's. This reduces managerial opportunism and conflict of interest. An example of such co-alignment is increasing firm ownership of managers (Jensen & Meckling, 1976).

In summary, the fundamental human assumptions of agency theory about agents set them up for problems, i.e., adverse selection and moral hazard, resulting in decision uncertainty and inefficiencies, respectively (Eisenhardt, 1989). For instance, in exchange for increased money and an increase in the current value of their capital share, shareholders typically anticipate receiving significant dividend payouts. However, managers with easy access to pertinent information typically have a higher risk tolerance, keeping a sizable portion of the earnings to invest in more important assets or technological advancements. Conflicts over decision-making, company objectives, and risk perceptions arise between management teams and shareholders due to the incident, hence agency problems (Nguyen et al., 2020).

2.3.7 Types 1 and 2 Agency Problems

As earlier stated, agency problems between the principal and agent resulted from limited access to relevant information, mainly on the part of opportunistic management (Lan & Heracleous, 2010; Ratnawati, Abdul-Hamid & Popoola, 2016). Simultaneously satisfying and balancing the conflicting goals of the principal and those of the management can be challenging, hence the conflict (Tipuri & Podrug, 2010; Laher & Proffitt, 2020).

According to Nguyen, Doan, and Nguyen (2020), there are two types of agency problems: Type 1 (i.e., conflict of interests between shareholders and managers) and Type 2 (conflict of interests between shareholders).

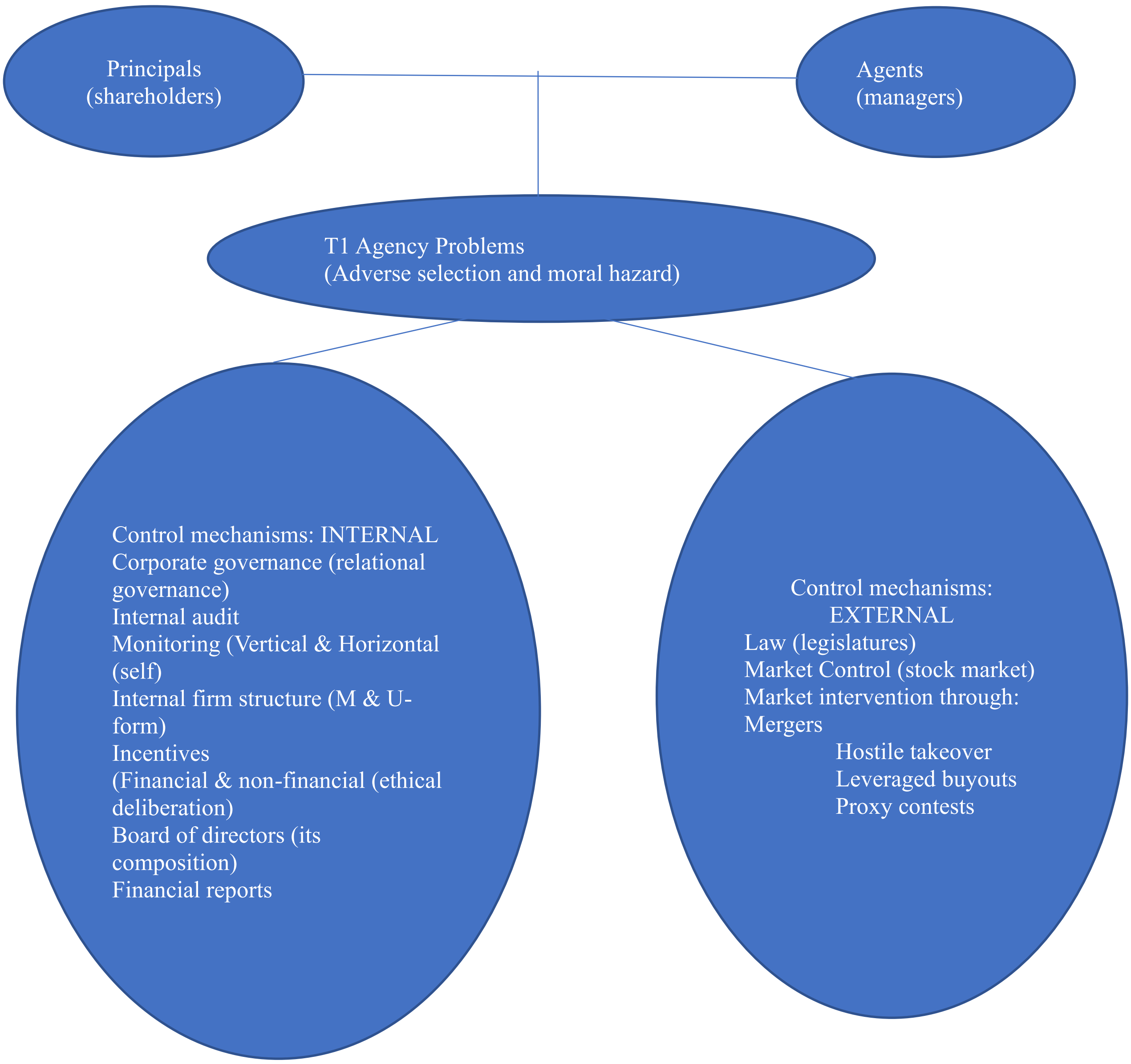
Type 1 agency issues can arise in various relationships between managers and employees and between shareholders and management (Dalton, Hitt, Certo &Dalton, 2007). An instance of Type 1 agency problems, according to Boshkoska (2015), *involves the moral hazard that arises in many other contractual situations*, e.g., between the provider of capital (shareholders) and the manager of capital (managers). Managers can serve as agents and principals depending on the conflict's situation. Type 1 (Figure 2.1) agency problems, for instance, *explain how managers' goals may conflict with other stakeholders' interests* and *how managers may provide other stakeholders with limited access to information about the organisation*. Although it is difficult for shareholders to exercise effective management control, the delegated choice of entrusting tasks to agents in the principal's interest provides opportunities to misrepresent information and divert resources against the principal's interests (Scott, 1995). In other instances, a Type 1 agency problem may also include *goal discrepancies between managers and employees*, especially in executing organisational goals.

Type 2 agency problems, on the other hand, refer to the conflict of interest between owners (i.e., principal to principal), where principals are usually shareholders (between controlling shareholders and minority shareholders) but not always, for instance, between shareholders and debtholders (Shapiro, 2005). Irrespective of the ownership structure of an organisation, there is usually a top-down chain of control and influence called a vertical hierarchy (Ariffin, 2009). This top-down chain is determined by the rights each shareholder holds, which is defined by their share of voting rights. For instance, the pyramid-shaped ownership structure places the principal shareholders (i.e., ultimate owners) at the top and the minority shareholders at the bottom (Ariffin, 2009). According to (Ghoul, Guedhami, Lennox & Pittman, 2007), the segregation of voting (control) and ownership rights of the controlling and minority shareholders is the leading cause of Type 2 agency problems. Figure 2.2 below summarises how the relationship between the two categories of shareholders brings about agency problem Type 2 and its corresponding control mechanisms. However, the next section of this review elaborates on controlling these agency problems (i.e., type 1 and type 2).

2.3.8 Controlling agency problems

Control is required to achieve and promote goal alignment, information symmetry, and organisational survival (Fama & Jensen, 1983). According to Fama & Jensen (1983), control mechanisms are important in any business organisation, mainly concerning performance and decision-making. Scholars and practitioners have identified many control mechanisms to curb agency problems (Cheng & Indjejikian, 2009). These control mechanisms (internal and external) for Types 1 and 2 problems are noted in Figure 2.1 and Figure 2.2, respectively. However, the principal-agent relationship can result in a conflict of interest between shareholders and managers (Type 1 agency problem), as shown in Figure 2.1 below, along with potential control measures to reduce this issue.

Figure 2.5: Type 1 agency problems and their control mechanisms



According to Ouchi's (1981) classification, these control mechanisms can either be organisation or market-based (Boshkoska, 2015; Boyd, 1994; Moores & Mula, 2000; Rediker & Seth, 1995; and Walsh & Seward, 1990). Furthermore, organisation-based control mechanisms can be categorised into internal or external (Boshkoska, 2015). It is internal when effective corporate governance and management through solid corporate policies are developed. Other means of internal control mechanisms comprise the board of directors, i.e. its composition (Agrawal & Knoebar, 1996); monitoring, i.e. vertical and horizontal (Watts & Zimmerman, 1983; and Core, Guay & Verdi 2006); incentives, i.e., financial (Gjesdal, 1982; Gibbons, 2005; and Bedchuk & Fried, 2003) and non-financial, for instance, managerial shareholding (Agrawal & Knoebar, 1996; and Haugen & Senbet, 1981) and internal firm structure i.e. M-form, H-form and U-form (Jones & Butler, 1992; and Agrawal & Knoebar, 1996). On the other hand, the external control mechanisms consist of the law i.e. government regulation; institutional investors and creditors/debt financing (Kao, Chiou & Chen, 2004; and Agrawal & Knoeber, 1996); corporate governance such as dividend policy (Kao, Chiou & Chen, 2004); stock market controls (Armour, Hansmann & Kraakman, 2009); labour market controls (Agrawal & Knoeber, 1996); capital market intervention i.e. mergers, hostile takeover, leveraged buyouts, proxy contests etc (Fama, 1980). However, it is important to note the essence of these mechanisms in addressing agency problems (Cheng & Indjejikian, 2009).

A) Internal control mechanisms

One of the many ways to lessen agency problems internally and align agents' interests with those of the principal is through a structure of rules. Control can be applied through the following:

Relational governance

From section 2.2.1 above, **relational governance** is a form of governance that uses relational norms to oversee exchange transactions (Poppo & Zenger, 2002). According to Baker, Gibbons & Murphy (2002), relational norms are the social processes that arise from the relationships between the parties to a transaction (Baker, Gibbons & Murphy, 2002). These norms are based on dependability, open communication, sharing of information, and cooperation. However, without these norms, exchange partners will find it challenging to adjust to unforeseen circumstances, develop solutions to issues, and discover new information and opportunities that could help them achieve their objectives. Though contracts are more efficient, less expensive and a substitute for relational governance, relational governance reduces the specific exchange dangers associated with contractual governance (Heide & John, 1992; Heidi et al., 2010; McNeil, 1978). According to Poppo & Zenger (2002), relational governance is a self-enforcing safety net. According to Heidi et al. (2010), relational governance has characterised systems that employ non-legal consequences that lessen opportunism and increase efficacy. This form of governance serves a value-adding purpose by encouraging the adaptability, cooperation, and information sharing necessary to uphold commitments (Dyer & Singh, 1998; Poppo & Zenger, 2002; Zaheer & Venkatraman, 1995).

Internal audit

Another way agency problems can be reduced is through an **internal audit process**. Through an internal audit, principals are mindful of agents' activities and have a keen knowledge of the services being rendered by the agents. The legally enforceable and credible pledges each party makes to the other are another factor that helps to solve these issues (Williamson, 1983). That is, the cooperative behaviour of both parties is expected to yield specified positive outcomes (Barnard, 1938).

Monitoring

Another means of lessening agency problems is monitoring the agent's activities beyond the internal audit to maximise shareholders' wealth (Boshkoska, 2015). Even though shareholder principals do not have any control over the organisation's upstream operations or plan its strategies, they do intervene (through the board of directors) to restrain the agent's discretionary power by ensuring that it adheres to the terms of the contract (Nguyen et al., 2020). Monitoring could be vertical (i.e., independent audit) or horizontal (i.e., by oneself and/or colleagues). **Vertical monitoring** is when the principal monitors the agent's activities to ensure they meet agreed-upon standards and ethics. When an agency contract is breached through self-serving behaviours, control and monitoring of agents' performances by the board to protect owners' interests are apparent. To avoid monitoring, agents may be motivated to align their interests with the principal's. **Horizontal monitoring**, on the other hand, is all about enabling self-monitoring or regulation and peer-based control either through family or tribal affiliations (Kolbjornsrud, 2016). Despite periodic monitoring of agents' performance by the principal (vertical), considerable direct (horizontal) monitoring remains necessary.

In the process of monitoring, agency costs are incurred. **Agency costs** are defined by Jensen and Meckling (1976) as the total of the principal's monitoring costs, the agent's bonding costs, and residual loss (i.e., the monetary value of the principal's reduced welfare as a result of the agent's decision differing from those that would have maximised the principal's welfare experience). The costs agencies incur in evaluating managers' performance have garnered the most excellent attention over time (Mathewson & Winter, 1985; Brickley & Dark, 1987; Norton, 1988a, b). Asset turnover, or the ratio of selling and administrative costs to sales, was utilised as a stand-in for agency costs in earlier research by Ang et al. (2000) and Singh & Davidson (2003). Agency costs should increase for businesses with high spending ratios (Nguyen, Doan & Nguyen, 2020). The expense ratio shows how management chooses to use the company's resources. The ratio is higher in a situation where the outsider is brought to manage an organisation rather than appointing an insider who knows about the operational system of the organisation. In this situation, the over-allocation of salaries and commissions on non-productive activities is bound to reflect.

According to Carney & Gedajlovic (1991), *monitoring costs* of an organisation increase with unit dispersion, i.e., there are increased monitoring costs for an organisation with many subsidiaries, especially when the subsidiaries are of great distance from the firm's headquarters (Carney & Gedajlovic, 1991, as cited in Combs & Ketchen, 1999). Alternatively, subsidiaries of an organisation may collectively operate to facilitate effective decision-making and efficient monitoring (Carney & Gedajlovic, 1991). When subsidiaries are geographically concentrated, monitoring becomes financially economical to operate. Bosse & Phillips (2016) recognised the importance of not differentiating these subsidiaries to economise on agency costs. Bosse & Phillips (2016) argued that owners suffer agency costs irrespective of an organisation's structure. Brickley & Dark (1987) argued that organisations must trade off agency costs against monitoring benefits. In a later study, Brickley et al. (1997) further noted that agency costs can be reduced when institutional (not individual) shareholders have more incentive to act as controllers and monitors of the affairs of the agents.

Aside from monitoring the actions of a firm's managerial team, Dharwadkar, George, and Brandes (2000) emphasised the use of incentives to increase goal alignment and congruence between principals and agents. The use of incentives (either financial or non-financial), according to Dharwadkar, George & Brandes (2000), is a response to reconciling different risk tolerance and tackling problems emanating from the separation of management from ownership. However, explicit consideration must be given to the possible cost-benefit trade-offs between monitoring or using incentives as alternative sources of controlling managerial behaviour (Beatty & Zajac, 1994). In general, it was suggested that the appropriate level of monitoring depends on the size of the incentive gap between the principal and agent and that efficiency gains from monitoring are significant when agency costs are relatively high (Beatty & Zajac, 1994). When a manager does not accept any pay risk linked to firm success, a board of directors may need to supervise the management more closely than when the manager's incentives are linked to the firm's performance. Strong monitoring is necessary for these circumstances since inefficiency substantially influences value, and managerial incentives are only weakly correlated with business success (Klein et al., 1978). Despite the various costs incurred in the monitoring of agents by the principals, there is still potential for inefficient risk-bearing responsibilities among parties of an organisation, i.e., risk-avoiding behaviour on the part of the manager is plausible when a manager's compensation is closely linked to firm performance (Jensen & Meckling, 1976). Therefore, the size of the incentive component of the agency problem determines the desired amount of monitoring.

However, Jensen & Meckling (1976) noted that principals may need to induce agents to cooperate by either vertically monitoring their activities or designing incentive schemes that help encourage self-monitoring (horizontal monitoring). Kangaretnam, Lobo & Mohammed (2009) and Zhang, Bartol, Smith, Pfarrer & Khanin (2008) stated that divergence may be solved when the interests of the managers are linked to those of the shareholders, for instance, market-based rewards according to the firm's share price.

Incentives

Stemming from this approach, organisations do offer **incentive compensation.** This could either be financial or non-financial. According to Dharwadkar, George, and Brandes (2000), incentives encourage managers to add value for shareholders, which could be internal or external. As explained by Eisenhardt (1989) and Boshkoska (2015), offering financial rewards as incentives is internal, and through changes in managers' income and bonuses, operations may be controlled and owners' profit maximised. Other means of financial incentives that are contingent and can be offered include stock ownership and stock-option grants (Agrawal & Knoebar, 1996). According to Haugen & Senbet (1981), stock ownership and stock-option grants connect managers' interests with those of the shareholders. Stock ownership is a kind of security that gives managers a sense of entitlement by having a fraction of the organisation's ownership while concurrently keeping real financial gain (Bebchuk & Fried, 2003). According to Giesdal (1982), a stock option additionally grants managers the chance to buy a particular quantity of the company's stock for a predetermined price and a predetermined period. Because this type of incentive is performance-based, the thinking goes that managers may do all in their power to raise the company's stock price to maximise returns. However, since a manager cannot make much of a difference in share price, the possibility of performance-based reward causing a substantial moral hazard on managers' part, even in a situation where management sets its means of compensation and other contingent compensation is slim (Walsh & Brief, 2007) This is often referred to as the '1/n' or 'free rider' problem, i.e. if there are a thousand shareholders, the efforts of an individual (shareholder/manager) to increase efficiency will be shared with the remaining '999' others (0.1% of efficiency gain. In contrast, the individual can enjoy 100% of any relaxation from shrinking.

Eisenhardt's suggestion of financial reward as an efficient internal incentive is questioned, as it may not be a well-grounded and effective means of resolving the type I agency problem. This is based on the idea that financial incentives lead managers to take on too much risk and make decisions that may not be in the company's or its shareholders' best interests (Brink, Hobson & Stevens, 2017). However, in support of Eisenhardt (1989), individuals who receive financial incentives may provide a firm with significantly more effort in their quest for higher firm performance, which may not necessarily be the best option in increasing a firm's performance (Bruggen & Moers, 2007). Since one type of incentive is insufficient to counter agency problems, rewards and punishments can be used to correct agents' priorities. For type 1 agency problems, researchers like Hillman & Dalziel (2003) and Boshkoska (2015) suggested exercising stricter and more authoritarian means to control managers' operations. In principle, an effective board can monitor this tendency with stricter measures; however, incorporating other parties' ideas and perspectives (i.e., ethical deliberation) into decisions should be considered. To address the type 1 agency problem, researchers such as Gersel & Johnson (2020) and Tipuri & Podrug (2010) recommended the idea of **ethical deliberation** as a form of non-financial incentive. Ethical deliberation is when an organisation extends the economies of its internal structure to include a mutual partnership of all parties, in which all parties are valid moral agents (Williamson, 1983). Ethical deliberation is only prevalent when it is seen as a learning process, creative yet rational. This helps influence the level of involvement and attachment managers have with an organisation by providing some sense of belonging.

It should be noted that the effect of these various compensation devices can be inconsistent. Some researchers like Zhang (2009), Zhang et al. (2008), and Edmans, Gabaix & Landier (2008) argue that incentive compensation like stock-option grants helps alleviate type 1 agency problems. Nevertheless, it should be noted that the successful application of compensation mechanisms in maximising shareholders' wealth is always at the expense of debt holders. However, the type of agency problem will dictate the kind of incentive compensation to apply. According to Edmans et al. (2008), the compensation mechanism successfully addresses agency issues, including selecting a strategy and investment projects. For instance, managerial incentives can be tied to absolute performance (i.e., firm's performance) or relative performance (i.e., industry performance, market performance or performance of comparable firms) (Gibbons & Murphy, 1990). The dis-benefit of industry-based performance rewards is that a firm can perform relatively well in a declining industry, though badly in absolute terms. This means managers can be generously rewarded while shareholders are losing.

Internal firm structure

Another means of lessening agency problems is through a firm's internal structure. According to Nilakant & Rao (1994), the division of **Internal firm structure** or organisational design of firms into profit centres (multi-divisional form) may efficiently structure their agency relationships to reduce the need for detailed vertical control or monitoring and other related costs associated with some agency assumptions. The internal structure of an organisation can either be in M-form (multi-divisional), U-form (unitary form), H-form (holding company form) or matrix form (Agrawal & Knoebar, 1996; Johnson, Scholes & Whittington, 2008; and Jones & Butler, 1992). With the M-form, shareholders make no attempt to micro-manage managers but monitor the overall performance outcomes of divisions; for the U-form, firms only maintain control of managers' decision-making processes from a single unit (i.e., board of directors); while for H-form, minimal direct control of managers is exercised by the holding company because this kind of structure mainly arises out of merger and acquisition activity. Controlling agency issues is crucial to the effectiveness and longevity of every business. Regardless of a firm's organisational structure and managerial control, its board controls agency problems (Fama & Jensen, 1998; Nilakant & Rao, 1994).

Board of Directors (functions and composition)

The company board is a corporate governance body that monitors management's opportunistic behaviour (Abu-Dawleh, Lybaert, Steijvers & Jans 2018). According to Hillman & Dalziel (2003), a firm's central board of directors is the main factor influencing its corporate governance. As the 'chosen shareholder representative', the board of directors (BoD) plays a significant part in an organisational function. For instance, the board is tasked with increasing shareholder wealth, participating in decision-making, establishing company strategic policies, and acting as a monitoring agent for management. An effective board of directors serves as a key corporate governance instrument or control mechanism and is also seen as the structure of rules and processes for the company. Due to these responsibilities, a company's board pushes for efficient operations to improve the firm's performance (Kouaib et al., 2020; Terjesen et al., 2015; Zhou et al., 2018).

Various studies have linked board composition to a firm's success. This common practice tends to dominate studies of a firm's board, but no clear conclusions have been reached due to these equivocal findings (Huse, 1994, 1995, 1998; Jonnergard & Svenson, 1995). Four general seminal review publications regarding the board of directors have provided a decent summary (Zahra & Pearce, 1989; Pettigrew, 1992; Johnson et al., 1996; Forbes & Milliken, 1999). Zahra & Pearce (1989) outlined an integrative model built on the characteristics and theoretical vantage points employed in understanding boards. For instance, they highlight the key distinctions between board functions (i.e., service, strategy and control) and board qualities (i.e., composition, features, structure, and procedure). On the other hand, the review by Pettigrew (1992) is centred on managerial elites. The review covers the board of directors, institutional and societal power, and the composition and correlation between senior management. Johnson et al. (1996) centred on evaluating different metrics for board composition and business performance. The three theoretical board functions of control, service, and resource reliance were also reviewed by Johnson et al. in 1996. Lastly, Forbes & Milliken (1999) create a model of board dynamics that connects board demographics and business performance. Other studies on the board have a more specific focus on areas like women directors (Mattis, 1997), national constituencies (Pedersen & Thomsen, 1997), and stakeholders (Huse & Rindova, 1998). Irrespective of the subject matter, a firm's board has three primary roles.

These roles are resource provision, monitoring and strategic support (Yoshikawa, Zhu & Wang, 2014). Sometimes, theoretical perspectives dictate how the function of a firm's board is viewed, for instance, from an agency perspective, directors are concerned with independent monitoring responsibilities, but according to the resource dependence theory, they are seen as resource providers who use their human and social capital (i.e., networks contacts) to improve organisational performance. (Yoshikawa, Zhu & Wang, 2014). In addition to performing resource provision and monitoring responsibilities, the board actively participates in the company's strategic decision-making (Yoshikawa, Zhu & Wang, 2014). However, the strategic role of a firm's board is linked to its monitoring function (i.e., ensuring that the managerial team of a firm are responsible and accountable for their decisions or actions) (Hillman & Dalziel, 2003).

Regardless of the board's roles, representation among its members is critical in determining a firm's performance (Martin & Herrero, 2018). According to Huse (1990), the composition of a firm's board is a significant factor in describing its members' functions. Hence, the firm's performance, i.e., the composition of a firm's board, influences its functions, which determines its performance (Martin & Herrero, 2018). According to Huse (1990), **board composition** varies according to the industry. A firm's size and structure determine its board's composition (Huse, 1990). However, board attributes linked to functions may or may not depend on size and ownership structure (Huse, 1990). According to Pfeffer (1973), board composition is an important means by which a firm can ensure continuous positive performance through support from its environment, either in the form of resources or social legitimacy. Pfeffer (1973) emphasises the importance of a relationship between the organisation and its environment. For instance, a firm's local environment provides most resource support.

Additionally, the board's composition will play a significant role in whether (or not) the principal's and agent's competing interests can be resolved. (Pearce & Zahra, 1992). This means that the makeup of a firm's board in which a mechanism is employed is instrumental in reconciling conflicting interests and bringing about higher corporate performance (Rosenstein & Wyatt, 1990).

Furthermore, in their study, Shamser & Annuar (1993), as cited in Haniffa & Cooke (2002), examine the importance of board composition in corporate performance. For instance, Grace et al. (1995) and Haniffa & Cooke (2002) showed how the characteristics of non-executive directors could positively impact board composition and enhance corporate performance. A firm's performance may be enhanced by including an outside director and increasing the percentage of outside directors on the board. Therefore, according to Chakrabarty & Bass (2014), a company's viability is based on the makeup of its board of directors. For instance, a board with members who are more diverse in gender and have experience with socioeconomic goals is more likely to save costs. (Chakrabarty & Bass, 2014). According to Carter et al. (2010), it is crucial to understand how board diversity, such as gender and ethnicity, affects a company's success.

There are different types of tribal/ethnic affiliation, e.g., minority representation and tribal control (Singh, 2007). Singh (2007) suggested that firms should try to appoint talented non-executive directors with diverse backgrounds and directors from an ethnic minority. According to Gassmann et al. (2003), Kelley (2002), and Sooyoung (2004), increasing the number of ethnically diverse non-executive members on a company's board frequently promotes cross-cultural collaboration and relationships among firm participants. Consequently, proper intercultural relations among a firm’s board of directors from varying backgrounds may be required. This, in turn, promotes accountability and transparency. Accountability and transparency allow the firm to have a higher market capitalisation and a more independent, diverse board (Singh, 2007).

In addition to having non-executive directors who are members of an ethnic minority on a company's board, Haniffa and Cooke (2002) noted that family member representation on a board can impact corporate governance, particularly in companies where families hold significant equity stakes. A firm must be adequately understood and distinguished from its owner when there is little to no physical separation between the two (Nicholls & Ahmed, 1995, as cited in Haniffa & Cooke, 2002). As earlier noted, a diversity of cultural values can have hidden and significant effects on a firm’s corporate governance and family influence, depending on an individual’s perception of another (Workman, 2008).

However, Dalton et al. (1998) did not discover a direct connection between a company's board of directors and financial performance. According to Dalton, Daily, Ellstrand, and Johnson (1998), there is no connection between a board's leadership structure or composition and a company's financial performance. According to Deutsch (2005), a company's success is not affected by the composition of the board of directors. For example, a board with a higher percentage of outside directors may not always be a good 'shield' for shareholders' interests. The makeup of the board has little bearing on the choices made by a company (Deutsch, 2005). Nevertheless, Withers, Hillman, and Cannella (2012) pointed out that director selection and composition are crucial procedures that affect the outcome of board performance, which may impact a firm's overall success. It should be mentioned that decisions about a company's board of directors are made to safeguard and enhance shareholders' wealth and the company's worth. (Baysinger & Butler, 1985). Above all, organisations may hereby modify and implement initiatives that align with their governance approach accordingly in maximising shareholders’ value (Grant & McGhee, 2014). To properly understand how board composition can affect corporate performance, an investigation is needed into how the structural change could result in good strategic performance (Filatotchev & Bishop, 2002). Nevertheless, the nature of sample collection and the method of analysis should be considered before making a definitive conclusion about this relationship.

Recognising the importance of effective governance and strategy in performance is crucial, regardless of the board's job or membership (Filatotchev & Bishop, 2002). As there is no clear-cut resolution on how the board may contribute to strategy, it is urged to emphasise how institutional and context-specific elements affect the anticipated board's contribution to strategy. (Pugliese et al., 2009). There are various factors (i.e., both external and internal) that could mitigate the process of organisational performance. However, understanding the importance of *ownership structure*, *the board size,* and *board characteristics* (i.e., experience and independence) as internal factors that can influence organisational performance is advised (Filatotchev & Bishop, 2002).

According to Sur, Lvina, and Magnan (2013), a company's ownership structure significantly impacts the kinds of directors who are most suited to meet the performance and governance requirements of the company. For instance, family-controlled businesses have demonstrated higher financial performance in a stable environment. However, the proportion of family members who are board members and/or owners impacts how well a company performs in stable and unfavourable environments (Sur, Lvina & Magnan, 2013). In this event, Minichilli, Brogi & Calabro (2016) suggested that family-controlled firms should be proactive and equip themselves to face unforeseen market disruptions.

On the other hand, Andres & Vallelado (2008) identified the importance of *board size* in enhancing a firm's performance. According to Andres & Vallelado (2008), a positive relationship exists between board size and a company's performance (i.e., adding new and outside directors enhances value). For example, a larger company will have a larger board of directors with more independent and diverse members. (Martin & Herrero, 2018). The impact of this diversity is evident through the improvement of the board's monitoring and advisory functions (Andres & Vallelado, 2008). However, an earlier study by Andres, Azofra, and Lopez (2005) found a negative correlation between a company's efficiency and the size of its board. The ineffective communication and coordination mechanisms within a larger board cause the negative association between a company's performance and the size of its board. (Andres, Azofra & Lopez, (2005).

Concerning *board characteristics (i.e., experience)*, executive experience and a company's performance are negatively correlated (Filatotchev & Bishop, 2002). However, the outcome of this relationship depends on how a firm's performance is measured (Filatotchev & Bishop, 2002). Besides experience, there has been an increase in the demand to encourage *independence* among board members (Martin & Herrero, 2018). For instance, in the USA, 'independence' is evaluated using the *value of the transaction that a board member's employing firm has with the focal firm*. It should be noted that an exchange transaction between a board member's employer and a focal firm will not be possible without some form of relationship or affiliation between the exchange parties. ***In essence, the question arises: Do tribal affiliations reduce independence?*** According to Martin & Herrero (2018), the board's independence should be maintained within a set range for board duties to positively affect a company's success.

Boshkoska (2015) presented two models (i.e., a one-tier and a two-tier board) to make resolving the relationship between the board's function and company performance more straightforward. Businesses with a lot of information asymmetry typically choose a one-tier board (Belot & Sushka, 2014). Boshkoska (2015) claims that under a one-tier board, the executive board is made up of a combination of elected or chosen company personnel (executive directors) and non-executive directors appointed from outside the company (Dzordevic, 2012). This contradicts the prevalent recommendation favouring board members' independence by stating that there is a limit to the proportion of outside directors on the board (i.e., a higher number of outside directors reduces value). (Andres & Vallelado, 2008). It should be noted that the type of directors (i.e., independent, tribal affiliate or insider) required on a firm's board depends on the firm's governance needs and ownership structure (Sur, Lvina & Magnan, 2013). Usually, the shareholders select the non-executive members of the board to provide governance services (Boshkoska, 2015). Firms should move away from directly traditionally appointing board members and instead hire board service providers. (Bainbridge, 2019). His method will help discourage an individual from functioning as the board's chairman and a firm's top manager (i.e., a dual role). Role duality encourages self-interest, meaning he/she gets to represent his/her interest, which often is against the interests of the shareholders (Boshkoska, 2015).

Irrespective of how members are being hired on a firm's board, the appointment of independent outside directors is a way to ensure the effectiveness and efficiency of a firm's board (Luan & Tang, 2007). However, as noted by Grace et al. (1995) and Shamseer & Annuar (1993), the ratio of non-executive directors to all directors is a significant issue frequently raised in corporate governance. Adding an independent outside director to a board and a company's success have not been conclusively linked. However, Luan & Tang's (2007) research showed that adding an outside director improves a firm's performance. For instance, the higher the number of independent directors a firm has on its board, the more it can curtail excess opportunism from the managerial team through its monitoring function (Osma, 2008). It should be noted that the firm's national governance system and corporate ownership structure are necessary for independent outside board members to carry out their monitoring responsibilities effectively. (Yoshikawa, Zhu & Wang, 2014).

Above all, several theories help better explain and investigate a firm's board, the roles of its members, and its impact on performance. These theories (agency, stewardship and resource-based views) give a detailed and general pattern of results. According to Nicholson & Kiel (2007), there are different results with each theory used. For instance, for an agency theory, there is no positive correlation between having many outside directors on a board and a reduction in agency cost, meaning that having a strong management representation on a firm's board is not an adequate condition that dismisses agency costs. For stewardship theory, there is no clear proof to justify the claim that the more outside directors a firm has on its board, the lower its agency cost or the higher its corporate performance. Resource dependence theory yields a similar conclusion (Nicholson & Kiel, 2007).

On the other hand, the two-tier board occurs when the combination of the controlling board and the board of directors are dominant. With a two-tier board, the organisational structure comprises two distinct boards of directors (the management board and the supervisory board), each with its own set of duties. (Millet-Reyes & Zhao, 2010). According to Ees, Gabrielsson & Huse (2009), the 'two-tier system' method provides a new direction for boards and corporate governance, as against the usual approach of the 'one-tier system'. For a two-tier board, *the management board* is usually in charge of the organisation's general direction. In contrast, the supervisory board approves major decisions being made by the organisation's management (Firth & Rui, 2007). According to Belot & Sushka (2014), firms with two-tier boards are often associated with greater monitoring skills than a one-level board. Jensen & Meckling (1976), Fama & Jensen (1983), Pettigrew & McNulty (1995), and Mak (1996), as cited in Haniffa & Cooke (2002), emphasised the need for monitoring and control of the supervisory board to prevent against opportunistic behaviours of the management board regarding their actions and decision making.

The supervisory board depends on a conventional structural approach by tightening rules. This method altered the definition of independence, especially for executive board members who are self-reliant. This method of 'tightening rules' does not guarantee the effectiveness of corporate governance (Grant & McGhee, 2014).

However, the board's effectiveness, which is based on their equity position, is considered to be enhanced as a check and balance mechanism (Haniffa & Cooke, 2002). This method also emphasises the board's behavioural aspect by exposing an organisation's internal facet. The behavioural view on the board describes the actual interactive and decision-making process among parties within a firm's board rather than its performance, for instance, it helps reveal the politics and power play existing among board members, which could ultimately influence a firm's goals and objectives (Ees, Gabrielsson & Huse, 2009).

Because of the existing monitoring process among these board members, there is bound to be dissatisfaction among different parties of these tiers, and so are their responses. In response to their dissatisfaction, Hirschman explained how a firm's board can express their dissatisfaction most effectively in his book' Exit, Voice and Loyalty'. Using the 'exit, voice and loyalty framework', Hirschman (1970), as cited in John (2017), noted that a *lack of exit opportunities increases voice, while loyalty reduces exit*. As different blends of exit and voice are available, Hirschman's insights have provided a foundational framework for understanding dissatisfaction and ways to achieve a better outcome. For firms represented and governed by boards of directors (either selected members of the employees within the firm or selected members outside the firm), the board tends to use their voice whenever exit opportunities are not feasible. Other firms that family members and tribal affiliation heavily control tend to be too loyal to exit the board. Being loyal prevents one from leaving a company in the wrong direction (Hirschman, 1970, 1978). For the remaining firms, exit or share price is unimportant as they depend on stakeholders to use their voice.

According to Hirschman (1970, 1978), 'exit and voice' depends on 'loyalty'; however, the possibility of leaving depends on access to systems that encourage speaking up or strengthen obligations like loyalty. Loyalty is allegiance in groups, which makes exit less likely. For instance, the voice for 'board members' comes through a union, and the effect of their voice over loyalty varies with the existence of diverse individuals on a firm's board (Whitford & Lee, 2011).

How cultural differences can affect the BoD's decisions

In conducting its strategic functions, the board employs various decision-making methods. One of these is improving diversity among members of a firm's board (age, gender, or tribal differences) (Guest, 2019). According to Guest (2019), diversity within a firm's board is encouraged to reduce any oversight of decisions and monitor management's decision-making process. There are various kinds of diversity, but the effect of each diversity differs.

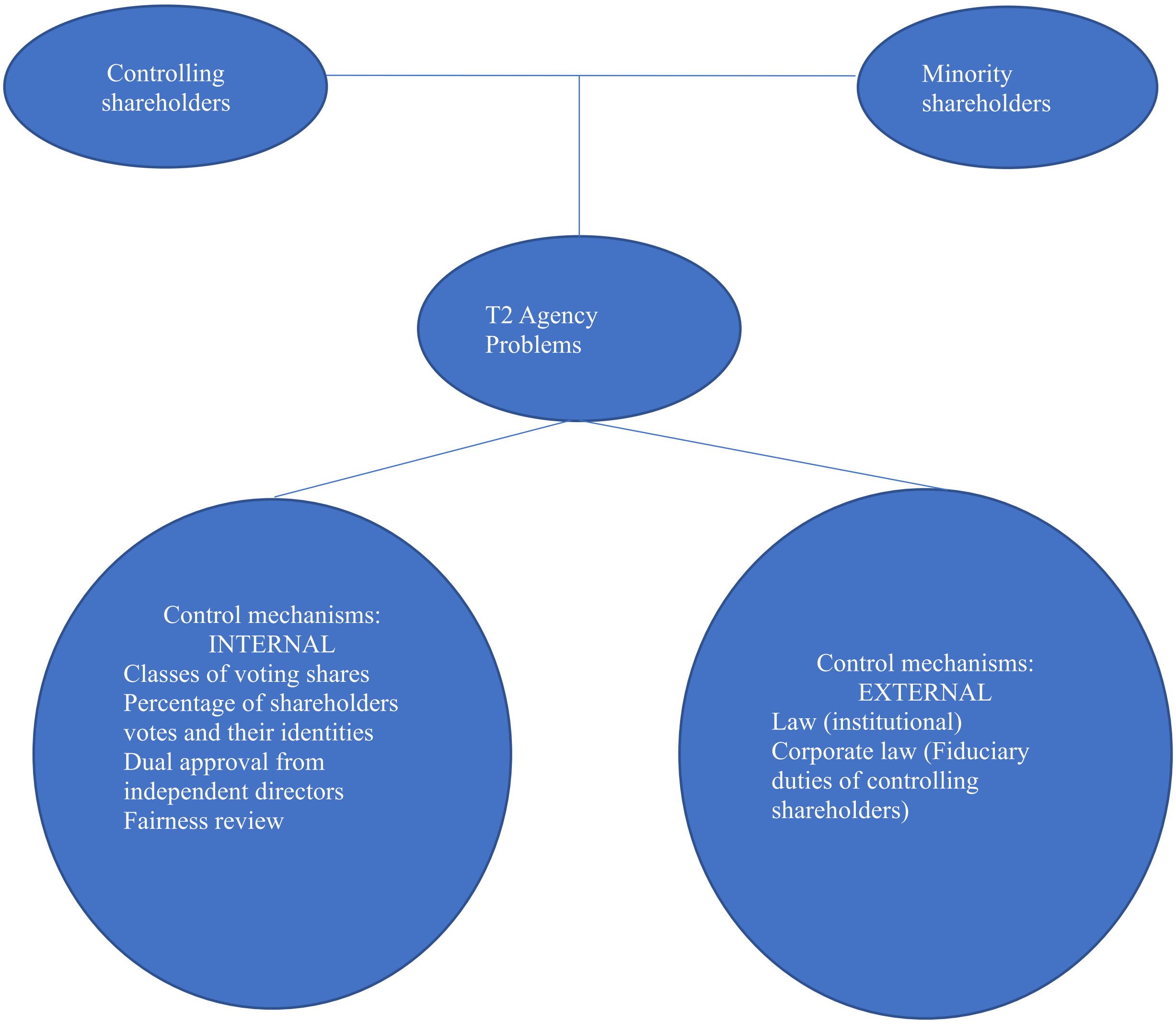
A dominant ethnic/tribal diversity might impact the roles of a firm's board, which could either be positive or negative. In performing their strategic function, Tee & Rassiah (2019) highlighted that there is a positive influence of a board having a high level of ethnic diversity among its members. When ethnic/tribal diversity is well managed, it can provide firms with competitive advantages (McLeod, Lobel & Cox, Jr, 1996). For instance, according to Tee and Rassiah (2019), individuals with different backgrounds can help create unique solutions by making effective business decisions. A board with varied ethnic backgrounds has different thought processes that help the board discover creative ways to solve problems. Each member of an ethnically diverse board has different perspectives and insights that a homogeneous board might not uncover. Similarly, it was noted by McLeod, Lobel, and Cox Jr. (1996) that most business decisions made by an ethnically diverse group are more effective and of higher quality. For instance, more informed decisions are made. In such a situation, information is carefully analysed before decisions are made. In performing their monitoring duty, active participation from individuals with varied ethnic backgrounds may result in increased engagement and favourable performance (Akinwunmi, Owolabi & Akintoye, 2018). However, according to Cox & Blake (1991) and Ilaboya & Ashafoke (2017), there is no specific positive link between tribal diversity and organisational effectiveness. McLeod, Lobel & Cox Jr (1996) suggested that this form of diversity (i.e., tribal) within a firm's board helps its members identify creative solutions and innovative methods to monitor its operations and improve its earnings quality.

Irrespective of various diversity (an instance of internal measure) that might exist within a firm's board, parties (stakeholders) should always strive to incorporate external value-adding measures for optimal performance (Guest, 2019). Other (i.e., external) means of control mechanisms are explained in the next section.

B) External control mechanisms

External control mechanisms are present when businesses are exposed to capital market impacts through mergers, hostile takeovers, leveraged buyouts, proxy fights, and legal protection of minority shareholder interests (Manne, 1965; Davis & Stout, 1992; Boyd, 1994; Walsh & Seward, 1990). Shareholders frequently depend on external control systems in evaluating a firm's performance (Bhide, 1994). The availability of these external measures, such as stock and capital markets, facilitates external control (Prowse, 1994). For instance, a firm's stock price reflects shareholders' perception of its ability to earn and grow its profits. The prevention of a takeover at a lower price by other investors makes it easier to align the conflicting interests of controlling shareholders with voting or control rights and those of the minority shareholders (i.e., cash flow rights). When a firm cannot demonstrate a healthy share price, alignment of interest is difficult. Therefore, the firm strives to keep share prices high to prevent any notion of takeovers. Consequently, firms adopting external control mechanisms are important to determine how to align these conflicting goals between the principal (i.e., controlling shareholders) and the agent (i.e., minority shareholders). Figure 2.2 below illustrates a Type 2 agency problem and its corresponding control mechanism.

Figure 2.6: Type 2 Agency problems and their control mechanisms



A type 2 (see Figure 2.6) agency problem is the principal-principal conflict between controlling and minority shareholders (Shapiro, 2005). Conflicts between minority and controlling shareholders may arise when ownership (cash flow) rights do not correspond to voting (control) rights. There is a good chance that shareholders' ownership rights (such as the right to receive a dividend) and voting rights (such as the ability to elect board members and approve major decisions) would differ when a company has a cross-shareholding structure. According to corporate governance theory, a balance between control and ownership may be necessary. This means that any shareholder may expect to have an equal amount of control and ownership rights, which is not possible. For instance, when a business goes public, it raises capital by issuing stock, each representing a share of ownership, which may not necessarily equal the same control share.

Shares are typically divided into distinct categories based on their rights and who holds them. Companies frequently issue various share classes with varying degrees of voting rights. A class-A share has exactly one vote per share and is traded on the stock market platform. The generic common stock of a company is represented by Class-A shares, often known as front-load class shares (Morey, 2003). Nanda, Wang, and Zheng (2009) and Morey (2003) both claim that investors pay front-end loads to brokers when they first invest. Like other share classes, this allows shareholders to vote on corporate matters such as appointments to the company's board of directors, mergers and acquisitions, etc. This class of shares also receives regular dividend payments based on the firm's profitability.

Early investors who receive super-voting shares instead own *class-B share* investors who do not trade on the secondary market. (Nanda, Wang & Zheng, 2009). It is also referred to as a deferred-load class share; shares in this class can only be assessed if an investor redeems shares within a specific period (Morey, 2003). Compared to class A shares, which have exact voting rights per share, class B shares have multiple votes for every share of stock. This kind of class share gives key company insiders (i.e., a firm's founder and executives) who have some sentimental attachment to the firm greater control over the company's voting rights, board, and corporate actions. Nanda, Wang, and Zheng (2009) claim that family-owned businesses frequently provide one share class's holders more voting rights than another and that this puts them in a better position to profit from the arrangement. Since this type of share allows important insiders to maintain most of the voting control of their company without owning more than 50% of the issued shares, it can act as an effective deterrent against hostile takeovers (Gompers, Ishii & Metrick, 2008; Jarrell & Poulsen, 1988; and Seligman, 1986). However, because individuals in power may become entrenched while they have fewer incentives due to diminished cash-flow ownership, the trade-offs between enhanced incentives and the risk of entrenchment are more apparent and harsher (Claessens et al., 2002; Gompers, Ishii & Metrick, 2008). As a result, people in power have more opportunities to take advantage of and profit personally from minority shareholders, such as class-A and class-C stockholders (Barclay & Holderness, 1989; Gilson, 1987; Nenova, 2003).

A class-C share trades on the stock market, but shareholders holding this class of shares have no voting rights. Unlike the deferred-load class, shares stay at a high level throughout the lifetime of the investment (Morey, 2004). Holders have the same right to profits and ownership regardless of shareholders' voting rights or different share classes.

The details of a company's share classes should be thoroughly investigated by investors, particularly when considering an investment in a company with more than one class of share, as there is no standard classification for multiple classes of shares (i.e., class-B shares are typically superior to class-A shares and vice versa in other cases). Agency Type 2 problems result from separating voting and ownership rights through share classes, exacerbating the disparity in preference rates among a firm's shareholders (DePamphilis, 2019; Howell, 2008). The presence of shareholders typically places a company at the centre of its industry (Paul, 2015). According to Paul's (2015) advice, businesses should recognise the dynamic nature of shareholder relationships and adjust management strategies to account for their rights. This is necessary to target issues like coping with multiple objectives, such as controlling conflicts of interest between shareholders and the effects of these conflicts on management decisions. Over time, it was discovered that managing a firm's performance is based on the bargaining power of ownership rights against the control rights of shareholders. On the other hand, Jones, Freeman, and Wick (2002) advocate for a different approach to capturing shareholders' interests. It was believed that if the majority (a reference to numbers) of a firm's minority shareholders were satisfied, its performance would be much easier to elevate. However, engaging and ensuring minority shareholders receive a fair return of their stake in the organisation is an important obligation of the firm's board (Donaldson & Preston, 1995).

Therefore, a firm's board is responsible for serving as the guardian to all shareholders by ensuring practices consider the principles of sustainability and accountability. Horisch, Freeman & Schaltegger (2014) identified three challenges in managing shareholders' relationships for sustainability and accountability. These include encouraging shareholders to serve as middlemen for the company's performance, fostering a mutual interest in sustainability, and increasing the sustainability interests of all shareholders. Three interconnected strategies are proposed to accomplish these goals: regulation, education, and sustainability-based profit generation for all shareholders, regardless of ownership and voting rights (Horisch, Freeman & Schaltegger, 2014). The use of control mechanisms varies by country, agency problem type, and ownership structure characteristics (Boardman et al., 1997).

When a company uses a cross-sharing holding structure, ownership control may be concentrated among several institutional shareholders. An institutional shareholder is an entity, like a bank, that pools funds to purchase securities in an organisation. Institutional shareholders, as opposed to individual investors, often have a greater influence. Having ownership power, a specialised group of shareholders may aim to build a long and trusting relationship among institutional shareholders, which may result in Type 2 agency problems (Norli et al., 2015). *Cross-holding* structures create specific difficulties in the operating activities of an organisation. When firms possess each other's shares, it reduces transparency and accountability towards other investors, i.e., individuals, by influencing corporate dividend policy (Han, Lee & Suk, 1999).

However, many firms are becoming market-oriented by adopting rules that may help to protect other shareholders. It may be necessary to enforce regulations (investment limitations) that forbid capital contributions between the parent company and its subsidiaries, particularly for businesses with a cross-holding structure. Type 2 agency issues are made worse by poor governance and insufficient minority shareholder protection (Dharwadkar, George & Brandes, 2000). Most firms that operate a market-based (US/UK-type) system tend to suffer more of agency problem type 1 because of investors' (individual) influence on the management of a firm. For firms with a market-based system (e.g., with individual/non-strategic shareholders), agency problem Type 1 is prevalent. While for firms with a cross-holding structure, agency problem Type 2 may be common. Therefore, disclosure quality and minority shareholders' protection are emphasised. Irrespective of a firm's agency problem, regular fairness review through an audit (internal and external) is advised.

Despite the various mechanisms applied in controlling agency problems, oversight of a firm's external environment in dealing with agency problems makes agency theory just a useful theoretical lens (which may be refuted by empirical evidence) in understanding the true nature and influence of parties' relationships on a firm's corporate governance. The following section will, therefore, elaborate on the alternatives to agency theory that may be employed to explain possible empirical refutation of the predictions of agency theory.

2.4 Alternatives to Agency Theory (i.e., criticisms of Agency Theory)

Agency theory is a simplification of social relations in its positivist form. However, the idea ignores the social setting in which principal-agent relationships occur (Wiseman, Rodriguez & Mejia, 2011). Agency theory focuses on individual behaviour while neglecting the social context of human behaviour (Freeman, 2004). Such conditions would need to be straightforward for the theory to clarify occurrences. Instead, the agency-based models apply the deductive method, recognising and considering the institutional environment surrounding the principal-agent relationships. This shortcoming should be an opportunity to expand our understanding of principal-agent relations to several circumstances rather than as a barrier. Agency theory may not be able to account for all complex social behaviour, but it can still be used as a basis (building block) for these complex problems.

Despite the adaptability of empirical or positivist agency theory, some scholars, including Perrow (1986) and Hirsch & Friedman (1986), contend that the theory is overly restrictive and does not directly address any pressing issues (Eisenhardt, 1989). For instance, agency theory does not clearly understand the behaviour of CEOs and corporate boards of directors. According to Bosse and Phillips (2014), the agency theory's underlying assumption of self-interest needs to be broadened to account for potential issues brought on by such behaviours. For example, instead of trying to rein in CEOs' self-serving behaviour, the board should promote positive reciprocity and fairness while avoiding welfare-decreasing "revenge" behaviours. Additionally, Donaldson & Davis (1991) acknowledged that by separating the responsibilities of the board's chair and CEO, shareholders' interests do (or do not) require protection.

Positivist agency theory approaches to contract design are unrealistic and constrained as a theory of performance. The notion assumed that individual contributor positions were the exclusive source of organisational performance (Nilakant & Rao, 1994). Inadequate understanding of the relationship between effort and outcome and a lack of consensus regarding effort and outcome are two important drivers of outcome uncertainty in the organisation that are overlooked by this approach. Hence, it emphasises the importance of operational effort (i.e., the quantity of effort) at the expense of facilitative effort (i.e., quality and type).

Despite the acceptance of agency theory in the strategy literature, researchers have failed to consider the assumptions that underlie the theory, how these assumptions might limit its applicability in the present, and how they might prevent it from explaining certain phenomena, such as entrepreneurship and family businesses. Since agency theory only fully explains entrepreneurship and family businesses, its application is still debatable (Bendickson, Muldoon, Liguori & Davis, 2016). Although the domains of entrepreneurship, family business, and their network implications may provide practical and original grounds for investigating complex principal-agent problems, academic journals on agency theory currently fall short of fully addressing these areas. More agency research that emphasises the significance of governing processes is required to understand entrepreneurship and family business.

Despite all these shortcomings, agency theory has been regarded as a dominant theoretical lens that informs research in corporate governance. Agency theory not only predates other influential theories, such as stakeholder theory and stewardship theory (Pfeffer & Salancik, 1978; Selznick, 1949; Thompson & McEwen, 1958; and Zald, 1969), institutional theory (DiMaggio & Powell, 1983; Meyer & Rowan, 1977; Oliver, 1991; Rogers, 2003; and Scott, 1995) and network theory (Moreno, 1930s), it does remain a dominant perspective on which much governance research relies.

2.4.1 Stakeholder Theory

Alternatives to agency theory are reviewed here because they identify the limitations of an agency approach to corporate governance. Among these alternatives is stakeholder theory. Stakeholder theory emerged as an alternative to stockholder-based theories (e.g., agency theory). Stockholder theories have their roots in capitalism, which helps promote the efficiency of economies in business. It, however, did not recognise the effect of shareholders' liabilities upon other parties within an organisation. Freeman, Harrison, Wick, Parmar and Colle (2010) noted that the legitimacy of agency theory was grounded on ownership and managerial expertise. According to Freeman (1984), existing management theories are insufficient to handle the scope and nature of change in the business environment. Stakeholder theory serves as a new narrative to counter such a dominant mindset. Stakeholder theory helps organisations understand and manage the business environment.

Stakeholder theory's core concept has been used in several kinds of literature, including corporate planning, systems theory, and corporate social responsibility. This material has been directly derived from Strategic Management: A Stakeholder Approach by Freeman (1984), a fundamental work. Stakeholder theory is founded in the discipline of strategic management, which later expanded into organisation theory (i.e., Donaldson & Preston, 1995; Jones, 1995; and Rowley, 1997) and corporate ethics, according to Clarkson (1995), Freeman (1984), and Frooman (1999). (i.e., Philips & Reichart, 2000; and Starik, 1995). Although other discussions have been about sustainable development, more recently, the social responsibility part of stakeholder theory allowed it to integrate into social issues in management (i.e., Wood, 1991a) (i.e., Sharma & Henriques, 2005; and Steurer, Langer, Konrad, & Martinuzzi, 2005). Regardless of the theory's use in different sectors, it has gained acceptance due to its management applicability, normative validity, and descriptive accuracy (Donaldson & Preston, 1995). Normative validity (i.e., interpretation of an organisation's core processes and activities), descriptive accuracy (i.e., how corporate characteristics are described), instrumental power (i.e., as a tool to determine the connection between stakeholder management and corporate objectives), and managerial (i.e., recommend structures and practices that best help in stakeholder management). Discussion of these approaches to stakeholder theory will be evaluated in the subsequent paragraphs.

Stakeholder theory is used to describe corporate characteristics and predict organisational behaviours, according to Donaldson & Preston (1995). For example, the theory has been used to describe: the nature of a firm (Brenner & Cochran, 1991), the way managers think about managing (Brenner & Molander, 1977), and how board members think about the interest of other corporate constituencies (Wang & Dewhirst, 1992), and how some corporations are managed (Clarkson, 1991; Halal, 1990; and Kreiner & Bhambri, 1991). In contrast with agency theory, this stakeholder theory approach explains how an organisation operates, describing it as a collection of cooperative and competitive interests possessing intrinsic value. This descriptive approach to stakeholder theory can serve as a framework for testing relevant empirical claims if their accuracy is verified (Donaldson & Preston, 1995).

For instance, it was believed that the failure of General Motors to compete with its Japanese counterpart effectively was partly a result of the Clean Act 1970 price hike (i.e. which was only meant to serve the shareholders) driven by the Organization Petroleum Exporting Countries and the increasing activities of pressure groups (for instance, trade unions, ethnic associations, business association etc) identifying a lack of social responsibility to other stakeholders asking for more socially responsible corporate behaviour. Studies adopting the stakeholder perspective suggest that adherence to principles and practices helps achieve traditional corporate performance objectives (Freeman, 1994). For instance, successful organisations like Hewlett-Packard, Wal-Mart and Dayton Hudson share similar stakeholder perspectives of managing the interests of all constituents (Kotter & Heskett, 1992). Managers from the listed successful organisations strongly care about people (customers, employees, stockholders, suppliers, etc.) who have a stake in the business (Kotter & Heskett, 1992). Stockholder-based firms must pay attention to other stakeholders to maximise shareholder returns. In summary, the instrumental perception of stakeholder theory proposes a positive relationship between fairness toward stakeholders and the firm’s performance (Bridoux & Stoelhorst, 2014). However, over time, it was discovered that the success of firms in stakeholder management was based on bargaining power rather than fairness.

According to Laplume et al. (2008), Freeman’s (1988) later research, which works with some other researchers (Evan & Freeman, 1988 and Freeman & Gilbert, 1988), suggested a moral basis for stakeholder management, which contrasts with his original strategic focus on stakeholder theory. This moral basis paved the way for what is known as ‘normative’ stakeholder theory. According to Donaldson & Preston (1995), a normative stakeholder theory approach is used to interpret an organisation's core processes and activities. According to this approach, stakeholders are persons with legitimate interests, and their interest is identified in the organisation, irrespective of whether the organisation has a corresponding functional interest in them. It also suggests that stakeholders’ interests are of intrinsic value and worthy of consideration for their own sake, not because of their ability to further other groups' (e.g., shareholders’) interests.

The managerial perspective is the final approach to the understanding of stakeholder theory. This method suggests attitudes, structures, and procedures that, when combined, constitute stakeholder management. It also describes situations and forecasts the connection of cause-and-effect interactions. The key attribute of stakeholder management is its ability to give simultaneous attention to the legitimate interests of all stakeholders in the organisational structure, policies and decision-making process. According to Donaldson & Preston (1995), stakeholder management must apply to managers and others whose decisions impact business policy, such as shareholders and the government. In contrast to agency theory, stakeholder theory does not necessarily see managers as the focus of corporate control and governance. Stakeholder theory has questioned any business organisation's fundamental goal (i.e., shareholders' wealth maximisation) and how this goal is achieved, even though it does not imply that all stakeholders should be equally involved in all organisational processes and decision-making (Laplume et al., 2008).

In summary, stakeholder theory is a theory that illustrates how businesses function (Freeman, Harrison, Wick, Parmar & Colle, 2010). These approaches to the understanding of stakeholder theory can be defined in terms of stakeholders' contribution to the firm (i.e., when groups and individuals have a stake in the success and failure of a business by providing a resource for the firm) or by its rights (i.e., enjoying a share of profits and dependence on the firm (Freeman, Harrison, Wicks, Parmar & Colle 2010).

However, the stakeholder theory has been criticised for not being capable of generating a hypothesis for this research. This is because stakeholder theory does not clearly distinguish who or what constitutes a firm's stakeholders and to whom managers are expected to pay attention (Mitchell, Agle & Wood, 1997). Several narrow definitions of stakeholders attempt to specify the pragmatic reality that managers can only prioritise managerial attention and cannot attend to all actual or potential claims. Conversely, a few broad definitions of stakeholders attempt to specify the empirical reality that anyone can influence or be affected by an organisation's decisions and actions. Here are some definitions, ranging from the classic book *Strategic Management: A Stakeholder Approach* by Freeman (1984) to more current attempts.

Various definitions of stakeholder are categorised into power dependence, legitimacy and urgency. *On power dependency* (i.e., either stakeholder or firm-dominant), researchers like Freeman & Reed (1983), Freeman (1984), Freeman & Gilbert (1987), and Bowie (1988) noted that a stakeholder is described as a person or group of people who can influence or be influenced by the accomplishment of an organisation's goals and without the support of whom the organisation would cease to exist. This shows the importance of stakeholders' visibility and voice. Researchers like Evan & Freeman (1988), Hill & Jones (1992), Carroll (1993), Clarkson (1995), and Donaldson & Preston (1995) define stakeholders as a group of people with a legitimate interest, stake, claim, ownership, or right in the procedural or substantive part of corporate activity, which is established through the existence of an exchange relationship and who supply the firm with resources and in exchange expect its interest. Brenner (1993), however, recognised the importance of a stakeholder having a legitimate relationship with an organisation through the exchange transaction process, action impact and responsibilities.

A thorough understanding of current and potential claimants in the firm's environment is necessary for responsibility. The 2011 study by Mainardes, Alves, and Raposo focuses on defining stakeholder groups' borders and the standards for determining an individual's membership in each group. Crane & Ruebottom (2011) recommended ways to identify stakeholders' categories, i.e., conceptualising them based on their social identity. It is essential to recognise and identify each stakeholder to survive, maintain economic viability, contain damage, seize opportunities, influence public policy, form coalitions, and fairly balance competing claims and interests within the organisation's social system. Targeting problems like stakeholder and management conflicts of interest, challenges juggling various objectives, etc., also requires this identification.

A firm is typically centrally located and surrounded by stakeholders, yet most of the time, the interactions between these stakeholders receive little consideration. Additionally, the groups that theoretically fall under the " community " definition are still poorly defined (Karen, 2015). Mbalyohere & Lawton (2018) suggested that organisations should engage stakeholders through their Corporate Social Responsibility (CSR) strategy and

Corporate Political Activity (CPA). On the other hand, Karen (2015) recommended that enterprises recognise the dynamic nature of stakeholder relationships and further adapt management practices to stakeholder traits. Regardless of the choice of participation, Friedman (1970) argued that if a company adheres to "the laws of the game," it must solely use its resources and engage in activities that increase profits. According to Berman et al. (1999) and Jones (1995), as cited in Brammer & Millington (2008), the effective management of stakeholders can be compatible with profit maximisation only if the organisation is instrumental in determining the scope and extent of its liabilities. Stewardship theory is an alternative to stakeholder theory that focuses on the effect of corporate activity on all identifiable stakeholders.

2.4.2 Stewardship Theory

Stewardship theory has its theoretical basis in organisational psychology and sociology, a normative alternative to agency theory. According to Donaldson & Davis (1991; 1993), stewardship theory is a new perspective in understanding the relationship between ownership and management. The stewardship theory was created to study circumstances in which agents are encouraged to manage the resources they control responsibly (Donaldson & Davis, 1991; 1993). According to the stewardship idea, agents value cooperation more highly than defection. When the firm's stated and implemented values align, managers' stewardship behaviour leads to corporate governance processes (Davis et al., 1997). Stewardship theory understands the validity and prevalence of the principal-agent relationship (Davis, Schoorman & Davidson, 1997). For instance, to maintain and improve motivation, management must look at the organisation's goals to verify if they include care for and service to clients and employees.

According to Subramanian (2018), organisations were able to adapt to the changing external economic environment that supports the creation of continuous value by aligning the enacted values that explain the behaviour of agents (in this case, stewards) with those of the espoused values organisations regarded as essential (i.e., the essence of corporate governance). The self-actualising behaviour of stewards assumes psychological ownership (Davis et al., 1997; Pierce et al., 2001). The belief that the utility they can obtain from being committed to the effective running of the organisation is greater than the benefit of self-interested behaviour limits the opportunistic behaviour of agents (Davis et al., 1997; Pierce et al., 2001).

Situational factors in stewardship theory are trust, loyalty, engagement, collectivism, willingness to be concerned for the interest of others and low power distance, even though board accountability is relevant to stewardship theory. For an organisation to run efficiently, boards are crucial. They are expected to carry out a variety of duties, such as providing access to resources (Hendry & Kiel, 2004; Hillman, Canella & Paetzold, 2000), monitoring management to reduce agency costs (Eisenhardt, 1989; Roberts, McNulty & Stiles, 2005; and Shleifer & Vishy, 1997); and setting the firm's strategic direction (Kemp, 2006; Tricker, 1984; and Van der Walt & Ingley, 2001). However, stewardship theory sees the role of a firm’s board as facilitating managerial work rather than monitoring it. Stewardship theory embraces individualism (Keay, 2017). Hence, in stewardship theory, the primary function of a firm’s board is to advise and support the work of managers through sharing experience and skills (Bathula, 2008). The board carefully oversees the company's assets and long-term success.

The stewardship theory of governance addresses some of the assumptions of agency theory by having a clear goal of shareholder happiness and presenting a model based on both subordinates' psychological qualities and organisational situational characteristics (Davis, Schoorman & Davidson, 1997). As against stewardship theory, network theory uses structural characteristics to understand how parties to an organisation relate, network, and function.

2.4.3 Network Theory

A) Network Theory: Origin and Definition

Network theory originated in Moreno (1934), Heider (1946), Nadel (1957) and Harary (1959). Moreno (1934) defined network theory as a theory that describes the sociometry of small groups. Heider (1946), however, viewed network theory from a social balance angle that concerns how social groups evolved to a possible balanced state through the **psychology of sentiments**. Nadel (1957), on the other hand, identified networks as a field of cultural anthropology. While using graph-theoretic mathematics, Harary (1959) explained that the 'degree of balance' provides a sociometric index in which the construction of the network (i.e., group structure and behaviour) is important. Because organisations are multiple systems of relationships, the network theory of organisations should naturally take a multilevel perspective (Hitt, Beamish, Jackson & Mathieu, 2007). In building on these works, research on network theory has noted that many embedded ideas are central to this theory, from theoretical and empirical contributions to methodological breakthroughs.

For theoretical and empirical contributions to network theory, Brass (1984) explored the connection between structural positions and influence at the person's level, using the relative positions of workers within friendship and the workflow to gauge influence. Brass (1984) concluded that interactions outside the scope of regular work are crucial for gaining influence, supporting a structural view of inter-organisational influence. Like Brass (1984), Krackhardt (1990) asserted that a thorough understanding of informal networks might serve as a foundation for power. Krackhardt (1990) studied the perception of *friendship* and *advice* networks compared to a *formal* network. Krackhardt (1990) used a small entrepreneurial firm in his research, and it was concluded that parties with more accurate cognitions of *advice networks* were rated as more powerful by other parties within an organisation, as against *friendship networks*, which, according to Brass (1984), determine influence. The accuracy of a *friendship network* without differences is not related to reputational power (Krackhardt, 1990).

Burt (1992) described the social structural theory of competition and how a new network modelling method (i.e., differences among parties) is considered. According to Burt (1992), accommodating these differences is not straightforward; however, having unambiguous boundary conditions within a network can automatically conserve the essence in which the network was established. Burt (2000) proposed that the emphasis should be on the network mechanisms that are accountable for the effects of social capital in a later research paper on network theory. Additionally, Burt (2000) noted that rather than being closed off within a network, these network mechanisms can be combined usefully within a more general model of social capital, which is a function of brokerage across structural holes (i.e., gaps between two people who have complementary sources of information). Burt (2000) pointed out that structural flaws are a source of added value, which aligns with Brass's (1984) recommendation that you link multiple sources of information to influence. However, network closure (i.e., dense clusters of strong connections) is needed to realise the value embedded in these holes (Burt, 2000). According to Burt (2000), network theory is predicated on the fundamental notion that information, novel ideas, and behaviour are more homogeneous within any group of people than between different groups.

It was, however, noted that the degree to which new information and ideas could be of influence and value is determined by the strength of ties that overlap between two individuals' friendship networks (Granovetter, 1973). Granovetter (1985) questioned how much economic behaviour is entwined with social structures and linkages in his later network theory study. According to Granovetter (1985), a key subject in social (or network) theory is how social ties affect behaviour, markets, and institutions. Without more profound knowledge of these relations, it is impossible to construct an adequate link or influence. In their network theory analysis, Gulati & Gargiulo (1999) noted that organisations or parties to a network rely on information from the network of prior alliances to help determine with whom to enter an alliance to access critical resources. Gulati & Gargiulo (1999) also noted ways organisations enter alliances whilst relying on information from previous network alliances in determining with whom to cooperate. As a result, the likelihood of a new alliance forming between two organisations rises as their interconnection, mutually beneficial earlier alliances, and shared centrality (Gulati & Gargiulo, 1999). However, the impact of interdependence is lessened, and shared centrality in establishing new alliances is enhanced by a different emergent network structure (Gulati & Gargiulo, 1999).

Besides the effect of the interdependence of group members in determining influence, Hite & Hesterly (2001) were concerned with how networks of socially embedded ties may evolve with different stages of a firm's growth. Hite & Hesterly (2001) found that networks of developing enterprises change over time to meet the firms' problems and resource requirements. Networks of growing enterprises are called identity-based since they are composed of several cohesive links, according to Hite & Hesterly (2001). However, as businesses enter the early growth stage, their networks start to develop more connections that consider both costs and benefits from an economic standpoint, as opposed to mere benefits, as was the case during the emerging stage. That is, from networks that emphasise coherence to those that use structural flaws, from networks that are more dependent to more managed networks. Hence, understanding how the industry networks work is essential for learning how ties within a firm function (Madhavan, Koka & Prescott, 1998). That is, the event of an industry can dictate how a firm reacts; for instance, the influence of an industry's occurrence can give direction on how a firm's manager can help shape interfirm relationship networks. Madhavan, Koka & Prescott (1998) emphasised how events (i.e., structure-reinforcing or loosening) within the industry can potentially create a premeditated structural impact.

Above all, Powell (1990) defines network theory as a pattern of communication and exchange representing a viable economic organisation pattern. He, however, noted that network arrangements and structures differ in features according to the different sectors of the economy. Despite all these contributions, the central idea of network theory focuses on the social relationships linking individuals in a group at any level (Freeman, 2004). The beliefs are firmly established in a group's shared values, ideals, cultures, and social relationships, including hierarchy, legitimacy, power, trust, and things like position, prestige, influence, and cohesion. Brass (1984) investigates the connection between structural positions and influence at the individual level. Network analysis concentrates on how these connections form a framework that can be researched and evaluated rather than examining individual behaviours, attitudes, and beliefs (Galaskiewicz & Wasserman, 1994). However, network theory aims to investigate the relational systems in which parties interact and ascertain how the type of relationship structure affects behaviours (Rowley, 1997).

Instead of focusing on an individual's behaviour, network theory helps analyse social circles. In the opinion of Freeman (2004), network theory is more concerned with the interaction and management of social groupings. Instead of focusing on the effects of individual stakeholders, network theory also aids in studying the characteristics of an organisation's overall stakeholder structure and how they affect the company's behaviour (Rowley, 1997). Comprehending parties' (i.e., groups, social circles, and communities) behaviour is essential to human interaction. However, awareness of such behaviour also requires understanding individual influences on the social element of behaviour (Freeman, 2004). By identifying which section of the social circle is vulnerable to change, interactions among social actors in an organisational context might help prevent adverse outcomes caused by some wrong management decisions (Dee et al., 2017).

B) Network: Its Uses and Importance

Rowley (1997) states that network theory extends stakeholder theory (see above). Network theory offers a perspective to conceptualise the influences of multiple stakeholders and organisational response. Researchers have used network theory to extend their understanding of individual behaviours and social phenomena. Examples of these applications include power (Brass & Burkhardt, 1983), social influence (Marsden & Friedkin, 1994), and innovation diffusion (Community Elite Decision-Making, Laumann & Pappi, 1973). (Burt, 1987). Rowley (1997) asserts that applying network theory will cause stakeholder theory's influence to depend on the structural features of an organisation's network of relationships. According to Oliver's (1991) research, network theory responds to the organisational reaction to external influences. For instance, the extent and strength of the stakeholder network surrounding an organisation are determinants of an organisation's resistance to stakeholders' demands. Network theory is important because it incorporates the environment into decision-making (Dee et al., 2017).

There are two main characteristics and, hence, measurements of networks: density and centrality. The "density" of a network, a word used in social network analysis to characterise the organisation of a particular network, is comparable to how linked an environment is. Rowley (1997) claims that density is a property of the entire network that assesses the quantity of connections binding parties together. It is measured as a ratio of the number of connections present in the network or stakeholder environment. Contrarily, centrality describes a specific position within the network relative to others. The degree to which an organisation resists institutional forces depends on how integrated a relational network is. Measures of centrality include counts of a party's direct connections, independent access to others, and influence over others. There is always access to resources, but possibly non-competitive resource sourcing regardless of the two network measurements (Gulati & Gargiulo, 1999).

Understanding an organisation's operation is a component of network theory. This concerns how the environment influences human behaviour and how the environment reacts to such influences (Rowley, 1997). Among other methods (such as stakeholder theory, institutional theory, etc.) used in determining how parties within an organisation relate to one another, network theory looks at how interactions between parties affect the environment and vice versa. Multiple interdependent relationships must be considered by utilising network theory to recognise and comprehend the influences of human behaviour within its environment (Rowley, 1997). The interaction between dependent parties is the primary focus of network theory rather than individual explanations of events (i.e., characteristics of isolated cases) (Wellman, 1988). This indicates that structural limitations, rather than internal pressures within a unit, are used to understand behaviour (Wellman, 1988). Network theory focuses on how these interactions (i.e., networks) constitute a framework that can be studied and analysed.

2.4.4 Actor-Network Theory

A theoretical perspective known as actor-network theory (ANT) is founded on the ontology of relational practices. ANT is nevertheless viewed as more of a procedure than a theory. It was created from research on science and technology, and studies on organisational communication have extended and used it. (Cole & Littlejohn, 2018). As with all social theories, ANT begins with an assumption. An assumption is that humans do have the 'desire to connect'. However, Brown & Capdevila (1999) noted that the connection is not peculiar to humans. Brown & Capdevila (1999) define the "desire to connect" as a process of establishing connections and motivating relationships that should not be limited to "human subjectivity" alone because objects may also be "actors." Thus, the constant act of connecting is fundamental to human society.

The "desire to connect," according to theorists researching ANT, is what motivates social action. Serres (1995) describes the "desire to connect" as "departures." Departure is a point, source, or division. It can also be seen as an innovation that separates people from objects. The pragmatic sociology of process known as "actors-network theory" focuses on how actors attempt to create and sustain networks (Law, 1999). The sociology of process, according to Law (1991), revolves around a group of actors translating (i.e., re-interpreting and displacing) the interests, aims, issues, solutions, and occasionally the identities of other actors to fit with their own (Law, 1992). According to Callon (1986), there are four phases of translation: problematisation, interest generation, enrolment, and mobilisation.

When the main characters try to dominate the other characters, *problematisation* occurs. By describing the nature of the challenge the actors encounter in attaining their objectives, they can pinpoint a single solution by interposing first, decreasing other actors' connections to alternate interpretations, and focusing more on the problematised, the primary actors, on the other hand, "lock" other actors into position through *interest generation*. When actors put their interests into practice through their actions, *enrollment* occurs. It outlines the roles that must be played in carrying out the passage's necessary point and how other players will interact within the network. Lastly, *mobilisation* is a situation where actors borrow the force of their passive actor allies and turn themselves into their representatives.

There is no social order in the ANT, as defined by the four phases of translation. According to this idea, actors attempt to control the formation and stabilisation of networks to constitute their network and order. According to this view, actors can be a single person or a small number explicitly named and followed.

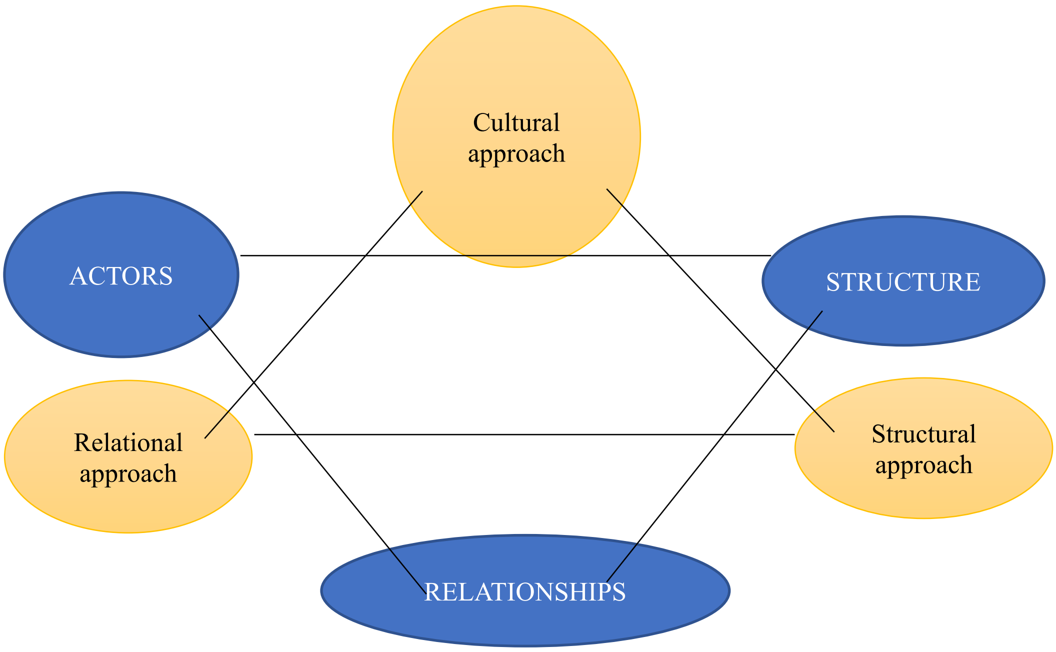
ANT has been interested in the ordering process, how social order is established, and the role of other nonhumans in that process. This indicates that the theory supports networks of tangible and intangible resources.

The investigation of the complex networks that make up a moral dilemma begins with the research of ANT. ANT broadens our knowledge of moral conflict by considering both the material and relational aspects of conflict communication and the inconsistencies in moral ordering that contribute to moral conflict. By tracing the intricate connections between actors, the theory, for example, redefines action and agency as interconnected rather than as an autonomous process that enables the notions of agency to be put into action. It also fits with the original interactionist and constructionist base of moral conflict theory (i.e., exchange parties). Other theories illustrate how actors (i.e., exchange parties) connect and relate with one another through their transactions. The following section uses the business network theory to explain this scenario.

2.4.5 Business Network Theory

According to Henneberg, Naude & Mouzas (2009), business networks are complex but a systematic web of interdependent exchange relationships within which individuals must operate. Business network theory (BNT) is a theory that explains a series of repeating transactions based on relational and structural forms that include interrelated aspects of actors (i.e., exchange parties), resources, and activities (Henneberg, Naude & Mouzas, 2009; and Todeva, 2006). BNT has dynamic boundaries that accommodate each element member's opposing and overlapping goals. BNT enables actors to exchange information, goods, resources, commitment, and trust while engaging in cooperative activities. The dynamic relationship between these three components is seen in the figure below.

Figure 2.7: The dynamic connection of the three elements using three different approaches



Adopted: The network diamond (Todeva, 2006).

From the diagram above, three different dominant approaches to analysing BNT exist. They are the cultural, relational and structural/positional approaches. A cultural approach to BNT argues that cultural artefacts like knowledge, technology and institutional norms can influence human interaction, decisions and choices, affecting the whole network structure (Todeva, 2011). Norms are regarded as individual attitudes and systems of beliefs which can be institutionalised in a legal document and executed by the government. The cultural approach greatly influences network theory through its processes and the overall framework of the network dynamics (Todeva, 2011). For instance, the cultural approach to BNT helps select partners or members of a networking group, such as a firm's board. It helps stage interactions among these members, and its usefulness is evident through the members' representation of interests.

According to Todeva (2011), the relational approach to BNT explores the business relationship more deeply; the relational approach to BNT advances the structural/positional approach. The relational approach illustrates how actors (i.e., exchange parties) are intentionally positioned by experience or affiliation with industry members in the industry. This positioning may influence resource flows and dependencies. For instance, a politician on a firm's board will influence the flow of resources (information and policy), positively affecting the organisation he is a member of. However, it is noted that the relational approach of members can influence the flow (i.e., governed by contracts, formal agreements and legal obligations) of resources. This approach helps to disentangle the elements of relationships and explain firms' strategic intent and behaviour.

Lastly, the structural/positional approach to BNT, according to Todeva (2011), emphasises the embeddedness of market transactions in the structure of social relations. The structural analysis of BNT is derived from various theories of social exchange that emerge with the social structure of actors' intentional action, their interaction, and power dependence.

However, managers (agents) must correctly understand the business network within which they operate (i.e., the spatial and interlinked relationship between actors within a business network) (Daft & Weisk, 1984; Pick, 1999). Complex business networks help managers understand their position and available change options (Daft & Weisk, 1984; Pick, 1999). The following section will attempt to understand the different ethnic variations in an organisation.

A) Multi-ethnic society

Phinney (1996), on the other hand, viewed culture as ethnicity. According to him, 'ethnicity as a culture focuses more on the cultural characteristics of a particular group from a common origin transmitted across generations'. These cultural characteristics are norms, values and behavioural attitudes of individuals in a group (Armstrong, 2003; Cummings & Worley, 2005). Other different but interrelated perspectives in which culture (ethnicity) can be viewed are identity and status (Phinney, 1996). Ethnicity as an identity consists of a complex cluster of enduring factors fundamental to the self-membership of a group (Phinney, 1996). This varies across group members and tends to explain the extent and type of involvement with one's ethnic group (Keefe, 1992). Also, according to Phinney (1996), ethnicity as an identity helps define an individual's involvement within their cultural group. Gurin, Hurtado, and Peng (1994) noted how these factors can be combined in different identity structures across individuals, showing variation in how outstanding an individual is in a group. In other words, two individuals belonging to the same group may differ widely in their identification and commitment to the group. Phinney (1996) further noted that differences over time depend on the quality of individual identity within the group.

Regardless of the many perspectives on culture, Barth (2010) recognised that culture is a shared identity possessed by a group of people based on shared characteristics, attitudes, and behaviours. Common identity may be a language, mentality, style of living, institutions, legal framework, or etiquette. More focus has been placed on cultural distinctions and their historical bounds despite the long-standing acknowledgement of the need to identify the cultural characteristics that divide ethnic groupings within a firm's board (Barth, 2010; Phinney, 1996). In a typical Nigerian firm, the distribution of each ethnic group is strongly controlled by specific ecological niches. Different ethnic groups tend to establish themselves in a stable environment (i.e., work environment) because they have symbolic relations that lead to the exploitation of the same niches. This exploitation resulted from the overlapping distribution and disconfirming borders of these ethnic groups.

Since the convergence of a general culture does not entirely entail a similar convergence in ethnic identities (Ignatieff, 2010), *interculturality* becomes an issue when different groups of similar cultures meet. This occurs when people of identical super-cultures are in separate groups. This perfectly describes the social situation experienced by groups within a multicultural environment. Thus, a group's social status within a larger society is another important variable used in understanding the meaning and impact of ethnicity on culture (Phinney, 1996). Sue (1991) identifies status indications as inequality, prejudice, exploitation, and discrimination. To eradicate these within society, cultural assimilation by all individual members of different cultural groups is a necessity (Hall, 1994; Huston, 1994). However, in an environment where cultural pride and hierarchy exist, cultural assimilation is wrong, incorrect and harmful. Therefore, for cultural assimilation to take place in an organisation, the cultural values and identity of members in such an organisation need to be understood.

B) Culture in the workplace

Workplace culture is the *character* and *personality* of an organisation. According to Hagner (2000), workplace culture is regarded as a tool for assessing the workplace environment. As stated previously, culture is everything a group of people learn and shares. An organisation's or group's "workplace culture" is a shared set of meanings, expectations, beliefs, and presumptions (Hatch, 1993). Improving inclusiveness and job security is essential to a workplace environment where people employed are encouraged to communicate their thoughts (Chadsey, Sheldon, Horn de Bardeleben & Cimera, 1999). These qualities should be present in the workplace culture.

The mode of entry, new employee orientation, organisational policies (such as incentives and awards), job design (such as shared tasks and social customs), and practices (such as dress code and celebrations). Social opportunities or informal rules of behaviour are just a few examples of how workplace culture is expressed (such as break-time routines, conversation topics).

Workplace culture comprises an organisation’s leadership, values, traditions, beliefs, behaviour, and attitude. A positive workplace and excellent social relationships with co-workers are key to delivering quality service.

C) Organisational culture

Organisational culture has frequently been viewed as a predictor factor that precedes a potential outcome (performance) (Ralston, Terpstra-Tong, Terpstra, Wang & Egri, 2006), a factor for the success of innovations (Detert, Schroeder & Mauriel, 2000; Tellis, Prabhu & Chandy, 2009), and the primary precursor of enterprise performance (Bock et al., 2012). Organisational culture can be a decisive factor for or against an organisation's success, according to Bolman & Deal (2008) and Daft (2008). Organisational culture can be beneficial or detrimental in achieving a company's unique objectives and mission. It can also be broadly characterised as "the way we do things around here" (Dela & Kennedy, 1982).

Hofstede (2001) asserts that corporate cultures have specific characteristics. Humanistic, historically influenced, socially built, soft, tied to anthropological concepts, reasonably stable, and challenging to modify are all characteristics of organisational cultures. The culture of an organisation is more like its character and identity. It symbolises a nonverbal, "feeling part" of an organisation (Daft, 2008). On the other hand, organisational culture is a composite of the collective behaviours and personalities of those who work there; as a result, its traits are contradictory and challenging to comprehend.

Consequently, actively managing organisational culture is necessary. According to Tushman and O'Reilly (1996), organisational culture is one of the most challenging parts of managing strategic innovation and change. One of the most important requirements is a widely shared corporate culture that is complemented by its subcultures. To achieve its stated goals and objectives, an organisation should foster external connections where innovation and creativity are valued and promoted.

2.5 Corporate governance and influences within a firm

2.5.1 Networks

According to Parkhe, Wasserman, and Ralston (2006), networks are interconnected people with common interests. Networks are said to reshape how businesses are conducted, primarily through how information is shared, to build a central competitive advantage in a volatile environment (Parkhe, Wasserman & Ralston, 2006). Networks within an organisation are important because they enable organisations' speed, flexibility and focus (Charan, 1991). Networks may imply a set of external relationships among organisations, while in other cases, informal ties among parties that work across functions (Charan, 1991). Irrespective of how these definitions differ for organisations, networks can be multilevel in their scope, which is marked by the growing prevalence of different network forms (Aguinis, Boyd, Pierce, Short, Moliterno & Mahony, 2010). According to Aguinis, Boyd, Pierce, Short, Moliterno, and Mahony (2010), these forms consist of a network of individuals, groups and firms.

Networks may occur on different levels, either at the industry, firm or individual level (Parkhe, Wasserman & Ralston, 2006). According to Driesch, DaCosta, Flatten, and Brettel (2015), a network of individuals is a group of interconnected individuals committed to maintaining a relationship to support a given set of activities. This kind of network entails connecting to a network of resources for mutual growth and development (Driesch, DaCosta, Flatten & Brettel, 2015). For instance, the direct impact of a CEO’s connection with the upper echelon in society is an example of how information as a resource is of great value for growth. Hence, a firm within a network of individuals can acquire complementary assets and resources from its network partners (Dyer & Singh, 1998; Kale et al., 2000; Levin & Cross, 2004). On the other hand, a network of groups is an organised system of connections that links group members. This kind of network creates exceptional opportunities for networking at the most senior corporate level. A network of firms is defined as the collection of firms connected to a larger structure by selective, formal and persistent relations. The firm's network aims to transfer knowledge to maximise profits and minimise costs by sharing risk and uncertainty (Bleeke & Ernst, 1991; Fang, Zhou, Wu & Qi, 2019). Freeman (2004) stated that shareholders’ interests are maximised at a firm level when an organisation understands the interconnection of roles and cluster relationships within it. Recently, networking has taken different forms: digital/electronic, social and organisational. Communication through technology has made organisational networking much easier by eliminating constraints associated with geographic and traditional organisational structures. At this level, Parkhe, Wasserman & Ralston (2006) recognised the advantage of global competition through networking.

To further sustain a firm's competitive edge, firms must cope with frequent external variation, realign operations and adapt the strategy. A firm-level network, linked to the individual-level network, allows a firm to maintain its competitive edge (Abell, Felin & Foss, 2008; Adner & Helfat, 2003; Foss, 2011). In that situation, it is crucial to consider how networks at one level of the organisational system affect networks at a higher or lower level, highlighting how social structure and human behaviour are intertwined, as well as how networks of relationships at one organisational level are enmeshed inside networks at higher levels. For instance, how might the networks of corporations (i.e., higher level) and individuals or groups (i.e., lower level and higher level, respectively) influence one another (i.e., lower level)?

According to Podolny & Page (1998), these types of networks are a group of actors who pursue the recurrent, lasting exchange of relations with one another, whether at a lower or higher level. These networks, however, lack the requisite organisational authority to arbitrate and settle conflicts that can develop during this exchange. This type of relationship includes joint ventures, strategic alliances, business groupings, franchises, relational contracts, outsourcing agreements, etc. (Podolny & Page, 1998). Due to mutual faith that the other party will not utilise relationship-specific investments for its gain, the parties to this agreement are ready to make relationship-specific investments without contractual assurances protecting the investment (Podolny & Page, 1998). The network form of organisation is an alternative to markets and hierarchies as a relationship-specific system (Hirschman, 1970). Many academics have argued that a network form of organisation can be distinguished by a unique ethic or value orientation, with "the spirit of goodwill" underpinning relationships among exchange parties, even though it cannot be identified by some limited set of labels attached to a formal arrangement (Dore, 1983).

The central element of the 'spirit of goodwill' in a relationship-specific arrangement is a commitment to use 'voice' instead of 'exit'; 'voice' by nature is informative, while 'exit' provides reasons (Hirschman,1970). For instance, a corporate shareholder who is unhappy with the direction in which the management of an organisation is taking could either take a walk or raise issues at the next annual meeting. Either way, parties to this kind of relationship-specific arrangement do have choices. These choices are made easier when other members within a network are of a similar relational tie (Parkhe, Wasserman & Ralston, 2006). According to Wellman (1988), the choices and behaviour of members of a particular form of the network are interpreted in terms of their structural constraints on activity rather than in terms of inner forces (i.e., relational tie) within the unit (Wellman, 1988). Relational tie in the network is structured differently, from attributes of independent individuals to the relationship among dependent parties (Wellman, 1988). The number of connections a company has with others (also known as network centrality) and the filling of structural gaps (also known as functioning as a bridge between otherwise isolated organisations) may give companies authority, a good name, and resources that are positively correlated with performance (Baum, Calabrese & Silverman, 2000; Burt, 1992; Powell, Koput & Smith-Doerr, 1996; and Zaheer et al., 2010). Network analysis is primarily used as a tool for analysing data about organisations rather than understanding organisations; however, using this analysis as a model to explore and understand how organisational structures and relationships relate to outcomes is essential (Salancik, 1995).

Networks can be explained in different dimensions, either as a structure (i.e., formal) or flow (i.e., informal) (Parkhe, Wasserman & Ralston, 2006). This means they can be theorised as an impersonal or institutional arrangement (Furubotn & Pejovich, 1972) or viewed as normative (Burt, 1982). The formally designed component of an organisation refers to its intentionally designed and formalised processes and structure (Soda & Zaheer, 2012). A network as a structure is more concerned with abstract structural features and positions within it (Mohr, 1982). On the other hand, a network as a flow emphasises relationships among parties. Although researchers focus more on the network as a structure and its respective effects on a wide range of organisational phenomena, the informal element of the organisation serves as an emotional source of motivation or governs how people work together in practice. This informal element of an organisation refers to the emergent patterns of individual behaviour operating 'behind the scenes'. This informal element consists of a dynamic set of personal relationships (i.e., family) and communities (i.e., tribal) of common interest (Soda & Zaheer, 2012).

Family/clan networks

An informal institution based on family ties may motivate family networks within an organisation. According to Freeman (2004), these ties connect people with similar attributes. Although some studies adopt a structural approach to family networks, family values vary with their level of connectivity (Freeman, 2004). While family ties within a firm are significant, it is also necessary to pay attention to structural distinctions and diversity of members within its board since they foster a more democratic decision-making process (Stevenson & Radin, 2014).

Tribal networks

According to Gerlach (1992), a network is a crucial component of an organisation's overall structure because it focuses on the benefits and resources that could come from a connected community of people with similar interests and beliefs. Tribal networks emerge within the literature as a concept of how social groups form and communicate (Greenacre et al., 2013). Besides family networks, tribal networks are another form of networking intended to improve understanding of complex systems. Tribal networks are consciously arranged groupings bounded by cultural values. For instance, the social links they shared, as well as their interactions with one another as diverse actors within a tribal network, serve to define their relationship (Granovetter, 1985). Tribal networks can explain how social groupings can centre on a single shared interest, which serves as the members' social glue. For instance, a few themes in tribal networks describe the emergence and operation of a social organisation (Cova, Kozinets, & Shankar, 2007a; Hamilton & Hewer, 2010). According to Cova, Pace, and Park (2007), these themes include the variability in tribes (Earls, 2003), intra-tribal and inter-tribal communication, inclusionary and exclusionary behaviour of the tribe, member trust, and shared passion.

Of all these themes, the most critical is ***shared passion***. Shared passion is the devotion and emotion that unites and is familiar with tribe members—a community connected to shared passions. People of similar passion can be used to enhance a thought process, for instance, in the Eastern part of Nigeria, there is a thought process (i.e., tradition or belief) of the people of that community that certain people born to some families are not to be regarded as the 'true blood' of the region, even though, those people 'Osu' originated from that same region. There is a shared passion among the 'true blood' not to have any significant relationship with their 'Osu' counterpart. We might have a group of people of the same tribal descent, but they do not share a similar passion for traditions and beliefs. Rituals and behaviours emerge from this passion, which serves as a social tie, laying the groundwork for group structure (Cova & Cova, 2002; Hamilton & Hewer, 2010).

Although the group is more important than the individual, the group's ability to survive depends on everyone's commitment (Cova & Cova, 2002). This emphasis on a common interest gives birth to the subject of heterogeneity in many ways. The thing that the tribe is passionate about defines group structure. Hence, the tribe does not require further grounds for homogeneity (Earls, 2003; Hamilton & Hewer, 2010). As a result, heterogeneity can exist within a single tribe without endangering its capacity to function or share information. In contrast to a traditional society made up of families or communities connected by social, economic, religious, or blood ties, a tribe in the situation above refers to a collection of people with comparable interests. For this kind of tribe, the belief system among members is the most important factor being valued.

According to Jarillo (1990), ***trust*** represents the essential glue that holds members of a tribal network together, without which organisations will likely and rapidly collapse. Trust appears to be the key mechanism for efficient and successful coordination and regulation of expectations and interactions among various members of a tribal network (Bachmann, 2001; Zaheer, McEvily & Perrone, 1998). Some researchers argue that, without trust, a collaboration of any sort will be impossible (Castaldo et al., 2010). For network organisations, a higher level of trust may have several advantages, including improved communication, lower transaction costs, closer cooperation, a decrease in conflict, more commitment, and a higher level of performance, which reduces the need for expensive vertical monitoring at every level (Dirks & Ferrin, 2001).

However, a high level of trust within a tribal network could also bring about some negative impacts. These include access to non-experts for a particular project; trust can be taken for granted, especially to individuals who do not deserve it, but were trusted by sharing the same cultural values. Trust can also lead to the exclusion of others, which could lead to unhealthy competition. Trust must be maintained. With trust comes responsibilities; consequently, individuals within a tribal network very often feel obligated to reciprocate trust, which can result in taking on so much responsibility that they might not want to reject or talk about it just because they think they are expected to pay back the trust that is being bestowed on them. For instance, buying from a family or tribal group may be more financially costly than buying on an open market. To such individuals, the goal is not to break such trust. When managers of a firm are faced with handling less-than-pleasant and sometimes inevitable situations like laying off staff, cutting bonuses, trimming the budget, etc., maintaining trust with employees of the same tribal network makes it difficult and expensive to get the work done properly. According to Hosmer (1995), the loss of trust is more costly than its gain, especially when trust is maintained; otherwise, the decision to trust would be simply economic rationality. However, trust within a tribal network is meant to be voluntary, and there should be a willingness to collaborate, not forced, because members are of the same cultural background (i.e., tribal members do not necessarily equate to trusting members) (Luhmann, 1979).

Other themes (such as tribe heterogeneity, intra-tribe communication, inter-tribal communication, inclusionary and exclusionary behaviour of the tribe, etc.) provide additional insight into how tribes within an organisation function in addition to shared passion and trust. Participation and communication within and between tribes investigate how we might comprehend the limits of the tribe on both a personal and organisational level. More widespread in-tribe behaviours have also been observed, and distinct outsider behaviours serve as a line of demarcation between tribe members and non-members (Cova & White, 2010; Hamilton & Hewer, 2010). A tribal network, however, focuses an organisation on discovering and matching the proper cultural arrangements required to ensure effectiveness (Mandell, 2008). According to Mandell (2008), to keep operations operating effectively, there is a need for a greater capacity to manage various tribal networks.

Network theory focuses on how these connections form a structure. It is important to understand that these connections constantly shift and nothing exists outside them; hence, actor-network theory.

2.6 Corporate governance and influences outside a firm

According to Alchian & Demsetz (1972), a firm is regarded as a particular sort of market organisation characterised as a network of contracts. A firm is defined as a nexus of contracts, which treats firms as a special market arrangement (Alchian & Demsetz, 1972). The 'nexus of contracts' implies that the same analytical methods used to study markets may also be used to study firms. It was stated that a firm's "behaviour" is identical to a market's. A firm results from a complex equilibrium process (Cheung, 1983). However, a firm cannot exist or perform in a vacuum; it can perform within an environment. According to Bharadwaj (2000) and Nampewo (2013), the external environment is measured using regulations and information technology. *Regulations* are crucial safeguards against decisions that do not adequately consider the public interest. Conversely, the legal framework is a component of the corporate governance structure. Accountability and openness cannot be established without the right laws and norms. The legal system guarantees investors' legal protection and capacity to exercise their rights (Gul & Tsui, 2004). *Information technology* assets can be used to gain an advantage over rivals.

The institutional environment (i.e., formal), socio-cultural environment (i.e., informal) and political environment (i.e., formal) are other instances of external forces that can give an organisation a competitive edge and influence.

2.6.1 Institutional environment

According to North (1993), the institutional environment is the core construct of institutional theory. The institutional environment refers to the non-market environment that is an artificially designed constraint on people’s interaction (North, 1993). The institutional environment consists of regulatory pressures exerted on organisations by the state. According to Dimaggio & Powell (1991), the institutional environment comprises existing formal institutional regulations. Formal rules are created, including the constitution, policies, articles of association, political, judicial, economic, etc (North, 1993). Organisations use these rules to establish production, exchange and distribution. The rules could influence both the formal and informal institutions of society. For instance, the institutional environment can indirectly affect organisations by creating expectations and norms that organisations must conform to to acquire legitimacy and resources. However, many emerging economies encounter a weak or the absence of formal institutions (i.e., institutional void).

Institutional voids

The weakness of formal institutions in properly serving as intermediaries for regulatory and control-enforcing mechanisms and effectively implementing strategies that could facilitate efficient exchange among parties of a firm or an industry is what is known as an institutional void (Pinkham & Peng, 2014). According to Khanna & Palepu (2010), institutional voids are defined as the underdevelopment of control-enforcing mechanisms and market-supporting formal infrastructure that could have helped in a firm's effective performance or the absence of adequate institutional infrastructures in a country. These institutional infrastructures include the legal system, employment agencies, labour market, product market, capital providers and capital market (Khanna & Palepu, 2010). A later study by Khanna & Palepu (2013) described institutional gaps as the lack of market-supporting institutions essential for any economy, developing or advanced, to function effectively. The phrase "institutional gap" was created by Khanna & Palepu (2014) to describe the "broken" market ecology on which enterprises rely. Khanna & Palepu (2014) contend that when institutions supporting the market and enforcing contracts fail to promote transactions between enterprises effectively, firms experience an institutional void. Hence, the absence of specialised intermediaries who could have supported and facilitated transactions between exchange partners is considered an institutional gap (i.e., buyers and sellers). Likewise, institutional voids can also be referred to as challenges or weaknesses that institutions or business organisations encounter that could have helped in regulating and supporting their operation (Khoury, Junkunc & Mingo, 2015; Wright, Filatotchev, Hoskisson & Peng, 2005 as cited in Brenes, Ciravegn & Pichardo, 2019).

Examples of these institutional voids, according to Acemoglu et al. (2012) and Khanna & Palepu (2013), include regulatory framework uncertainty, weak legal enforcement, ineffective rule-enforcing mechanisms, dysfunctional factor markets, excessive red tape or bureaucracy, legal protection of shareholders, insufficient protection of property rights, and contract-enforcing mechanisms. Other instances include the absence of market intermediaries, credibility-enhancing mechanisms (such as auditors and third-party certifications), information analysers (such as credit ratings and customer reports rating), information aggregators and distributors that offer affordable matching services (such as banks, trading companies, and labour unions), transaction facilitators (such as equity exchanges and platforms like eBay etc.), adjudicators and regulators (Khanna &Palepu, 2010). Political unrest, violence, macroeconomic volatility, war and other unforeseen difficulties could impede the smooth operation of any economy. The above-listed instances of institutional voids are a common feature of any economy; however, it is more predominant in an emerging one (Acemoglu, Robinson & Woren, 2012; Luo, Sun & Wang, 2011).

Weak enforcement of legislation or regulatory frameworks like CAMA stifles shareholders' ability to participate (i.e., through the board's activities).

Another instance of the institutional void is the excessive red tape or bureaucracy experienced by the same rigid statutory framework provided to ensure openness and transparency (Awosika, 2020).

The lack of distributors and aggregators, such as banks, offering affordable matching services, does not guarantee loan availability.

Courts cannot ensure that intellectual property rights are upheld; auditors frequently make mistakes and cannot be trusted to vouch for a company's financial health.

Firms have experienced and are still experiencing recurring challenges of unethical behaviour because of existing institutional voids. Institutional voids enable these challenges (such as bribery and corruption), but can be bridged by network affiliations. The existence of these voids can lead to a crisis. For instance, organisations are said to be in crisis when unforeseen circumstances could hurt the entire company (Gabrielli, Russo, & Ciceri, 2019). Crises might be specific to a company, sector, nation, continent, or world (Hong, Huang & Li, 2012; Jaques, 2009; Pedersen et al., 2020). Organisations in developing nations, where institutional flaws lead to perpetual institutional voids (Khanna & Palepu, 1997), make it harder for businesses to deal with crises (Liedong et al., 2020; Markovic et al., 2021). Because crises can jeopardise the continuation of the company's life, managers must act quickly (Cortez & Johnston, 2020).

According to Pedersen et al. (2020), a crisis is a series of circumstances that, if not handled effectively, can have nasty effects. Therefore, corporations are urged to establish compensating mechanisms to execute market activities, such as understanding legislation, getting market information, enforcing contracts, and using network contacts to manage these obstacles and endure them over time (Peng & Luo, 2000). Also, businesses must adapt their relationship thinking to these circumstances to thrive and seize new chances (Beverland, Wilner, & Micheli, 2015; Cankurtaran & Beverland, 2020).

Many companies, huge organisations in developed economies, swiftly restructured and deployed their expertise and resources to deal with the situation's realities (Cankurtaran & Beverland, 2020). This is because, in developed nations, the institutions that support the market are well-structured and provide a base, enabling businesses to prosper (Ashiru et al., 2022). In contrast, organisations in emerging economies are more susceptible to internal and external factors, especially the smaller ones (Eggers, 2020). These organisations could not adjust as rapidly due to their low resources, existing inadequacies and unending institutional holes (Khanna & Palepu, 1997, as cited in Ashiru et al., 2022). For instance, their inability to cope with crises is a liability of their smallness (Aldrich & Auster, 1986). Also, these organisations cannot respond to such developments quickly due to a lack of resources. All these increased businesses' struggle to deal with crises (Liedong et al., 2020; Markovic et al., 2021).

Despite having limited resources, organisations in emerging economies are distinguished by their personality, independence, diversity, and small size, which makes them adaptable and responsive to the demands of their clients (Franco & Haase, 2015; Koporcic, 2020). Therefore, organisations in emerging economies employ informal networks and linkages to help offset the difficulties brought on by institutional voids (i.e., family and political). Business corporations are regarded as a network of legally independent firms, and informal ties are encouraged to add value to member firms (Pinkham & Peng, 2014). Manikandan & Ramachandran (2015) argued that being part of and connected to a network of businesses puts one in a favourable position to gain access to group-wide resources and strategic opportunities beyond the reach of a frail institution and obscured by imperfect markets. Also, Ge, Carney & Kellermanns (2019) noted that informal ties such as family, tribal and political ties help compensate for gaps and lack of institutional infrastructure created. Similarly, particularly in emerging economies, informal connections fill gaps brought by market and institutional failure to deliver value (Goto, 1982; Khanna & Palepu, 1997; Leff, 1978; You et al., 2007).

Furthermore, Pinkham & Peng (2014) noted that firms rely on enforcing informal structures to help facilitate efficient performance. For instance, according to Gao, Zuzul, Jones, and Khanna (2017), 'reputation' is a form of informal structure that helps firms activate their conventional resources of prominence, quality, and resilience that persist over time.

Mitigating these challenges through informal networks and structures encourages firms to capitalise on growth opportunities that help diversify resources and knowledge within and out of their reach (Pinkham & Peng, 2014). Also, it should be noted that the absence of formal institutions (i.e., institutional voids) can encourage the use of informal networks. Outside of the institutional environment (i.e., formal), the socio-cultural (i.e., informal) environment in which they exist may deserve thorough attention due to their ever-changing nature.

2.6.2 Socio-cultural environment (informal)

The socio-cultural environment can be defined as all the social surroundings of an organisation. Society and culture have an impact on every aspect of any organisation. According to Berger (1991), socio-cultural factors are a significant part of an environment that is important in stimulating economic activity (Shapero & Soko, 1982). This is evident when the government of an environment focuses on societal values when making decisions. Components of the socio-cultural environment include social institutions, class structures, family structures, beliefs, shared values, accepted behaviour, customs, attitudes, religion, and language, to mention a few, which could influence the growth and development of any business operation directly or indirectly. The listed factors shape how an organisation is managed (Masovic, 2018).

Sociocultural elements are beyond managers' control. Thus, stakeholders (such as shareholders, the board of directors, suppliers, and creditors) should consider their effects while evaluating a company's performance. A company should ignore the impact of sociocultural elements that are outside the control of its managers when evaluating managerial success (Drury, 2012).

This thesis argues that three major socio-cultural factors—culture, language, and religion — are crucial to a firm's and its managers' performance.

As reviewed under Hofstede's model, culture is defined differently. House, Javidan, et al. (2001) defined culture as a collection of people's shared values and beliefs derived from shared experiences. Similarly, according to Dlabay & Scott (2011), culture is an acceptable way of doing and valuing inside a particular civilisation.

Language is a form of social communication (Fatehi, 2008). Language could be verbal or nonverbal. Diversity of language within an organisation is a source of challenge, though many organisations tend to adopt English as an official language. Notwithstanding, language (nonverbal) creates difficulties because of the various meanings of its elements. These nonverbal means of communication include eye contact, facial expression, gestures, etc (Hargie, 2011).

People's lives are heavily influenced by *religion*, particularly in Nigeria. Religion is a system of socially accepted beliefs, principles, and practices relating to an unprovable reality that frequently influences natural and artificial events (Hill, 2009). Hill (2009) asserts that religion is a way of life built around individuals' overarching concerns.

It should be emphasised that each socio-cultural factor, like culture, language, and religion, significantly impacts an organisation. As a result, some economic decisions (such as hiring an individual for a position or electing an individual to be part of a firm's board) are influenced by these socio-factors. Aside from the influence of socio-cultural factors on a firm's economic decisions, continued attention to other environmental influences, like its political environment, may be given.

2.6.3 Political environment

The political environment of an organisation comprises the state, government, government institutions, its legislations, and policies. The stability of a political system can affect the appeal of organisations in that environment. Four major political factors could affect any business environment. These are political stability, laws (e.g., employment), regulations (e.g., foreign trade) and taxation. Government policies can affect an organisation, and managers must continually find ways in which upcoming legislation will not adversely affect their operation, performance, growth and development.

Perhaps one of the least predictable aspects of the corporate environment is the political environment. A nation's *political stability* has an impact on its economy, which in turn has an impact on the performance of organisations. This is valid for businesses worldwide; for instance, a government could be overthrown by an aggressive takeover. The result might be unrest and riots. These impair the performance of businesses and their operations. *The law* of a society affects the way businesses are carried out. Laws like employment laws, data protection laws, environment laws, health and safety laws, and education laws all contribute to the system of rules that regulate the actions of individuals and institutions in a society. The unenforcement of these laws attracts some form of penalty or punishment. The government of a society can decide to alter the *Regulations* and rules guiding the actions of members. This could have either a positive or an adverse effect on an organisation. *Taxation* is an example of a political element which the government of a society can use to either prosper or cripple the business activities of the society. There might be an increment of taxes for some organisations (e.g., an increment for some listed large organisations). At the same time, it can be reduced for other businesses (e.g., a reduction for some start-up businesses to encourage growth).

2.7 Hypothesis Development

Two different hypotheses can address the research question of whether tribal affiliations among owners' representatives and managers are associated with Type 1 agency costs. A hypothesis is a specific, testable prediction about what could happen in a research study. Furthermore, it is a tentative statement about the relationship between two or more variables.

There are three variables (i.e., independent, latent and dependent). Tribal affiliation among parties is considered the cause (i.e., independent variable). This means its value is independent of other variables, such as the dependent and intervening variables. The effect (i.e., dependent variable) of this cause is the agency costs incurred. The value of agency costs depends on changes in the independent variable (i.e., tribal affiliation). This means that an intense presence of tribal affiliation among parties within an organisation tends to reduce agency costs and vice versa. The intervening variable (i.e., corporate governance) is the variable that handles the change in the dependent variable due to the change in the independent variable. This means the outcome of the dependent variable (i.e., agency costs) is decided through the latent variable (i.e., corporate governance), which itself gets influenced by the independent variable (tribal affiliation).

The first hypothesis statement will test how tribal affiliation among board members could be associated with weak governance (i.e., how it hampers monitoring and efficient resource acquisition). This means that the hypothesis statement will test how tribal affiliations across board members and managers could affect their ability to perform their monitoring function, select efficient managers from a shallower pool of talent, and efficiently acquire resources. All these invariably lead to increased agency costs.

H1: Tribal affiliations within boards of directors are positively associated with Type 1 agency costs.

Similarly, moving from ownership to control, managers' tribal affiliations could positively impact a firm through decreased Type 1 agency costs.

H2: Managers affiliated with a dominant tribe are positively associated with higher Type 1 agency costs.

The third hypothesis considers how tribal affiliation among board members of a dominant tribe and CEO membership may affect the BoD's capacity to perform its strategic and control tasks in lowering agency costs. The third hypothesis combines tribal ownership affiliations and tribal control affiliations in performing these two functions (i.e., strategic and control).

H3: Interaction between the board's proportion of the dominant tribe and the managers' membership of that tribe is positively associated with Type 1 agency costs.

2.8 Conclusion

As noted above, this literature review used agency theory to examine the relationship between various parties in an organisation. It started with understanding governance as a concept and its various forms. A discussion of the many assumptions in agency theory followed the literature review. It then demonstrated how agency theory foresees Type 1 agency problems (i.e., conflicts of interests between managerial agents and shareholder principals) and Type 2 agency problems (i.e., conflicts of interests between shareholders) (Nguyen, Doan & Nguyen, 2020). In the process, these questions were raised: Are tribal affiliations among owners and managers associated with Type 1 and Type 2 agency costs, and if not, what are the benefits of such tribal affiliations? The discussion then examined the qualities of an effective corporate mechanism for resolving agency problems. Afterwards, the review analysed whether having board members from the same tribe is advantageous or has agency implications for corporate governance. Applying agency theory allowed the current study to build on extant works on corporate governance. For instance, agency theory makes pessimistic predictions about Type 1 agency problems (i.e., relating to tribal managerial appointments and influence) and Type 2 agency problems (i.e., relating to tribal share ownership) for a firm with tribal ownership and (or) control. However, if empirical findings from this research work refute these pessimistic predictions, other proximate theories, such as stakeholder, stewardship, and network theories, as alternatives to agency theory, could explain these refutations, especially in understanding the complexity of human relationships within a firm.

CHAPTER 3: RESEARCH DESIGN AND METHODOLOGY

3.0 Introduction

The academic literature on corporate governance and tribal affiliation, as reviewed in the preceding chapter, was well-understood. Given this foundation, it is important to consider the philosophical positions underlying this research (i.e., the relationship between theory and data) (Saunders, Lewis & Thornhill, 2019). According to Easterby-Smith, Jaspersen, Torpe & Valizade (2021), there are reasons why an understanding of this philosophical position is important. Firstly, there is an obligation to understand the philosophical underpinnings to have a clear sense of their role in research methods (Easterby-Smith, Jaspersen, Torpe & Valizade, 2021). For instance, when we study the effect of affiliations on corporate governance, to what extent do the researcher's relationships and experiences shape the research? How can we know whether an observed strategic action of a firm (i.e., a decision made by a firm's BoD) resulted from their affiliation with other parties (for instance, a firm's management) within the firm and how this has impacted the firm's performance? When companies' data are analysed, are they being analysed based on the objective truth presented by the companies' reports or interpreted based on the researcher's experience with affiliation?

Secondly, understanding the philosophical foundation is necessary for clarifying research design methods (Easterby-Smith, Jaspersen, Torpe & Valizade, 2021). According to Saunders, Lewis, and Thornhill (2019), clarifying designs involves considering the type of evidence required to provide good answers to the questions being investigated and how these data are to be gathered and interpreted. Thirdly, understanding the philosophical underpinning can help recognise which designs will work and which will not (Easterby-Smith, Jaspersen, Torpe & Valizade, 2021). According to Saunders, Lewis & Thornhill (2019), it not only helps recognise designs that will work, but it also indicates the limitations of a particular design to the research being investigated. Lastly, knowledge of philosophy helps identify and sometimes create designs outside the researcher's experience. Failure to think through such philosophical issues can adversely affect the quality of this research, hence its importance (Easterby-Smith, Jaspersen, Torpe & Valizade, 2021; Saunders, Lewis & Thornhill, 2019). The purpose of this chapter is not to understand the philosophical position of the research but to explain the research methodologies adopted and introduce the research instruments utilised.

3.1 Research process

Understanding and reviewing several alternative positions that can be adopted while conducting management and business research is a research process (Easterby-Smith, Jaspersen, Torpe & Valizade, 2021). According to Easterby-Smith, Jaspersen, Torpe & Valizade (2021), a research process is intended to help understand the key concepts (i.e., ontology, epistemology, methodology, methods and techniques) of research. Using a tree as a metaphor for how research design unfolds, Thorpe explains in greater detail the key elements (i.e., roots, trunk, branches, leaves and fruit) that explain the tree. According to Thorpe, the 'roots' represent the research traditions that inform different philosophical positions. This could either be a realist tradition (i.e., positivist), a nominalist tradition (i.e., constructionist or a mixture of both (i.e., various third ways or hybrid tradition). The 'trunk' represents the four main features of the research design. These features include ontology, epistemology, methodology, methods and techniques, as explained below.

As Blaikie (1993) described**, ontology** is an assumption about the nature of reality. Also, according to Easterby-Smith, Jaspersen, Torpe & Valizade (2021), ontology is a researcher's basic assumptions about reality. It could be an objective or subjective reality created in our minds. For instance, a firm's report asks whether it describes what is happening or what the author thinks is happening. In their research, Hatch & Cunliffe (2006) use everyday instances to illustrate this view of ontology. For instance, Hatch & Cunliffe (2006) highlighted the complexity introduced when considering the existence of a phenomenon like culture. Hatch & Cunliffe (2006) further extended their discussion as to how realities are being determined by individuals (and groups) through experiences (subjectivism) or independently of those who live it (objectivism). It should be noted that aspects of the research problem will not be opened to a solution if these assumptions are not identified (Easterby-Smith, Jaspersen, Torpe & Valizade, 2021).

On the other hand, what constitutes the meaning of reality and knowledge leads to the question of epistemology. Easterby-Smith, Thorpe & Jackson (2008, 2021) define **epistemology** as the assumptions that constitute reality, i.e., the best ways of inquiring into the nature of the world. Epistemology considers views about the most appropriate ways of enquiring into the nature of the world and expatriates' knowledge, sources and limits (Eriks & Kovalainen, 2008). Chia (2002) describes epistemology as the need to know and reflect on methods for producing verifiable knowledge.

The methodology describes how methods and techniques are grouped to provide a coherent picture (Easterby-Smith, Jaspersen, Torpe & Valizade, 2021).

Methods and techniques are used for data collection and analysis (Easterby-Smith, Jaspersen, Torpe & Valizade, 2021). The use of different methods and techniques depends on the underlying assumptions and decisions made about ontology and epistemology.

Moving up the tree, the 'branch through the leaves' represents a medium through which data is collected and analysed. Data collection stimulates new ideas and enables the evaluation of existing theories. For instance, existing theory (e.g., agency theory) is being evaluated for this research. There are three kinds of data based on the underlying assumptions about the best way of inquiring.

Finally, according to Easterby-Smith, Jaspersen, Torpe & Valizade (2021), the 'fruits' represent the output from the research.

3.2 Research methodology

According to Dawson (2002) and Kumar (2005), research methodology is the overall approach to the research process used to solve a research question. Kothari (1985) highlighted some general steps that could be adopted in studying research problems. These could be the research philosophy adopted for the research strategy employed or the research instruments utilised to pursue a goal. Research methodology constitutes a part of the research that combines method and logic. In general, research methodology encompasses the reason why a research study has been undertaken, how the research problem has been defined, ways and reasons the research hypothesis is being developed, reasons why a particular method of data collection is being chosen to be used against others; and reasons why a method has been used in data analysis (Dawson, 2002). All these entail many other questions concerned with a research problem to facilitate evaluating research results. However, awareness of philosophical assumptions (i.e., ontological and epistemological position) is essential while developing methodologies.

3.2.1 Paradigms and application to this study

Philosophical assumptions or research paradigms are universally recognised scientific achievements that help describe perceptions, beliefs, assumptions and the nature of reality and truth (Collis & Hussey, 2003; Falconer & Mackay, 1999). It is important to understand and discuss these assumptions following the nature and aims of the research problem to ensure the minimisation of study prejudice. Even as James & Vinnicombe (2002) cautioned, individuals have inherent preferences that are likely to shape research designs. These paradigms, as described by Blaikie (2000), are part of a series of choices that must be considered in showing their alignment with the research problem. In addition, Hatch and Cunliffe (2006) drew more attention to the fact that different paradigms encourage the study of phenomena in different ways by adding complexity beyond what is obtainable in the natural sciences.

There are two primary research philosophies, namely, realism and nominalism (under ontology) and positivism and constructionism (under epistemology) (Deetz, 1996; Easterby-Smith, Jaspersen, Torpe & Valizade, 2021; Falconer & Mackay, 1999; Myers, 1997; Neuman, 2000; Shanks et al., 1993). However, the position of this research is realism (i.e., positivism).

Realism

The realism approach under ontology seeks the cause of social phenomena with little regard to the subjective state of knowledge or the researcher. According to Easterby-Smith, Jaspersen, Torpe & Valizade (2021), in a realist position, the world is real and exists independently of perception. It is based on real phenomena and facts. According to Morgan & Smircich (1980), the realism paradigm guides the quantitative mode of inquiry based on the assumption that social reality has an objective ontological structure and that individuals respond to this objective environment. The assumption behind this positivist paradigm is that an objective truth exists in the world. The realism approach is adopted as a scientific way of measuring and guiding the nature of this research work.

Positivism

The key idea of positivism under epistemology is that the social world exists externally, and its properties can be measured through objective methods rather than being inferred subjectively through reflection or intuition (Easterby-Smith, Jaspersen, Torpe & Valizade, 2021). According to Easterby-Smith, Jaspersen, Torpe & Valizade (2021), there can be no real knowledge based on observed facts. This means that knowledge is of significance only if it is based on observation of this external reality. Positivism is based on the following assumptions: independence (the researcher must be independent of what is being observed), value-freedom (choice of what and how to study can be determined by objective criteria rather than human beliefs and interests), causality (the aim of the study should be to identify causal explanations that explain regularities in human behaviour), hypothesis and deduction (there is a process of hypothesising fundamental laws and then deducing what kinds of observations will demonstrate truth and falsity of these hypotheses), operationalisation (concepts need to be defined in ways that enable facts to be measured quantitatively), among others.

3.2.2 Criteria for selecting a paradigm

In selecting the paradigm, it should be noted that interest is based on human behaviour rather than inanimate objects. This, however, raises an important question about whether the assumptions and methods of the natural sciences are appropriate to be used in social sciences (Blaikie, 2007). The answer lies within the topic of enquiry and the individual researcher's preferences. For instance, affiliation in a multi-ethnic environment can be treated as a real phenomenon that exists independently of the researcher and has real consequences for a firm's performance. When researching tribal affiliations, internal realists argue that it can be challenging to agree on what this concept means and how to measure it. However, such disagreements do not alter the reality of their consequences (Easterby-Smith, Jaspersen, Torpe & Valizade, 2021). Relativists argue that tribal affiliations are defined and experienced differently by different people, which depends on the class (i.e., majority or minority) of the tribe to which they belong. For instance, when studying the concept of trust, how an individual or a party is trusted might depend on their tribal context. This means that no single reality can be discovered, but there are many perspectives on the issue. The nominalist position suggests that labels and names should be attached to experiences and events. Adopting a distinct ontology has implications for the questions asked (epistemology) and how data can be collected. However, before data are collected, a written statement (i.e., research design) must explain what, how and where data are to be gathered (Easterby-Smith, Jaspersen, Torpe & Valizade, 2021).

3.3 Research design and method

A research design explains and justifies what data will be gathered, how and where. It explains how data collected is analysed and how this will answer the research's central question (Easterby-Smith, Jaspersen, Torpe & Valizade, 2021; Saunders, Lewis & Thornhill, 2019). The research design depends on the researcher's underlying orientation and the philosophical stance adopted. Based on these two criteria (i.e., epistemology and research style), this research is positioned on the 'detached positivist' quadrant. Positivist methods usually incorporate the assumption that there are actual answers. While research design is a plan to answer the research question, a research method is a strategy used to implement that plan. For this research, the method (i.e., quantitative) adopted entails the development of a hypothesis. After which, data are collected to either confirm or disconfirm this hypothesis. For the research, hypotheses are developed, and data are collected to allow for the selection of the correct hypothesis.

3.3.1 Hypothesis Development

This study aims to understand how tribal affiliations among specific stakeholders (i.e., shareholders' representatives and management) can affect corporate governance and, hence, the overall performance of a firm. Various corporate governance factors could impact A firm's performance (Barrett, 2002). According to Barrett (2002), an effective corporate governance system can work as a tool to achieve organisational goals. However, the effectiveness of corporate governance cannot be estimated only from financial performance. There are too many external environmental influences, such as resource prices, takeovers, political changes, conflicts, climate, and informal networks (i.e., family or tribal) that could alter the direction of a firm's performance. Firm performance is a multidimensional concept that defines the success of a business. This can be measured in various aspects, including customer satisfaction, employee turnover, market share, cash flow, efficiency and increased productivity. According to Aras & Crowther (2008) and Almagtome & Khaghaany (2020), efficiency can be achieved by maximising the use of available resources (i.e., financial and non-financial) to reduce costs. For instance, Almagtome & Khaghaany (2020) noted the importance of regulatory relationships among stakeholders to reduce agency costs.

Agency cost is a form of internal expense that occurs in the wake of core inefficiencies resulting from an agent acting on behalf of a principal (Eisenhardt, 1989). Type 1 agency costs involve conflicts of interest between shareholders and management (Eisenhardt, 1989; Nguyen, Doan & Nguyen, 2020). To lower agency costs, this study investigates whether tribal affiliations between shareholders, representatives and management can affect Type 1 agency costs. If not, what are the advantages of belonging to a tribe? Three different hypotheses can be used to answer whether tribal affiliations among owners' representatives and management are related to Type 1 agency costs. A specific, verifiable prediction of what might occur during a research investigation is known as a hypothesis. These hypotheses are based on the broad agency assumption that any links with ownership or control (such as tribal or family) will result in weaker performance and higher agency costs. This is because informal networks, like family managers, are unsuitable for managing complex firms. The testable hypotheses developed above (and repeated here for the reader's convenience) allow for a detailed evaluation of underlying factors (i.e., tribal relationships) that may control the impact of corporate governance on firm performance. The three hypotheses developed are:

H1: Tribal affiliations within boards of directors are positively associated with higher Type 1 agency costs.

H2: Managers affiliated with a dominant tribe are positively associated with higher Type 1 agency costs.

H3: Interaction between the board's proportion of the dominant tribe and the managers' membership of that tribe is positively associated with Type 1 agency costs.

These were developed to understand the effects of tribal affiliation on corporate governance and agency costs by investigating whether tribal affiliations among shareholders' representatives and managers may be associated with Type 1 agency costs. If not, what are the benefits of such tribal affiliations?

Peradventure, if empirical findings from this study refute these negative predictions, other proximate theories, such as stakeholder, stewardship, and network theories, as alternatives to agency theory, could be used to explain these refutations, especially in understanding the complexity of human relationships within a firm.
Three different hypotheses can address the research question of whether tribal affiliations among owners' representatives and managers are associated with Type 1 agency costs.

3.3.2 Different measures of tribal affiliations: ownership and control

This research investigates the effect of tribal affiliation on a firm's corporate governance by examining two metrics of agency costs. These proxies examine the influence and magnitude of the effect of tribal affiliation on a firm's corporate governance. These metrics, according to Farooque (2021), can be either direct (i.e., forward-looking) or indirect (i.e., backwards-looking). Instances of direct measures include the free cash flow and growth prospects. Indirect measures include profitability ratio, asset turnover ratio, and liquidity ratio. A direct or forward-looking measure will involve a greater subjective element, while an indirect or backwards-looking measure is more objective. This research will focus on asset turnover, with free cash flow, for a potential robustness test.

However, there are numerous firm-specific measures of agency costs, according to Guariglia & Yang (2016). These measures, mainly subsets of financial and accounting ratios, can provide valuable insights into a company's performance by gauging its effectiveness and profitability (Guariglia & Yang, 2016). These measures include turnover (or efficiency), profitability, solvency, liquidity, and earnings. Profitability ratios assess a firm's ability to generate profits from its sales, solvency ratios gauge how well a company's cash flow can cover its long-term debt, and profitability ratios analyse its capacity to profit from its sales. Liquidity ratios assess a debtor's capacity to repay current debt commitments without raising external capital. Earnings ratios reflect investors' expectations of future earnings growth by assessing how much investors are willing to pay for a company based on its current earnings. Sales/asset turnover or efficiency ratios consider how effectively a firm uses its assets internally to generate income (as opposed to after-tax profits). These agency cost measures are typically used as comparative tools rather than in isolation. For instance, as profitability and efficiency ratios, solvency and liquidity ratios can be used together.

These ratios, as alternative measurements of agency costs, were adapted to address the different nature of research questions. For instance, Guariglia & Yang (2016) focused on cash flow as a measure of agency cost to determine ways to manage and minimise investment inefficiency. Others use various measures to assess the influence of governance (i.e., board) and ownership characteristics on agency-linked risk management (McKnight & Weir, 2009; Farooque, 2021). In their study, McKnight & Weir (2009) focus on three measures (i.e., asset turnover, the interaction of free cash flows and growth prospects, and the number of acquisitions) to analyse the impact of governance and ownership on agency costs. On the other hand, Farooque (2021) only considers free cash flow as a direct measure of identifying agency costs. According to Farooque (2021), free cash flow is a suitable measure for examining the impact of informal elements on overall business performance and expansion. However, Ang et al. (2000), Florackis & Ozkan (2009), and Singh & Davidson (2004) argue that asset turnover (i.e., the ratio of total sales to total assets) can be used as a more precise indicator of agency costs. Irrespective of the measures used, applying a variety of agency cost measurements may or may not produce conflicting results that differ from expected ones. According to Guariglia & Yang (2016), the application of various measures of agency costs could reflect the true nature of agency problems and possible solutions, such as the effect of informal factors (such as affiliation) on corporate governance.

Asset turnover is the ratio of total sales or revenue to the total value of assets (Ang et al., 2000; McKnight & Weir, 2009; Singh & Davidson, 2004). According to McKnight & Weir (2009), this indicator measures how well management uses the company's resources to increase sales. This measure helps shareholders or investors determine how successfully businesses leverage their assets to create sales or how successfully the company's BoD executes its control function in monitoring the affairs of the management. Also, investors use the asset turnover ratio to compare similar firms in the same sector or group. The asset turnover ratio could either be high or low. For instance, a high ratio implies low agency cost because it shows that assets are deployed to generate many sales. On the other hand, a low ratio could be a sign that management is engaging in wasteful investing practices, e.g. consuming excessive perquisites. Therefore, a low ratio indicates high agency costs and inefficient asset utilisation. Secondly, investors can compare companies in the same industry or group using the asset turnover ratio.

Despite being identified as a precise indicator of agency costs, asset turnover is not immune to management's manipulation. This manipulation can easily be carried out because financial statements are reported within the management guidelines, where managers may tend to use an accounting technique that might exaggerate performance (Nicholson & Kiel, 2007; Rashid, 2010). Several other possible issues with this measure include: First, sales may not necessarily result from productive activities. Second, it is possible that the cash flows produced by sales are being expropriated by management rather than distributed to shareholders, so sales generation may not be equivalent to shareholder wealth. Third, companies in the same industry can have different production levels (Coles et al., 2005). Nevertheless, the measure is arguably a valuable indicator of agency costs (Ang et al., 2000; Singh & Davidson, 2003). Asset turnover will be converted (i.e., the inverse of the sales asset ratio) to measure agency cost directly as an alternate measure of agency costs. The main goal of this adoption is to provide a direct and comparable explanation for the relationship between the independent variable (i.e., tribal affiliation) and the dependent variable (i.e., agency costs). On the other hand, free cash flow is discussed as an alternative direct measure of agency costs in an Appendix, but this measure was only used in an (unsuccessful) robustness test.

Apart from these two measures of agency cost, earlier studies have utilised other conventional financial performance measures, such as return on assets (ROA), as a profitability ratio. Even though the ratio captures the effectiveness of corporate governance practices, it is an accounting performance measure where accounting profits can be manipulated (to be high) because they are reported within the management guidelines, where managers may tend to use an accounting technique that would improve performance (Nicholson & Kiel, 2007; Rashid, 2010). Nicholson & Kiel (2007) pointed out that a high accounting profit need not always translate into a low agency cost. This implies that not all agency costs are represented in accounting performance indicators and that accounting profit might be very high even amid substantial agency costs (Wiwat-tanakantang, 2001).

3.3.3 Attempted robustness test using cashflow (not Free cashflow)

According to Lu & White (2013), the robustness test analyses how core regression coefficient estimates respond to changes in the regression specification, such as adding or eliminating regressors. The essence of a robustness test is to ascertain how well the coefficient values behave when some regression specifications are modified (Lu & White, 2013). Leamer (1983) argued that the fragility of regression coefficient estimates indicates a specification problem and suggested doing sensitivity studies (i.e., robustness tests) to discover any misspecification. Because of the result variations when inverse asset turnover was used, another measure (cash flow, not free cash flow) of agency costs was used to verify the robustness of the analysis. However, if the coefficient values do not vary significantly, it is interpreted as evidence that they are robust. If the signs and magnitudes of the calculated regression coefficient values are also reasonable, this suggests that the calculated coefficient values accurately reflect the causal effects of the related regressors.

Some researchers, such as Adams et al. (2009), Alfaro & Charlton (2009), and Dobkin & Nicosia (2009), among others, perform a robustness test using ordinary least squares, logit, instrumental variables, or panel methods. Instrumental variables were used for this research. For easy access, robustness tests are now automated in some standard econometric software, thereby reflecting the importance and popularity of the test.

3.4 Data

3.4.1 Data sources and sample selection

The secondary data used in this research are drawn from the Nigerian Stock Exchange Market (NGX). Since 1960, the Nigerian Stock Exchange Market (NGX), a Nigerian Exchange Group (NGX Group) subsidiary, has been a premier listing and trading venue in Africa. It is a vibrant, open, and professional exchange that links Nigeria, Africa, and the rest of the world. NGX The greatest African companies listed on our Premium, Main, and Growth Boards, as well as a variety of fixed-income securities, Exchange Traded Products (ETPs), Mutual and other investment funds, can all be found on NGX, a multi-asset exchange. NGX also offers domestic and foreign investors access to these securities through our thriving secondary market. In our effort to become Africa's chosen exchange hub, NGX also offers licensing services, market data solutions, auxiliary technology services, and more.

Data are collated from two primary sources: the Nigerian Stock Exchange website and the African Market website. These sources provided details of all Nigerian listed companies from their annual reports. We used the annual reports of 2019 for analysis because it is the last financial year before the emergence of the COVID-19 pandemic. We do not want the after-effects of this pandemic to disrupt results that could have been interpreted otherwise. These annual reports provided details of financial statements, companies' CEOs, board representatives and board composition (via its designation and tribal affiliations). Tribal affiliations among board representatives were identified through directors' names. There are a total of 159 listed companies in Nigeria. However, based on the information required for analysis and the availability of such information within the annual reports for this research, 89% (i.e., 129) samples from the population were manually collated for analysis.

The dataset covers companies' information, such as industry categorisation, number of employees, financial information (operating expenses, total expenses, sales, cash, and total assets), and total board members via their tribal affiliations, gender, and designation.

3.4.2 Data preparation

As earlier stated, data were extracted and collated from the firms' annual reports. One of the collated data's most important variables is the number of board members. This total was separated according to their tribal affiliations. Tribal affiliations of these members are identified using the members' names. However, this coding system works better for men than their female counterparts. For the females, their names were also used, but their first name was considered in cases where the tribe of origin differed from the marital name that was adopted. Also, the margin of mistakes (if any) will be minimal since the female CEOs/Chairmen population is less than 10%.

Because of the complexity of the data collated, dummy variables (A and B) for each group were created. The dummy variables enable the researcher to use a single regression equation representing multiple groups. They also provide one way of using categorical predictor variables in various estimation models, such as linear regression. The variables are created to assign a numerical value to levels of categorical variables. The first dummy variable (i.e., A – used in chapter 4 of the central thesis) was created with the initial knowledge of the dominant tribal groups, with the firms' boards using the method described in response to comment 8a above. On the other hand, the second dummy variable (i.e., B – analysed in Appendix D) considered whether(not) there was any dominant tribal group on the board, regardless of the actual tribe. After which, the details of what tribe dominated will emerge.

For dummy variable A:

Each dummy variable represents one category of the explanatory variable and is coded with one if the case falls in that category and zero if not. For this study, the dummy variable is coded 1 if the tribe happens to have the maximum proportion of board members belonging to any single tribe on a firm's board, while other scenarios are coded 0. This allows the researcher to include categorical variables in the analysis without writing separate equation models for each group, which would otherwise be challenging due to their non-numeric nature.

For dummy variable B:

This was coded (0,1). 0 stands for firms without a dominant tribal group on the board, while 1 stands for firms with a dominant tribe.

The dummy variables (both A and B) created can help us control confounding factors and improve the validity of results. Although it would have been a good idea to see the interaction effect by looking over some years, the unforeseen circumstances (i.e., COVID) may have affected the flow of economic patterns. Also, as it is, the data collated for a year is complex enough.

Points to note (Methodology)

1. To test H1, the '**Non-Predominant tribe**' (represented as a dummy variable coded 0) was used as the baseline for which the other dummy variable, coded 1, is assessed. The *contrast-based* function was used to set our dummy variable for the regression model. For conciseness, the original dummy variables are combined into two distinct variables (i.e., non-predominant, coded zero and predominant variable, coded 1). The predominant variable represents the highest proportion of board members from the three major tribes (i.e., Hausa/Fulani, Igbo and Yoruba tribes). In contrast, the non-predominant variable encompasses other scenarios. Despite coding the original dummy variables into two (i.e., 0 and 1), the model yields the same result as using the original dummy variables. The benefit of combining these dummy variables into a single variable is to support the data transformation required to test H2. Also, it helps with the interpretability of the model as there is more control in setting the baseline.
2. As with H1, H2 is tested using the CEO Non-Predominant variable to capture cases where the CEO belongs to a minority tribe. Therefore, the ***CEO dummy variable coded as 1*** indicates cases where the CEO is from the dominant tribe on the board (either Hausa/Fulani, Igbo or Yoruba).
3. Two companies without CEOs were removed from our 129-company sample. Therefore, the sample size for testing H2 and H3 is 127.
4. The researcher could interpret the model results and conclude parameter estimates and statistics. These statistics could either support(or not) the stated hypotheses. Kindly refer to the appendix for a full table of model results.
5. The following words were used interchangeably throughout this thesis: e.g., Managers and CEOs, ethnic groups and tribal groups, etc.

Assumptions

Multiple linear regression (MLR) was used to test my hypotheses.

To account for the various confounding variables in the dataset, some key assumptions of MLR are noted as follows:

1. A **linear relationship** between the dependent and independent variables was verified with scatter plots.
2. **Independence of observations**: This assumption holds as all companies in our sample are unique.
3. There is little to no **multicollinearity**: The sector category may be slightly correlated with the number of employees.
4. **Homoscedasticity**: We verified this assumption with plots of residuals versus predicted values.

Limitations

1. The models could be improved by gathering more data from the Nigerian stock exchange. For example, based on the availability of information from firms' annual reports, 89% (i.e., 129) samples were collated, while the remaining 11% outstanding were required for analysis. Also, other control variables could be gathered from the dataset, like the nature of a firm's business and location, which could have a significant impact.
2. Cash flow is highly skewed, and there are some influential outliers in the data, which may distort our model results. This is another thing that can be improved on to get better model results.

3. The tribal categories in our data are not equal, which may influence our results. For instance, 59 companies from the sample have a Yoruba majority board, while the Haus/Fulani tribe has the lowest number (i.e., 9) of board members.

3.4.3 Variable definitions

Dependent variables

Dependent variables are variables that change due to changes in independent variables. Dependent variables respond to a change in another variable (Rashid, 2016). Similar to other studies, this research uses measures of agency costs as dependent variables, i.e., Asset turnover and cash flow.

Independent variables

Independent variables are variables that are not changed by other variables. For this research, the independent variable is based on tribal affiliation.

Control variables

This research considers several control variables. They are firm size (represented by the number of employees), firm age (i.e., years of incorporation), sector categorisation (i.e., primary, secondary, tertiary, and quaternary sector), number of years the companies' CEO/board were in office, educational background, etc. However, only two control variables were included because more than half of the financial reports do not categorically state the number of years the companies' CEO/board members were in office, despite the usefulness of this variable. The same goes for the educational background of these parties in question.

These listed variables are held constant, even though they are not of direct interest, like the dependent and independent variables. If these listed variables are not controlled, relevant extraneous variables may influence the outcomes of this study, leading to inaccurate conclusions about the relationship between dependent and independent variables. For instance, we may not be able to demonstrate that outcomes generated resulted from the effect of the independent variable (i.e., tribal affiliations). Control variables are important because they help establish a correlational or causal relationship between other variables by enhancing internal validity.

It can be argued that a firm's size is an important variable in influencing agency cost (Short & Keasey, 1999; Majumdar & Chhibber, 1999). Many journal articles on family-affiliated firms have demonstrated the importance of a firm's size. The size and complexity of a firm's operation make it difficult for family members to make decisions without specialist investors (i.e., directors) and managers. Through this means, for instance, large firms can be said to have mastered the ability to generate internal funds and a higher dividend yield, which are expected to decrease firm-level agency costs (Short & Keasey, 1999).

Similarly, the age of a firm (i.e., years since foundation) is noted to be another important influencing factor on agency costs (Majumdar & Chhibber, 1999; Rashid, 2016). Older firms tend to be more efficient than younger firms because they become more productive with time, lowering agency costs (Aug et al., 2000). Although as a firm matures to a certain age, its average level of productivity remains flat (Andretsch & Mata, 1995; Coad et al., 2013). In another instance, newer publicly traded businesses are known to have larger asset turnover than the older firms because the cohort of firms founded since the financial crisis is more resilient, and they are identified for their rapid growth. This may be because most young, publicly traded companies use other innovative means (such as human resources, technology, and financial access) to increase management's effectiveness in utilising the firm's assets to create revenue.

Furthermore, a firm's structure (i.e., sector categorisation) and diversification may affect agency costs. Other factors may be considered control variables, but based on this study, the above-explained variables are those considered, as presented in Table 3.1 below.

Table 3.1: A list of the various variables, a description of their measurements and their sources.

Variables name	**Constructs and measurements**	**Source**
Dependent:		
Type 1 agency costs	Agency costs that occur as a result of problems between ownership and management	Guariglia & Yang (2016)
Asset turnover	The ratio of sales to total assets	Florackis & Ozkan (2009); Guariglia & yang (2016); McKnight & Weir (2009)
Free cash flow	Cash	Guariglia & Yang (2016)
Independent:		
Ownership, i.e., Board members	Dummy variables=1 for board members of the dominant tribe	Farooque (2021); Florackis & Ozkan (2009); McKnight &Weir (2009)
Management, i.e., CEOs	Dummy variable=1 for CEOs from the dominant tribe	McKnight & Weir (2009)
Control:		
Sector	An area of the economy where firms share similar business activity. 1=primary, 2=secondary, 3=tertiary and 4=Quaternary.	Farooque (2021); Rashid (2016)
Firm’s age	Number of years listed on the Nigerian stock exchange	Farooque (2021); Gomez-Mejia et al., (2010); Guariglia &Yang (2016)
Firm’s size	Number of employees	Verwaal & Donkers (2002); Guariglia & Yang (2016)

Adapted: Variable names, constructs, and measurements (D’Angelo, Majocchi & Buck, 2016)

3.5 Quantitative method of data collection

Numeric data (i.e., financial reports) from firms are acceptable for selecting the correct hypothesis from the listed hypotheses above. However, when dealing with any real-life issue like tribal affiliation, numeric data is often inadequate. There are several ways of collecting the appropriate data, which differ for the following reasons. The reasons include the context of my costs, time and the availability of other resources. Therefore, for this research, secondary sources are used considering the nature of the investigation, its objective, financial resources, available time, the desired degree of accuracy, and the researcher's ability and experience. Experience is an important prerequisite in collecting statistical data (Bowley, 1935, in Aldrich, 2009). More importantly, for this research (i.e., archival), fieldwork (i.e., survey, questionnaire and observation) is not necessary since there are readily available secondary sources that cater to the research questions to be answered. An enormous amount of data already exists in the public domain, as corporate and government reports and statistical and financial databases can be accessed online.

According to Smith (1988), the quantitative data collection method involves counting, measuring events, and performing the statistical analysis of numerical data. For instance, the study population comprises an estimated 159 listed Nigerian firms. However, 129 (i.e., 81.1% of the whole population) firms were considered. Those 129 firms have complete information regarding the variables needed to facilitate a definite result. The main advantage of this method is that measurement is reliable and valid in precisely predicting cause and effect (Cassell & Symon, 1994). The quantitative method is formulating and verifying research hypotheses on a specific set of data (Frankfort-Nachmias & Nachmias, 1992). Scientific hypotheses are claimed to be value-free. Thus, self-values, biases, and subjective preferences have no place in the quantitative approach.

3.5.2 Strengths of the quantitative method, as suggested by various researchers, include:

1. The ability to state a particular research problem and set terms (Frankfort-Nachmias & Nachmias, 1992),
2. Clear and precise identification of both the independent and the dependent variables under investigation,
3. Ability to follow firmly the original set of research goals, test the hypothesis and determine the issues of causality,
4. Ability to achieve high levels of reliability of data gathered against any form of research manipulations (Balsley, 1970) and
5. There is the ability to eliminate subjective results (Kealey & Protheroe, 1996).

Statistical Package for the Social Sciences (SPSS) is used to analyse this method, even though Predictive Analytics Software (PASW) has currently replaced it. According to Norusis (1999), SPSS helps in performing descriptive statistical analysis (cross-tabulation and frequencies), bivariate statistical analysis [t-test, Analysis of variance (ANOVA) and correlation] and Prediction of numerical outcomes (linear regression). Research hypotheses were formulated before the implementation of this study. The alpha level will be set at .05 for all statistical analyses (Stevens, 1996).

3.5.2 Challenges of using the quantitative method

The weaknesses of the quantitative method include:

1. Failure to provide the researcher with information on the context of the situation where the studied phenomenon occurs,
2. Inability to control the environment,
3. Limited outcomes,
4. Not encouraging the evolving and continuous investigation of a research phenomenon,
5. It does not encourage the collection of primary data in a flexible, non-structured way, which could have allowed the emergence of new information and
6. Cannot obtain a more realistic and hands-on feel of the world that cannot be experienced through numerical data and statistical analysis.

Despite the above-listed limitations of quantitative data for this research, qualitative data were not collected due to time constraints. Online communication, like taking a Zoom interview with the Directors, was not feasible because of accessibility constraints. For instance, it might take months for these directors to respond to emails because of their tight schedules. Also, the probable unwillingness of interviewees to respond truthfully to questions about agency costs contributed to the decision.

3.6 Reliability and validity of the study

Reliability and validity are important aspects of research methodology that verify the authenticity of research work.

3.6.1 Reliability consideration

According to Collis & Hussey (2003), reliability is more concerned with the credibility of the research findings. Research findings under a positivist paradigm should yield the same or compatible results in different clinical experiments or statistical trials. In other words, a positivist research paradigm lacking reliability cannot be trusted. Quantitative measures need to be reliable, based on the precision of measurement. Therefore, reliability refers to the consistency of a set of measurements.

Types of Reliability:

1. Test-Retest Reliability
2. Inter-rater Reliability
3. Internal Consistency Reliability
4. Instrument Reliability
5. Statistical Reliability
6. Reproducibility

3.6.2 Validity consideration

Although the positivist paradigm focuses more on the precision of measurement, the ability to affirm the validity of an experiment might be pretty low. Validity also refers to the degree to which research reflects the research problem. According to Collis & Hussey (2003), “Validity is the extent to which research findings accurately represent what is happening in the situation”. In other words, a research finding is valid if it demonstrates what the researcher thinks or claims (Coolican, 1992, pp35 as cited in Collis & Hussey, 2003).

3.7 Conclusions

This research is based on statistical results and a strong theoretical foundation (e.g., agency theory). Therefore, it is imperative to use the most effective method to ensure the study's high reliability. However, understanding the contextual aspects of the research (e.g., flexibility and openness of the data collection) provides a more holistic interpretation of the research problem.

CHAPTER 4: DATA ANALYSIS AND FINDINGS

This chapter focuses on the comprehensive findings derived from the data analysed. The primary focus of this research is to understand the effects of tribal affiliations on corporate governance and firm performance, and how these effects among shareholders' representatives and managers could be associated with Type 1 agency costs. The question of whether tribal affiliations among owners' representatives and managers are associated with Type 1 agency costs was addressed through three different hypotheses. The analysis follows three stages (i.e., descriptive, correlation and regression) of analysing these hypotheses. The hypotheses were developed to test the effect of tribal affiliations or ties in reducing agency costs. However, an initial summary of statistics showing baseline results via a descriptive analysis of all variables is outlined below:

4.0 Results

4.1 Descriptive statistics

Table 4.1: Descriptive statistics of all variables

Variables	Valid	Missing	Mean	Std. Deviation	Range	Minimum	Maximum	Sum
Hausa/Fulani dominated board	129	0	0.07	0.256	1	0	1	9
Igbo dominated board	129	0	0.16	0.363	1	0	1	20
Yoruba dominated the board	129	1	0.46	0.500	1	0	1	59
Non-dominant board	130	0	0.32	0.468	1	0	1	41
Hausa/Fulani dominated chairmen	129	0	0.13	0.340	1	0	1	17
Igbo dominated chairmen	129	0	0.20	0.403	1	0	1	26
Yoruba dominated chairmen	129	0	0.40	0.491	1	0	1	51
Non-dominant chairmen	129	0	0.27	0.446	1	0	1	35
Hausa/Fulani dominated CEOs	129	0	0.06	0.242	1	0	1	8
Igbo dominated CEOs	129	0	0.16	0.363	1	0	1	20
Yoruba dominated CEOs	129	0	0.42	0.495	1	0	1	54
Non-dominant CEOs	129	0	0.35	0.478	1	0	1	45
Sector	129	0	2.48	0.708	2	1	3	320
Firm's age	129	0	40.72	21.728	99	0	99	5253
Firm's size	124	5	1741.20	7485.208	79879	7	79886	215909
Inverse Asset Turnover	129	0	0.6404	0.92032	8.10	0.00	8.10	82.61
Cash	129	0	17181420.1857	60616390.79913	406863135.00	-18010135.00	388853000.00	2216403203.96
Valid N (listwise)	123							

Table 4.2: Summary of the various tribes on the board of listed Nigerian firms

Tribe on the board of listed Nigerian firms	Board members	Chairmen	CEOs	Total Board members	Board members (%)	Chairmen (%)	CEOs (%)	Total %	Total %
Hausa/Fulani tribe	9	17	8	34	7.0	13.2	6.3	26.5	8.8
Igbo tribe	20	26	20	66	15.5	20.2	15.7	51.4	17.1
Yoruba tribe	59	51	54	164	45.7	39.5	42.5	127.8	42.6
Non-predominant tribe	41	35	45	121	31.8	27.1	35.4	94.3	31.4
Total	129	129	127	385	100	100	100	300	100

Table 4.1 presents the descriptive statistics of all variables. The Yoruba tribe has the highest mean values across all boards. From board members (with a mean value of 0.46) to the position of their board chairman (mean value of 0.40) and the firms' CEOs (with a mean value of 0.42). From Table 4.2, it is noted that the Yoruba tribe occupy an estimated 42.6% (i.e., the average percentage of Yoruba board membership across Nigerian listed firms, as against 8.8% Hausa/Fulanis, 17.1% Igbos, and 31.4% non-predominate tribes. This means the Yoruba tribe are the most common and popular tribe to be represented transversely by all the listed firms in Nigeria. Board members of Yoruba descent may be expected to have much influence due to their numbers.

From Table 4.1, board members of Yoruba descent have high standard deviation values. A high standard deviation indicates that data points exceed the mean value (i.e., larger variance from the mean). For instance, standard deviation values (i.e., 0.500, 0.491, 0.495) are much higher than the mean values (i.e., 0.46, 0.40, 0.42) for the Yoruba-dominated board, its chairmen and CEOs, respectively. The data area, in this case, is more spread out. It should be noted that the more spread the data, the higher the level of heterogeneity. By implication, the mean values in Table 4.1 are not as representative of the data as they seem. Because board members of Yoruba descent have the highest mean value and the largest number of individuals within a firm's board, one would have thought they would have much control and influence over other tribal groups due to their popularity. However, being popular may (not) guarantee the dominant (i.e., Yoruba) group's ability to influence other tribal groups in the decision-making process. This is because the Yoruba board members have a high level of dissimilarity.

As against what is obtainable from other tribes, the mean values of the Hausa/Fulani tribal group are all less than their standard deviation values. A low standard deviation means data are clustered around the mean (i.e., data points below the mean value). For instance, the mean values of all board members of Hausa/Fulani descent (with the lowest number of individuals on the board) are less than their standard deviation. When variability is low, there is a high level of sample homogeneity. This means that there is less dissimilarity between elements that comprise a whole. In contrast to the Yoruba board members, the Hausa/Fulani have a high level of uniformity within their tribal group. Uniformity may enhance coordination and influence over other tribal groups with a high level of heterogeneity. By implication, the Hausa/Fulani tribe is a much better representation (despite the group having the lowest number of members) because of its uniformity compared to its Yoruba counterpart with the highest number of individuals on the board, hence, its influence on a firm's board.

4.2 Correlations

Table 4.3: Correlations

Variables		Hausa/Fulani dominated board	Igbo dominated board	Yoruba dominated board	Non-Predominant board	Hausa/Fulani chairmen	Igbo chairmen	Yoruba chairmen	Non-predominant chairmen	Hausa/Fulani CEOs	Igbo CEOs	Yoruba CEOs	Non-Predominant CEOs	Sector	Firm's age	Firm's size	Inverse Sales/asset turnover	Free cashflow
Hausa/Fulani dominated board	Pearson Correlation	1	-0.117	-.251**	-.189*	.433**	-0.138	-0.159	-0.030	.182*	-0.117	-0.109	0.055	0.029	-0.137	-0.039	0.028	-0.001
	Sig. (2-tailed)		0.186	0.004	0.033	0.000	0.120	0.072	0.734	0.039	0.186	0.219	0.536	0.743	0.121	0.667	0.750	0.988
Igbo dominated board	Pearson Correlation	-0.117	1	-.393**	-.295**	-0.040	.372**	-0.127	-0.165	-0.021	.467**	-.190*	-0.134	0.133	0.070	-0.037	0.007	.245**
	Sig. (2-tailed)	0.186		0.000	0.001	0.651	0.000	0.150	0.062	0.810	0.000	0.031	0.131	0.132	0.432	0.687	0.941	0.005
Yoruba dominated board	Pearson Correlation	-.251**	-.393**	1	-.625**	-.174*	-0.112	.467**	-.280**	-0.107	-.221*	.514**	-.280**	0.058	0.007	-0.139	-0.163	-.189*
	Sig. (2-tailed)	0.004	0.000		0.000	0.049	0.206	0.000	0.001	0.227	0.012	0.000	0.001	0.512	0.939	0.125	0.066	0.032
Non-Predominant board	Pearson Correlation	-.189*	-.295**	-.625**	1	-0.022	-0.097	-.309**	.443**	0.030	-0.065	-.349**	.384**	-.179*	0.018	.196*	0.156	0.012
	Sig. (2-tailed)	0.033	0.001	0.000		0.806	0.277	0.000	0.000	0.735	0.467	0.000	0.000	0.044	0.838	0.030	0.079	0.894
Hausa/Fulani chairmen	Pearson Correlation	.433**	-0.040	-.174*	-0.022	1	-.196*	-.315**	-.238**	.185*	0.086	-.191*	0.003	-0.038	-0.139	0.019	-0.095	-0.032
	Sig. (2-tailed)	0.000	0.651	0.049	0.806		0.026	0.000	0.007	0.036	0.330	0.030	0.970	0.669	0.116	0.838	0.284	0.718
Igbo chairmen	Pearson Correlation	-0.138	.372**	-0.112	-0.097	-.196*	1	-.406**	-.307**	-0.049	0.105	-0.035	-0.003	0.123	0.140	-0.057	0.023	0.148
	Sig. (2-tailed)	0.120	0.000	0.206	0.277	0.026		0.000	0.000	0.581	0.236	0.697	0.975	0.164	0.115	0.529	0.798	0.094
Yoruba chairmen	Pearson Correlation	-0.159	-0.127	.467**	-.309**	-.315**	-.406**	1	-.493**	-0.076	-0.084	.246**	-0.126	-0.011	-0.081	-0.114	0.007	-.178*
	Sig. (2-tailed)	0.072	0.150	0.000	0.000	0.000	0.000		0.000	0.389	0.347	0.005	0.154	0.897	0.361	0.208	0.936	0.044
Non-predominant chairmen	Pearson Correlation	-0.030	-0.165	-.280**	.443**	-.238**	-.307**	-.493**	1	-0.012	-0.069	-0.094	0.139	-0.070	0.069	0.162	0.044	0.086
	Sig. (2-tailed)	0.734	0.062	0.001	0.000	0.007	0.000	0.000		0.890	0.439	0.291	0.117	0.432	0.437	0.071	0.618	0.332
Hausa/Fulani CEOs	Pearson Correlation	.182*	-0.021	-0.107	0.030	.185*	-0.049	-0.076	-0.012	1	-0.110	-.218*	-.188*	0.007	-0.010	-0.033	-0.156	0.036
	Sig. (2-tailed)	0.039	0.810	0.227	0.735	0.036	0.581	0.389	0.890		0.214	0.013	0.033	0.937	0.910	0.714	0.079	0.685
Igbo CEOs	Pearson Correlation	-0.117	.467**	-.221*	-0.065	0.086	0.105	-0.084	-0.069	-0.110	1	-.363**	-.314**	0.072	-0.043	0.007	0.088	.390**
	Sig. (2-tailed)	0.186	0.000	0.012	0.467	0.330	0.236	0.347	0.439	0.214		0.000	0.000	0.414	0.629	0.935	0.321	0.000
Yoruba CEOs	Pearson Correlation	-0.109	-.190*	.514**	-.349**	-.191*	-0.035	.246**	-0.094	-.218*	-.363**	1	-.621**	0.090	-0.047	-0.088	-0.064	-.184*
	Sig. (2-tailed)	0.219	0.031	0.000	0.000	0.030	0.697	0.005	0.291	0.013	0.000		0.000	0.310	0.596	0.329	0.470	0.037
Non-Predominant CEOs	Pearson Correlation	0.055	-0.134	-.280**	.384**	0.003	-0.003	-0.126	0.139	-.188*	-.314**	-.621**	1	-0.130	0.077	-0.074	0.064	-0.129
	Sig. (2-tailed)	0.536	0.131	0.001	0.000	0.970	0.975	0.154	0.117	0.033	0.000	0.000		0.143	0.385	0.415	0.474	0.145
Sector	Pearson Correlation	0.029	0.133	0.058	-.179*	-0.038	0.123	-0.011	-0.070	0.007	0.072	0.090	-0.130	1	-0.144	-0.163	.362**	0.125
	Sig. (2-tailed)	0.743	0.132	0.512	0.044	0.669	0.164	0.897	0.432	0.937	0.414	0.310	0.143		0.105	0.070	0.000	0.159
Firm's age	Pearson Correlation	-0.137	0.070	0.007	0.018	-0.139	0.140	-0.081	0.069	-0.010	-0.043	-0.047	0.077	-0.144	1	0.057	-0.072	0.013
	Sig. (2-tailed)	0.121	0.432	0.939	0.838	0.116	0.115	0.361	0.437	0.910	0.629	0.596	0.385	0.105		0.527	0.422	0.884
Firm's size	Pearson Correlation	-0.039	-0.037	-0.139	.196*	0.019	-0.057	-0.114	0.162	-0.033	0.007	-0.088	-0.074	-0.163	0.057	1	0.070	0.106
	Sig. (2-tailed)	0.667	0.687	0.125	0.030	0.838	0.529	0.208	0.071	0.714	0.935	0.329	0.415	0.070	0.527		0.445	0.240
Inverse Sales/asset turnover	Pearson Correlation	0.028	0.007	-0.163	0.156	-0.095	0.023	0.007	0.044	-0.156	0.088	-0.064	0.064	.362**	-0.072	0.070	1	0.137
	Sig. (2-tailed)	0.750	0.941	0.066	0.079	0.284	0.798	0.936	0.618	0.079	0.321	0.470	0.474	0.000	0.422	0.445		0.122
Free cashflow	Pearson Correlation	-0.001	.245**	-.189*	0.012	-0.032	0.148	-.178*	0.086	0.036	.390**	-.184*	-0.129	0.125	0.013	0.106	0.137	1
	Sig. (2-tailed)	0.988	0.005	0.032	0.894	0.718	0.094	0.044	0.332	0.685	0.000	0.037	0.145	0.159	0.884	0.240	0.122	

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

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

Table 4.3 shows the binary relationships between the independent variables (e.g., board members from all ethnic/tribal groups), the dependent variable (e.g., inverse asset turnover and cashflow), and the control variables (e.g., sectors, firm's age, firm's size). It also shows the linear relationship (e.g., positive or negative) between tribal affiliation among board members and Type 1 agency costs.

For example, Table 4.3 shows that the Igbo-dominated board is highly and positively correlated with cashflow (b = 0.245; p = 0.005), while the Yoruba-dominated board is highly and negatively correlated with cashflow (b = -0.189; p = 0.032). Similarly, Table 4.3 shows that when the chairman of a firm's board is of Yoruba descent, it negatively correlates with cash flow (b = -0.178; *p* = 0.044).

As with ownership (i.e., board), there is a similar direction of interaction between the management (i.e., CEOs) and cash flow. Table 4.3 shows that the relationship between cash flow and CEOs of Igbo and Yoruba descent is significant at (p = 0.000 and p = 0.037, respectively), of which Igbo is positive while Yoruba is negative. For instance, Igbo CEOs positively correlate with cash flow (b = 0.390; p = 0.000). It shows how tribal ties among Igbo CEOs might substantially negatively impact their efficiency (i.e., high Type 1 agency cost). For instance, tribal ties might hinder the management from using the right resources, skills, and experiences. Thereby choosing tribal ties over efficiency. Yoruba CEOs, on the other hand, are highly and negatively correlated with cash flow (b = -0.184; p = 0.037). In comparison with the Igbo CEOs, firms with Yoruba CEOs might have a higher tendency towards efficiency (i.e., with a lower cash flow)

The above discusses the positive and negative relationship between cash flow and a firm's board and CEOs. Despite the significant relationship exhibited while using free cash flow, Table 4.3 shows no significant relationship between inverse asset turnover and the board and CEOs of these tribes (Hausa/Fulani, Igbo, Yoruba, and the Non-predominant). However, Table 3 shows a positive and significant interaction between inverse asset turnover and sector (b = 0.362; p = 0.000). This, in turn, indicates a decrease in Type 1 agency costs.

4.3 Regression analysis

4.3.1 H1

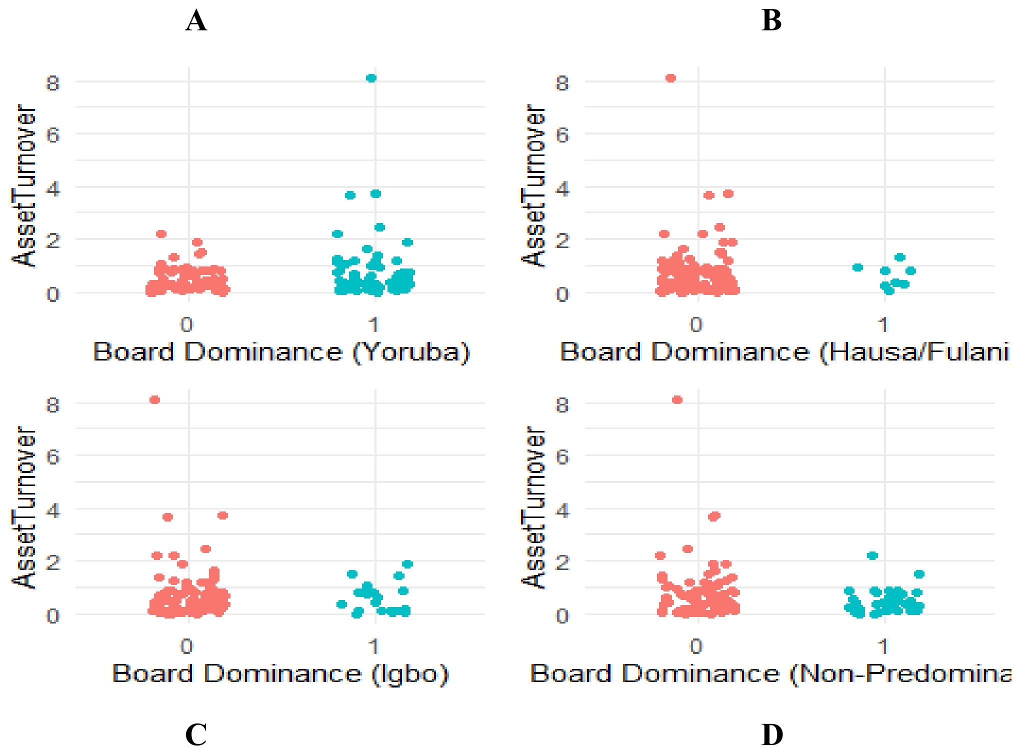
In **H1**, I proposed that tribal affiliations within boards of directors are positively associated with Type 1 agency costs.

This focuses on ownership patterns.

The analysis shows the following results.

A) Descriptive statistics of H1

Figure 4.1: The relationship between inverse asset turnover and tribe-board dominance



From the scatterplots above, four different charts demonstrate the horizontal axis containing the measured value of an independent variable (i.e., board dominance by various tribal groups) and a vertical axis representing the measurements of the dependent variable (i.e., agency costs, measured by inverse sales/asset turnover). For all charts, the number 1 (coloured blue) on the horizontal or the x-axis represents the tribe with the maximum proportion of board members belonging to each tribe on a firm's board. At the same time, other scenarios are coded with the number 0 (coloured red).

Chart A shows that many firms (i.e., 59) have Yoruba-dominated boards. This means that the highest number of board members are from Yoruba. Followed by the non-predominant tribes (i.e., 41), as shown in Chart D. Next is the Igbos (i.e., 20) in Chart C. Lastly, as Chart B shows, fewer firms (i.e., 9) have Hausa/Fulani-dominated boards. This suggests that the Yorubas are the most prevalent tribe to be represented across all Nigerian listed companies. Chart B shows how these board members of different tribal descent respond to asset turnover. Only nine firms with Hausa/Fulani-dominated boards have the highest asset turnover, compared to firms with Yoruba-dominated boards, which have the lowest.

B) Tests of H1 - Multiple linear regression.

Using inverse asset turnover as an Agency Cost Measure

This analysis is based on ownership via board representation.

Table 4.4: Regression analysis for H1

Variable	Coefficient	Std.Error	t-Statistic	Prob.	Significance
Intercept	-1.40	0.286	-4.883	<0.001	*
Hausa/Fulani dominated the board	-0.29	0.343	-0.849	0.398	
Igbo dominated board	-0.33	0.242	-1.345	0.181	
Yoruba dominated the board	-0.49	0.185	-2.622	0.010	*
Secondary sector	0.88	0.278	3.173	0.002	*
Tertiary Sector	1.25	0.247	5.059	<0.001	*
Firm's age	0.00	0.004	0.129	0.898	
Firm's size	0.00	0.000	0.324	0.747	

Table 4.5: Summary for H1

R-squared	0.218	**F-statistic**	4.573
Adjusted R-squared	0.170	**P-value**	0.000

Interpretation

According to Table 4.4, the Yoruba-dominated board positively affects the inverse of sales/asset turnover (coefficient value = -0.49; p = 0.010). This suggests that a Yoruba-dominated board positively affects Type 1 agency costs (i.e., low Type 1 agency costs). However, there are no statistically significant results for the Hausa/Fulani-dominated or Igbo-dominated boards since variations for these two tribes are less likely. Thus, **H1 is partially supported**. The hypothesised relationship is only statistically significant and supported for the Yorubas. This result indicates that the existence of stronger ties among board members with the dominant tribe (i.e., Yoruba) leads to a lower Type 1 agency cost. In other words, tribal relationships and ties among the Yoruba-dominated board reduced agency costs.``

Goodness of fit

R-squared

R-squared is a statistical measure that determines the proportion of variance in the dependent variable that can be explained by the independent variable. In other words, the R-squared value shows how well the model predicts the outcome of the dependent variable. In Table 4.5, the model explains 21.8% of the variance observed in inverse sales/asset turnover with an adjusted R-squared of 17.0%.

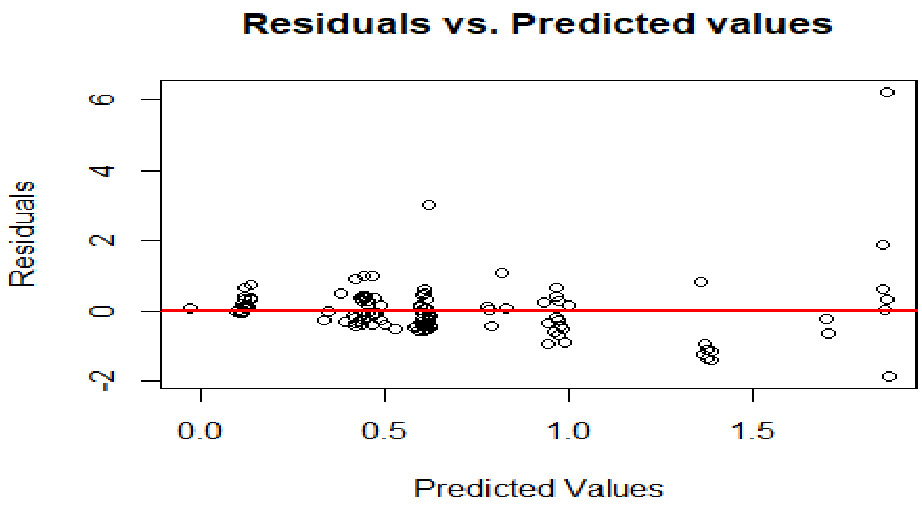
F-Statistic

From Table 4.5 above, the F-statistic is 4.57 with a p-value of 0.000, which indicates that the model provides a better fit to the data than an intercept-only model.

Residual Analysis

As shown in Figure 4.2 below, we can observe some clusters of points, which could indicate a better fit of the model above, even though the plot does not trend.

Figure 4.2: The relationship between residuals and predicted values



4.3.2 H2

H2: Managers affiliated with a dominant tribe are positively associated with higher Type 1 agency costs

This focuses on control patterns

The analysis shows the following results.

A) **Descriptive Statistics of H2**

We have 51 companies in our dataset, and the CEO belongs to the dominant tribe on the board. For the remaining 76 companies, either the CEO's tribe is not the same as the tribe with the majority proportion on the board, or it is of the Non-Primitive class (as stated in the methodology).

Figure 4.3: The relationship between inverse asset turnover and tribe-CEO dominance

From the above scatter plot, some insights are noted:

There is an outlier company whose CEO is not from the dominant tribe (represented with dummy variable 0) on the board with the highest Asset Turnover ratio. On the other hand, companies with their CEO from the dominant tribe (coded with dummy variable 1) on the board tend to have a lower Sales/Asset Turnover ratio.

B) Test of H2 - Multiple linear regression

Using inverse asset turnover as an Agency Cost Measure

This analysis is based on tribal control in terms of the CEO.

Table 4.6: Regression analysis for H2

Variable	Coefficient	Std.Error	t-Statistic	Prob.	Significance
Intercept	-1.51	0.302	-5.010	<0.001	*
Hausa/Fulani-dominated CEO	-0.63	0.333	-1.904	0.059	
Igbo dominated CEO	0.09	0.252	0.368	0.713	
Yoruba-dominated CEO	-0.16	0.183	-0.869	0.386	
Secondary sector	0.82	0.281	2.927	0.004	*
Tertiary Sector	1.16	0.245	4.734	<0.001	*
Firm's age	-0.00	0.003	-0.033	0.973	
Firm's size	0.00	0.000	0.793	0.430	

Table 4.7: Summary for H2

R-squared	0.204	**F-statistic**	4.208
Adjusted R-squared	0.155	**P-value**	0.000

Interpretation

According to Table 4.6, none of the dominant tribes is statistically significant. With a P-value of (p> 0.059, 0.713 and 0.386 for Hausa/Fulani, Igbo and Yoruba, respectively), the result allows for rejecting H2. **H2 is not supported** because there is no discernible difference between the means of companies with CEOs from the dominant tribe on the board and those without such representation. As shown in the t-statistic, there is evidence that the CEO's tribal allegiance to the dominant tribe on the board is unrelated to Type 1 agency costs. **H2 is not supported.**

Goodness of fit

R-squared

R-squared is a statistical measure that determines the proportion of variance in the dependent variable that can be explained by the independent variable. In other words, the R-squared value shows how well the model predicts the outcome of the dependent variable. In Table 4.7, the model explains 20.4% of the variance observed in inverse asset turnover with an adjusted R-squared of 15.5%.

F-Statistic

From Table 4.7 above, the F-statistic is 4.21 with a p-value of 0.000, which indicates that the model provides a better fit to the data than an intercept-only model.

4.3.3 H3

H3: Interaction between the proportion of the dominant tribe and managers' membership of that tribe will be positively associated with Type 1 agency costs.

This hypothesis combines both ownership and control patterns.

The analysis shows the following results.

A) Tests of H3 - Multiple linear regression

Using Inverse Sales/Asset Turnover as an Agency Cost Measure

This analysis combines the effects of ownership and control.

Note: This table presents only the results of the interaction terms. For the whole table, see the appendix.

Table 4.8: Regression analysis for H2

Variable	Coefficient	Std.Error	t-Statistic	Prob.	Significance
Intercept	-1.58	0.293	-5.414	<0.001	*
Hausa/Fulani dominated the board	-0.47	0.371	-1.274	0.205	
Hausa/Fulani CEO	-0.88	0.319	-2.756	0.007	*
Igbo dominated board	-0.22	0.315	-0.693	0.490	
Igbo CEO	0.74	0.263	2.827	0.006	*
Yoruba dominated the board	-0.58	0.256	-2.287	0.024	*
Yoruba CEO	0.24	0.277	0.865	0.389	
***Hausa/Fulani dominated board: CEO**	1.24	0.530	2.346	0.021	*
***Igbo dominated board: CEO**	-0.85	0.435	-1.946	0.054	*
Yoruba-dominated board: CEO	-0.12	0.351	-0.335	0.738	
Secondary Sector	1.07	0.279	3.846	<0.001	*
Tertiary Sector	1.36	0.242	5.617	<0.001	*
Firm's age	0.00	0.004	0.423	0.673	
Firm's size	-0.00	0.000	-0.106	0.916	

Table 4.9: Summary for H3

R-squared	0.311	**F-statistic**	3.779
Adjusted R-squared	0.228	**P-value**	0.000

Interpretation

According to Table 4.8, there are two tribes whose coefficients are significant. These coefficients are pointing in different directions. The Igbo-dominated board has a coefficient value of -0.85, while that of the Hausa/Fulani board has 1.24. This suggests that the effect of tribe dominance on a firm's board on Type 1 agency costs depends on whether or not the CEO belongs to the same dominant tribe. From Table 8, it can be deduced that the relationship between the proportion of the Hausa/Fulani tribe on a firm's board and CEO membership of the same tribe is positively associated with inverse sales/asset turnover, hence, higher Type 1 agency costs. This hurts the performance of the firm. On the other hand, an Igbo-dominated board is negatively associated with inverse sales/asset turnover, hence, lower Type 1 agency costs (i.e., positive effect). In essence, the outcome depends on whether or not the CEO is of the same tribe as the dominant tribe on the board. For instance, the relationship between board dominance and CEO membership of the Hausa/Fuani-dominated tribe is positively (i.e., $p<1.24$) associated with inverse sales/asset turnover but negative (-0.85) for the Igbo tribe. **H3 is partially supported** only if the CEO is of Hausa/Fulani or Igbo descent. However, their relationship with agency costs is in two different directions.

Goodness of fit

R-squared

R-squared is a statistical measure that determines the proportion of variance in the dependent variable that can be explained by the independent variable. In other words, the R-squared value shows how well the model predicts the outcome of the dependent variable. In Table 4.9, the model explains 31.1% of the variance observed in inverse asset turnover with an adjusted R-squared of 22.8%.

F-Statistic

From Table 4.9 above, the F-statistic is 3.78 with a p-value of 0.000, which indicates that the model provides a better fit to the data than an intercept-only model.

4.4 Summary of Findings

Table 4.10 Summary of hypothesis test results using the inverse asset turnover measure

Hypotheses	Type 1 agency cost measure: Inverse asset turnover	Effect on corporate governance
H1	Yoruba (-)	Positive
H2	None	None
H3	Hausa (+) Igbo (-)	Negative Positive

Direct measure (inverse asset turnover)
Positive relationship=Negative effect
Negative relationship=Positive effect

There is statistically significant evidence that board dominance of a tribe is positively associated with Type 1 agency costs, using asset turnover as a measure. For instance, there is statistically significant evidence that board dominance of the Yoruba tribe is negatively associated with Type 1 agency costs when inverse asset turnover is used as a measure of agency cost to test for H1. This means that the proportion of board members' dominance can only be attributed to the Yoruba tribe. None of the agency cost measures are statistically significant for the Hausa/Fulani tribe for H1. In testing for H2, when the inverse asset turnover measure was used, the results were statistically insignificant. Also, only the 'sector' as the control variable was statistically significant; the others (i.e., firm's age and firm's size) were considered statistically insignificant.

This variation (approx. 31% from Table 4.8) explains the regression models that tested the influence on Type 1 agency costs of the interaction between a tribe's dominance on the board of companies and CEO membership of that tribe. However, the direction of causation cannot be ascertained but can only be partially supported. For instance, when asset turnover is used, the association with Type 1 agency costs is positive for the Hausa/Fulani tribe but negative for the Igbo tribe.

In summary, this analysis resulted in different inferences. For instance, when inverse asset turnover was used, the statistical significance shows that the highest proportion of board members affiliated with the Yoruba tribe (as shown in H1) is associated with Type 1 agency costs. For H3, inverse asset turnover was used as a measure to determine if the interaction between the proportion of board members associated with dominant tribes like the Hausa/Fulani and Igbo and managers' membership of those tribes is positively associated with Type 1 agency cost. The result shows that the Hausa/Fulani tribe is positively associated with Type 1 agency cost. This means that the interaction of board dominance and managers' membership of the Hausa/Fulani tribe (as against the Igbo) is associated with higher Type 1 agency costs **(H3)**. This means the reaction of each tribe differs in terms of their affiliations.

CHAPTER 5: DISCUSSION OF FINDINGS AND CONCLUSIONS

5.0 Introduction

This chapter provides further discussion on the analysed data and findings. It also highlights the claimed contributions, limitations, and direction of future research for this study. As with the findings, it is structured around the hypotheses, which are repeated here for convenience:

H1: Tribal affiliations within boards of directors are positively associated with higher Type 1 agency costs.

H2: Managers affiliated with a dominant tribe are positively associated with higher Type 1 agency costs.

H3: Interaction between the board's proportion of the dominant tribe and the managers' membership of that tribe is positively associated with Type 1 agency costs.

As explained under Methodology, the inverse asset turnover is used as a preferred measure of agency cost, with an alternative measure (cash flow) used for an attempted robustness test. In discussing the findings, Table 5.0 below summarises the main findings using the inverse asset turnover for agency costs.

Table 5.1 Summary of hypotheses test results

Hypotheses	Type 1 agency cost measure: Inverse asset turnover
H1	Yoruba (-)
H2	None
H3	Hausa (+) Igbo (-)

According to Table 5.1, all hypotheses except for H2 exhibit some significant variation in how tribal affiliation is associated with agency costs. In other words, findings from using the inverse asset turnover show that the relationship between tribal affiliation and Type 1 agency cost works in both directions (i.e., positive and negative). For instance, the result for H1 shows that the Yoruba tribe has a negative relationship with agency cost. This means the stronger the tribal ties among the Yoruba-dominated directors, the lower the Type 1 agency costs. Meanwhile, findings for H3 identify two different outcomes for the other two major tribes (i.e., Hausa and Igbo). For instance, the interaction between the proportion of the Hausa/Fulani-dominated tribe and the managers' membership of the same tribe is positively associated with Type 1 agency costs. In contrast, the interaction between the proportion of the Igbo-dominated tribe and the managers' membership of the same tribe is negatively associated with Type 1 agency costs. These instances highlight how statistically significant the three major tribes in Nigeria differ in their relationship with agency costs, especially at different levels of management. For instance, tribal affiliation within the Yoruba is statistically significant solely at the strategic level of management (i.e., H1), while the other two tribes (i.e., Hausa and Igbo) are statistically significant simultaneously at both the strategic and managerial level of management (i.e., H3). Even though the three major tribes are statistically significant at different levels of management, the H1 result (which recognises Yoruba as being statistically significant) is categorised as the most important finding. This is because the preliminary findings acknowledge Yoruba as being the biggest tribe (with the largest number of individuals of that tribe) out of the three major tribes that are significant. For instance, it noted that the Yoruba tribe occupy an estimated 42.6% (i.e., the average percentage of Yoruba board membership across Nigerian listed firms, as against 8.8% Hausa/Fulanis, 17.1% Igbos, and 31.4% non-predominate tribes. This means the Yoruba tribe are the most common and popular tribe to be represented transversely by all the listed firms in Nigeria. Board members of Yoruba descent may be expected to have much influence because of their numbers.

Hence, more emphasis will be on the H1 result.

5.1 Discussion of main findings

Table 5.2: PESTLE analysis (factors, affected tribe and its relative effect)

Analytical framework (PESTLE) factors	Factors	Instances of these factors	Affected tribe(s)	Effect
Political	Government laws	Health workforce migration Political zoning and Marginalisation	Yorubas Igbos	Negative Negative
	Political instability	Insecurities	Hausa/Fulanis	Negative
	Political culture	Corruption and mismanagement of public funds.	Hausa/Fulanis	Positive
Economic	Economic growth	Inflation rate Labour costs Trade barriers, currency valuation and foreign exchange capacity Income inequality	Igbos Yorubas Hausa/Fulanis Hausa/Fulanis.	Positive Positive Positive Negative
Socio (tangible)	Demographics	Population structure	Hausa/Fulanis.	Positive
Cultural (abstract)	Tradition/norms	Patronage networks and apprenticeship systems	Igbos	Positive
Technology	Research and development	Technology infrastructure via the Aba and Alaba market	Igbos	Positive
Legal	Legal issues	Labour laws Environmental laws Consumer regulations	Yoruba Minority groups (Ogonis) Igbos	Positive Positive Positive
Environmental/ ecological	Seasonal/terrain variations	Water pollution Air pollution: Climate change Air pollution: Waste/oil spill	Hausa/Fulanis Yoruba Minority groups	Negative Negative Negative

The discussion of the main findings will be divided into three parts according to the three hypotheses (i.e., H1, H2, and H3) developed. Table 5.1, copied from Chapter 1, will be referenced in these discussions. This shows how any of these factors (PESTLE) in Table 5.2 could positively or negatively contribute to the risks associated with agency costs based on their tribal group.

5.1.1 Tribal affiliations within boards of directors are positively associated with agency costs.

H1 result indicates that Yoruba ownership is negatively associated with Type 1 agency costs. As a direct consequence of agency theory, agency cost is a form of internal cost incurred due to agency problems (Eisenhardt, 1989). According to Wright, Mukherji & Kroll (2001), agency theory is mainly examined in the context of goal orientation, obligation and reciprocity, risk and self-interest. This research focuses on these contexts, reflecting on the theory's assumption of opportunism, asymmetric information and moral hazard. Contrary to these assumptions, the H1 outcome demonstrated the positive benefits of tribal affiliations, arguably as a result of trust, reputation and culture. These elements have resulted in low Type 1 agency costs. Though these benefits were not analysed closely, they were briefly mentioned in the above literature review chapter (Figure 2.2). These benefits were mentioned when discussing how network theory could address the limitations of agency theory. They also emerged inductively from the findings.

From Table 5.2, it can be deduced that some aspects of Nigerian law (i.e., labour, labour cost) are quite favourable to the Yoruba tribe. The Yorubas have 'political representation in the traditional Yoruba Kingdoms' (Munoz, 1981). According to Munoz (1981), political expression in the Yoruba states is manifested through two processes that lead to two distinct principles of representation. First, the symbolic figure represented by the 'Oba' connects with the state's origins via the royal lineage and emerges as the emblem and representation of its historical identity. Secondly, the political representation features the chiefs and lineage heads, whose titles sometimes predate the kingdom's establishment and embody the integrity, harmony, and social cohesion of the land and its people. Even though, at the time of this research work, the political representative in the president's person is from the Northern (i.e., Hausa/Fulani) part of the country, the Yorubas, as a tribe, command the highest respect via their traditional leaders. For instance, Yoruba traditional leaders are rated the highest among other traditional rulers in Nigeria. This relevance is attached to the notion that the world was created from Ile-Ife (one of the oldest lands in Nigeria), and this belief transcends any other form of political appointment.

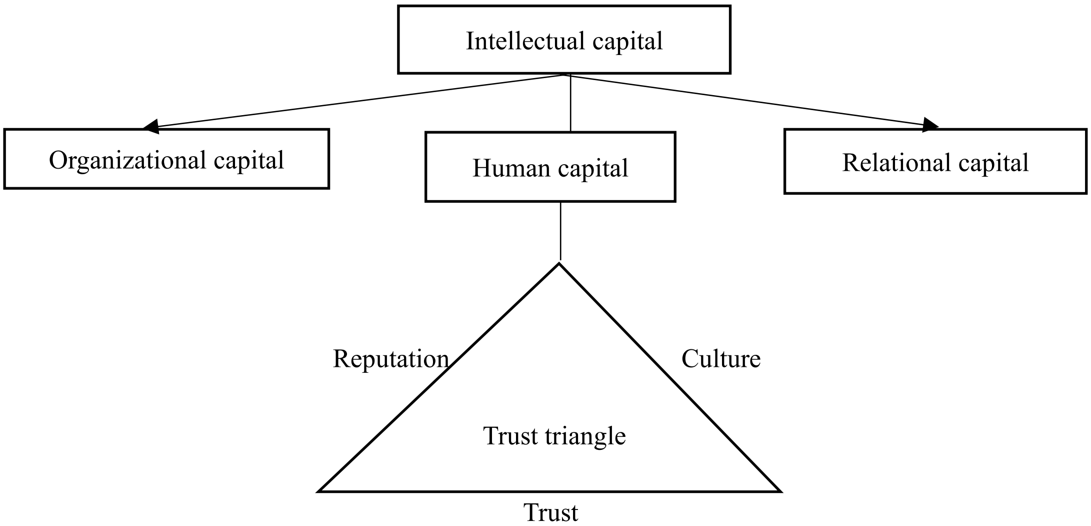
As against what is obtainable for the Igbos, the adverse effect of political zoning and marginalisation of the Igbos is quite reflected in other broader aspects of their life (e.g., the economy). Looking at the marginalisation of the Igbo people primarily from the political and economic perspectives, and following the end of the Nigeria-Biafra civil war, the military regimes introduced a series of decrees that ushered in policies which do not accommodate the interests of the Igbos (Nsoedo, 2019). According to Nsoedo (2019), such policies include unfulfilled reconstruction of the devastated Igbo land, indigenisation policy, zoning policy, etc. As noted in Table 1.3 above, the South East (i.e., the Igbos) is the only geopolitical zone that has not presided over Nigeria since the advent of the zoning convention in 1999, even though politically, the Igbos played pivotal roles through the political leaders of the regional powerhouse, the NCNC. There are efforts from the Igbos to rise above these disadvantages via patronage networks and apprenticeship systems (facilitated by trust among its people, reputation and culture of its people).

Trust, reputation and culture can be regarded as intangible resources that contribute to sustainable competitive advantage (Suciu et al., 2012). These intangible resources are also known as human capital. Human capital is one segment out of the three components of intellectual capital. According to Suciu et al. (2012), the three components of intellectual capital are human, relational and organisational capital. Human capital is highly interested in management activity associated with human relations (Suciu et al., 2012). They are also considered the raw materials for intellectual capital components. According to the contemporary approach, the human component of intellectual capital is insufficient to accurately represent a firm's actuality (Suciu et al., 2012). Even though organisational and relational capital is to be considered, human capital is regarded as the source of a long-run sustainable competitive advantage (Edvinsson & Malone, 1997). Intellectual capital has been looked at in various ways. For instance, Edvinsson & Malone (1997) suggested that intellectual capital's human, relational and organisational components should be replaced with human, system and market capital. Human capital refers to people's individual and collective abilities. The system component reflects the firm's knowledge, which is independent of individuals but entails patents, contracts, databases, information, and production technologies. At the same time, the market component includes the ties between the organisation and its external stakeholders, such as suppliers, distributors, and customers.

Another instance is an alternative framework, 'the Trust Triangle', proposed by Dupont & Karpoff (2020). According to Dupont & Karpoff (2020), the Trust Triangle helps with understanding human relationships. Also, the 'Trust Triangle' promotes accountability for opportunistic behaviour and builds confidence in economic alliances. According to Dupont & Karpoff (2020), the Trust Triangle identifies trust, reputation and culture as its three major components. Research by Dupont & Karpoff (2020) shows that these three components of the Trust Triangle primarily affect a wide range of financial outcomes. For instance, the Trust Triangle is utilised to investigate how trust is built and how trust, or lack thereof, influences business performance, financial markets, and the prevalence of financial fraud. Therefore, attempts to model trust and trustworthiness that do not take into account the other two components of the Trust Triangle will overlook crucial elements of the fundamental economic issue of how firms can manage the risks of opportunism, asymmetric information, and moral hazard to participate in productive and exchange activities that benefit exchange parties.

Even though Dupont & Karpoff (2020) recognised the importance of all three components of human capital or intangible resources, most studies have focused just on one component (i.e., trust), Mui, Mohtashemi & Halberstadt (2002) emphasised that two of the intangible resources (i.e., trust and reputation) are of major importance in defining human interaction. Irrespective of the different views on what component is important, Suciu et al. (2012) and Edvinsson & Malone (1997) recognise the need and importance of human capital as a whole. Segregating these components will help showcase the economic behaviour of each as they affect the firm. The focus of this discussion is to demonstrate how the existence of these components can individually or jointly influence a firm's corporate governance. Figure 5.0 below shows the formation of these components.

Figure 5.1: Intellectual capital formation process



Source: Adapted from Suciu et al. (2012)

Figure 5.1 shows the different components of intellectual capital and illustrates the three intangible human capital resources. The discussion below will entail the importance of trust as a soft concept and how this concept is relevant to the H1 result.

A) TRUST

Successful organisations in today's fiercely competitive environment are those that can efficiently leverage their pool of skills and knowledge to boost their innovativeness and efficiency (Argote & Ingram, 2000; Levin & Cross, 2004). However, it is plausible to suggest that skill and knowledge without confidence account for most of the world's economic backwardness (Arrow, 1972). According to Arrow (1972), trust is inherent in almost every commercial transaction, especially those undertaken over time. In essence, trust is an essential (though not readily available) intangible element embedded in most relationships. There are various definitions of trust. According to Livonen's (2004) study, trust can be defined in two ways. This division is based on their characteristics. Trust can either be cognition-based or affect-based (Livonen, 2004). Cognition-based or rational-based trust is the type of trust that is built on competence, responsibility and integrity. On the other hand, affect-based trust involves the emotional facets (i.e., altruism, concern, etc) of human relations. Trust can be established between firms, institutions and groups of people that stem from a strong sense of belonging with a highly developed capacity of cooperation typical of culturally similar people and institutions (Capello & Faggian, 2005). Trust can also be defined as the expectation that arises within a community of regular, honest, and cooperative behaviour based on commonly shared norms on the part of other members of the community (Fukuyama, 1995).

Fundamentally, trust is the readiness of one party to be susceptible to the actions of another. Trust usually results from access to information, which could be obtained through direct or indirect encounters (Mayer et al., 1995; Shapiro, 1987). Contrary to the agency theory assumption that managers have more access to information, the H1 result exhibits the opposite of this proposition. It emphasises how access to information via trust among Yoruba-dominated board members lowers Type 1 agency costs. With the existence of trust, there is less need to take action to protect one's interests, and resources (such as information) will be shared between trusting parties, which lowers transaction costs (Currall & Judge, 1995). When we have faith in people to either look out for our best interests or refrain from doing anything detrimental, we may concentrate on other matters.

The researcher’s understanding of trust has shown three key factors pertinent to this research. First, trust can only exist when there is some degree of uncertainty. Trusting someone implies a desire to be vulnerable and a propensity to suffer some degree of loss (Barney & Hansen, 1994; Etkin et al., 2004). For instance, when certain activities like working with a party, deciding on materials to be supplied for production, etc, become less predictable, interaction and trust become uncertain (Sodi, Han & Singh, 2021). Second, there must be expectations for a specific outcome. A party that is trusted will perform as expected. Trust is based on the trusting party's view of the trustee's motivation to follow expectations. The trustee has a vested interest in fulfilling the trustor's expectations. Third, both parties may have underlying motivations for achieving one another's expectations. In essence, trust needs the existence of certain common interests. Since trust is predicated on the information obtained from encounters with third parties or other direct interactions, the cumulative advantage perspective is a useful lens to analyse trust. When a party gives a chance to engage in something uncertain, other parties take all reasonable precautions to safeguard their interests. Before agreeing to participate, a party is likely, among other things, to find out everything there is to know about the other party. To safeguard interests, protection barriers are developed even in cases where that information may become available.

Growing trustworthiness implies a willingness to be open to one another's behaviour as suppliers and information seekers. Acquiring information may cause people to voluntarily put themselves in a place of vulnerability by disengaging from the defensive systems that keep them from making bad choices. In other words, information providers' behaviours can more easily affect those who are acquiring information (Mayer et al., 1995). Even if an information source has a conflicting agenda (as assumed by the agency theory), trusting it enhances the likelihood of information transfer. Like this, when people become more trustworthy, information suppliers try to find out as much as they can about the people who are trying to learn the information. Information providers conduct information searches to make sure their knowledge will not be misused against them. Knowledge suppliers will evaluate the degree to which protective barriers against acquirers should be established when information becomes available on which to base their appraisal of the latter's reliability. Depending on the perceived level of trustworthiness of the information acquirer, barriers are either raised or dropped.

Acquirers can be certain that, through consistent communication between the parties, all pertinent information necessary to improve the likelihood of a successful transfer will be supplied and explained (Teigland & Birkinshaw, 1999). Like this, the information providers back the transfer initiatives because they are aware that the acquirers' actions are not meant to create harm. Full disclosure occurs when participants (parties) in an information transfer have mutual trust. In summary, trust encourages collaboration, builds partnerships, and creates opportunities for progress. However, constant follow-through on words and actions enables parties to form meaningful connections. According to Ansell & Torfing (2022), meaningful connections can be in different forms. Table 5.3 below demonstrates different types of trust and their equivalent sources.

Table 5.3: Sources of Trust

Trust type	**Belief**	**Structure**	**Norms**	**Social institutions**
Individual	Belief in good intent, competence, reliability, and openness (Nahapit & Ghoshal, 1998).			
Collective		Embedded with structure (Granovetter, 1985); Social structure (Coleman, 1988).	Mutual obligation (Wolfe, 1989); Reciprocity (Putnam, 1993; Misztal, 1996).	
Social system				Characteristics of the system (Fukuyama, 1995; Fox, 1974): Create rules and incentives (Farrell & Knight, 2003).

Source: Adopted from Fu, Q. (2004). Trust, Social Capital, and Organisational Effectiveness.

The sources of trust related to organisational, relational, and social capital are primarily social relations and shared standards. According to Fukuyama (1995), trust is "the expectation that arises within a community of regular, honest, and cooperative behaviour, based on commonly shared norms, on the part of other members of the community." From Table 5.3, trust on an individual level can be regarded as believing in a human’s good intentions, competence, reliability and openness. Collective trust is embedded in the structure and social structure of a group. For collective trust to thrive, individuals within a group are expected to reciprocate and have a mutual obligation towards the goal of the group. Collective trust can be recognised in an institutional arrangement of individuals that define their relations to each other. Trust within the social system depends on the characteristics of the system in operation in that environment. Rules and incentives are encouraged for trust to be established within the social system. Achieving trust on an individual and collective level is much easier than that of the social system. Next to trust is reputation.

B) REPUTATION

In contrast to trust, discussions on reputation are often vague (Craik, 2008). According to Craik (2008), reputation is regarded as a dispersed phenomenon that is usually found in the beliefs and assertions of an extensive number of other individuals. In other words, an individual's reputation is often based on the opinion of others about an individual's ability and character (Allen, 1984; Fombrun & Shanley, 1990; Rao, 1994; Shenkar & Yochtman-Yaar,1997; Weizsacker, 1980). According to Craik (2008), reputation is part of the social environment that is uniquely referenced to a particular individual. An individual having a reputation has more to do with an external entity than an internal one. This is because an individual's reputation can be influenced by the opinions of their peer (Craik, 2008). Reputation is often assessed through feedback from other parties (Allen, 1984; Fombrun & Shanley, 1990; Weizsacker, 1980). Feedback or information from other parties on an individual's reputation is based on prior interactions, experiences and performance, which relies on a consensus about another party's character (Allen, 1984; Fombrun & Shanley, 1990; Weizsacker, 1980). The availability of information has intensified the impact that one's reputation has on one's desirability as an exchange partner (Barclay, 2015). In other words, parties' involvement in an exchange transaction can be determined by their reputation (Sherif & Cantrill, 1947).). This, according to Barclay (2015), has created selection pressures for high levels of cooperation and aggressiveness. For instance, an individual's reputation may affect how involved other parties are or are willing to be involved in an exchange transaction (Sherif & Cantrill, 1947). The parties might decide to engage in an exchange transaction or develop defensive routines that limit their involvement in an exchange transaction, which could occur at an individual or corporate level (Barclay, 2015).

Just like trust, reputation may be divided into different types, e.g. individual and corporate reputation. Corporate reputation is an impression of a firm's previous performance and prospects that, when compared to other major competitors, captures the essence of the firm's all-around attractiveness to all of its important stakeholders (Fombrun, 1996). The concept of corporate reputation is straightforward but can be complex (Lange et al., 2011). The basic premise is that an organisation can gain recognition over time, stakeholders can form a generalised picture of what the organisation is known for, and observers can evaluate the organisation favourably or unfavourably. Although an organisation's reputation is based on its past actions and associations, it can be quickly altered if fresh information about the organisation's previous actions surfaces or if stakeholders and observers find the organisation's most recent actions or associations unsettling. The relationships that an organisation has with its stakeholders are impacted by its reputation and any shifts in it. However, possessing a positive reputation may encourage people to overlook fresh, unfavourable facts about an organisation. For instance, Pfarrer et al. (2010) discovered that companies with better reputations, as determined by third-party rankings, had lower stock market penalties in response to unfavourable and unsettling actions and earnings shocks. Also, Love & Kraatz (2009) discovered that (following an unsettling action like in the case of corporate downsizing), firms with better reputations suffered less reputational damage than those with worse reputations.

Other factors can determine the extent to which a firm is exposed to reputational damage. According to Eccles, Newquist, and Schatz (2007), the first question is whether its reputation exceeds its genuine character. The second factor is how much external beliefs and expectations shift, which might enlarge or (less likely) close this difference. The third factor is the level of internal coordination, which can also influence the reputation-reality gap. To effectively manage reputational damage, it is important to understand that reputation is a matter of perception. According to Eccles, Newquist & Schatz (2007), a firm's total reputation is determined by its reputation with its many stakeholders (investors, consumers, suppliers, employees, regulators, politicians, non-profit organisations, and the communities in which it operates). A positive reputation among stakeholders in several categories leads to a positive overall firm reputation. Another significant factor influencing reputational damage is the shifting attitudes and expectations of stakeholders (Eccles, Newquist & Schatz, 2007). The reputation reality gap grows, and damages arise when expectations change, but the company's nature remains the same. Lastly, inadequate coordination across various corporate divisions and functions while making choices is a significant source of reputational risk (Eccles, Newquist & Schatz, 2007). The company's reputation may suffer if one group sets standards that another group is unable to live up to. A company's reputation may also be jeopardised by the timing of unrelated choices, particularly if it leads a stakeholder group to draw incorrect conclusions. Findings from H1 show how tribal affiliations with Yoruba-dominated board members positively influence corporate governance. Based on Eccles et al.'s (2007) study, this could have occurred as a result of the following: the reputation of other stakeholders, changes in other stakeholders' expectations and the way Yoruba-dominated board members might have previously performed and interacted with other stakeholders.

Although interaction between parties is an activity with highly uncertain outcomes, both on an individual or corporate level, parties are encouraged to take a "leap of faith. To be effective in uncertain situations, certain and alternative actions must follow a precise order. For instance, committing resources correctly reduces the risk of failure. The commitment of resources (financial or non-financial, such as information and human) means resources are dedicated to a particular cause and cannot be used elsewhere. However, parties may be wary due to the requirement to commit resources and the unpredictable nature of results. Therefore, during interaction with other parties, it is important to exercise prudence and choose the right people. Those with a good reputation, like the Yoruba-dominated board members, are likely to be welcomed and often should expect ample opportunities for further interaction. Parties with good reputations often demand open communication about their capabilities, problems, and expectations during interaction with other parties. According to Snyder (1997), when parties have full disclosure, supplying and receiving information to clarify any unclear points becomes a primary obligation. According to Teigland & Birkinshaw (1999), providers and receivers of information both value their reputations. In summary, the provider will decide who should engage in the information transfer based on their understanding of the receiver. Similarly, persons receiving information understand that their inclusion in the process depends on the provider's expectations. To meet provider expectations, the recipient receives all essential assistance. In most exchange transactions, parties tend to avoid high-risk activities with untrustworthy parties. As their future may be at stake, they tend to rely on their cultural or tribal ties in choosing appropriate and suitable parties.

C) CULTURE

According to Dupont & Karpoff (2020), culture is the third component in the 'Trust Triangle'. Trust and reputation without culture cannot help provide the required accountability for opportunistic behaviour (Dupont & Karpoff, 2020). Culture is a complex term to define. Some researchers define culture as individual ethics and social norms; others define culture as knowledge, belief, law, custom and any other capabilities acquired by man as a member of a society (Tyler, 1870). According to Kroeber & Kluckhohn (1952), culture consists of explicit and implicit patterns of behaviour acquired and transmitted by symbols, constituting the distinctive achievements of human groups. Irrespective of the definition, most agree that culture is a characteristic, fundamental or inherent and peculiar to a group or society. The following paragraphs will examine how different cultural dimensions (such as cultural collectivism versus individualism, cultural homogeneity and cultural context) of parties within an exchange transaction may have positively influenced a firm's corporate governance.

Contrary to the assumption of agency theory of self-interested actors, the finding from H1 emphasised how collectivism via affiliations among the Yoruba-dominated board may be associated with lower Type 1 agency costs. Collectivism is the degree to which individuals are integrated into groups and expected to care for themselves and others (Hofstede, 1980, 2001). It recognises group needs over individual needs (Ho & Chiu, 1994; Hsu, 1983; Janz, 1991; Triandis, 1990; Triandis, 1993). According to Triandis (1988), the most significant factor influencing differences in social behaviour across various cultures is the relative emphasis on collectivism versus individualism. In individualist societies, most people's social behaviour is mainly influenced by their objectives, attitudes, and ideals. However, the social behaviour of most individuals in collectivist cultures is primarily influenced by shared beliefs, attitudes, and aspirations within a collectivity (group of people).

Businesses are, by nature, group ventures. Improving the performance of any business is more likely to occur when a company is integrated into a collectivistic culture that recognises, supports, and legitimises it. Clan-based societies like the Yorubas are rooted in ancestral benefits that enjoy the inter-dependency of their members, and it makes sense that clan-based firms are ingrained in a collectivistic culture. Darwish & Huber (2010) noted the importance of viewing people solely in terms of group membership instead of as distinct individuals. Agency theory, however, tells us that individualistic cultures may witness increased agency costs in contrast to firms run by individuals who live in collectivist societies like the Yorubas (Sharma & Manikutty, 2005). This is fundamental because agents in individualistic cultures will be more prone to participate in self-serving actions that are not in the firm's best interest (e.g., entrenchment, indulgence, etc) (Ashforth et al., 2000). While agents in collectivist situations like the Yorubas will be more inclined to act as stewards for the good of the group rather than for personal gain, thereby reducing monitoring costs (Sundarmurthy & Kreiner, 2008)

A firm can attain low agency costs when its management makes the most of its available resources to increase sales revenue. Low agency costs can be accomplished in various ways, regardless of the type of business a firm operates. For instance, an increase in production output (i.e., more sales revenue at cheaper costs per unit), discounts from bulk purchasing of raw materials, savings achieved from spreading the costs of promotion over larger sales, and overheads from spreading administrative costs across greater output can all result in lower agency costs for a firm. This is consistent with firms with a Yoruba-dominated board, where the positive effect of tribal ties potentially influences managerial decisions on resource acquisition, production, and operations. According to Fama & Jensen (1983), a firm tends to operate more efficiently when there is a significant percentage of ties and affiliations (i.e., family or tribe) within that firm. This is plausible mainly due to the alignment of interest between ownership and management, which can be brought about by family involvement or cultural ties within and among these parties (Amit et al., 2012).

While the first paragraph of this section deliberates on the impact of the collectivist nature of the Yoruba tribe in fostering an improved firm performance via its affiliation with a firm's board of directors, this section discusses the importance of interest alignment of the tribe. The H1 finding underlined the significance of parties having similar shared meanings and slight belief variations. This is in contrast to another agency theory assumption that the interests of a principal and an agent are not always aligned. Agency theory concerns how a self-interested agent will align and act in a principal's best interest to avoid agency problems (Dalton et al., 2007; Eisenhardt, 1989; Jensen & Meckling, 1976). According to Polzer, Mannix & Neale (2017), interest alignment is defined as the degree to which members of an organisation are driven to act in a way that advances organisational objectives. Markus & Kitayama (1991) noted that some countries may offer favourable conditions for organisations, such as family/clan-based firms, to thrive and meet organisational goals. This may be made possible when the values of both parties align. In other words, these firms' continued survival is subject to the firms' ability to align themselves with the values guiding these networks. Networks may be crucial to a firm's overall structure (Gerlach, 1992). According to Soda & Zaheer (2012), networks could be in the form of family ties (i.e., which consist of a dynamic set of personal relationships) or tribal affiliations (which refers to communities of common interest). Networks are segregated based on their state of being (Soda & Zaheer, 2012).

Cultural homogeneity can be described as the state of being the same. The parties' interests must align for cultural homogeneity within an organisation. When interests are aligned, intercultural conflicts (in this case, agency problems) will be less likely to occur. Even though agency theory offers a strong rationale for why a relationship may be present, the prediction that affiliations could bring about adverse effects and lead to agency problems contradicts the H1 finding. The H1 result about the positive effect of tribal affiliation among Yoruba-dominated boards on firm performance defies agency theory's prediction. Yoruba as a tribe has a sense of cultural and political homogeneity among its different sub-groups (Ajala, 2009). According to Adediran (1984), these diverse sub-groups contain seven and sixteen major kingdoms, each politically independent. Among other tribes, Yoruba nationalism has become the basis for people's imagination of a nation. Though Yoruba nationalism builds on many elements such as history, tradition and modernity that date back to the pre-colonial period, it has continually changed in structure and function. Despite these changes, the Yoruba nation of Nigeria has remained attached to its cluster of networks, hence its ability to foster positive firm performance via ties (Gottschalk & Zollo, 2007; Minkov, Kaasa & Welzel, 2021). A tribal tie is said to exist within the confines of a cultural context.

Cultural context can be regarded as the most defining influence on human behaviour and relations (Matsumoto, 2007). In other words, it looks at how culture affects human behaviour and interaction (Matsumoto, 2007). For instance, people greet each other with a handshake, while some have a bow, and others have a kiss on their cheek. These behaviours reflect how individuals learn to organise their thoughts and emotions about their environment.

Because it influences human behaviour, cultural context is expected to play an important role in how parties within an organisation connect and how this connection might affect firm performance (De Mooij & Hofstede, 2002). As explained above, cultural collectivism, interest alignment and cultural homogeneity of the Yoruba tribe all show how individuals within the tribe communicate.

Despite the unique theoretical underpinnings of using these dimensions of cultural variability to understand the Yoruba tribe and explain the advantages of tribal affiliation, the cultural context (i.e., environment) in which they exist matters (Ajala, 2009; De Mooij & Hofstede, 2002; Kellermanns, 2005; Sharma & Manikutty, 2005; Sundarmurthy & Kreiner, 2008; Zellweger & Austrachan, 2008). In other words, the environment is relevant to the beliefs, values and practices of a tribe. According to O'Boyle et al. (2012), whether or not affiliations bring about significant change to a firm's performance depends on other moderating influencing factors like the institutional environment. Institutional environment is the creation of the capacity of a firm to efficiently generate, allocate and use human and financial resources (Amit et al., 2012). According to Scott (2004), institutional environments are characterised by the elaboration of rules and requirements to which individual organisations must conform to receive legitimacy and support. While Amit et al. (2012) believed that firms with family affiliations can only thrive in emerging economies with a high-efficiency institution, Wang & Shailer (2017) argued that increased firm performance mostly occurs in family-owned firms, which is more profound in emerging economies. According to Amit et al. (2012), emerging economies have relatively higher levels of institutional quality than developed economies. However, Amit et al. (2012) and Wang & Shailer (2017) both agreed that the importance of an efficient institutional environment cannot be over-emphasised, especially in explaining the differences between emerging and emerging economies.

Irrespective of the type of economy, institutions are meant to create policies, mobilise and manage resources, and deliver services that stimulate and sustain development (Adamolekun, 1990). According to Adamolekun (1990), institutions are central to sustainability and beneficial to economic growth. Even though institutions play a pivotal role in the development process, growth and prosperity are unlikely to be maintained if the institutions meant to guide are dysfunctional (Adamolekun, 1990). According to Adamolekun (1990), institutions are frequently cited as impediments to progress. Adamolekun (1990) suggested that institutional weakness constitutes a roadblock to development in developing countries. According to Adamolekun (1990), this institutional weakness problem is most severe in sub-Saharan Africa, where the third UN Development Decade, the 1980s, has been written off as a lost decade. According to Wang and Shailer (2017), the quality of formal institutions run by countries dictates the kind of effect affiliations (i.e., informal institutions) might have on firm performance. Owing to the current institutional voids within Nigerian institutions, the H1 result acknowledged the potential benefits of tribal affiliation within the Yoruba-dominated board on its firm performance. This contradicts the predictions and fundamental assumptions of agency theory.

However, the literature reviewed by O'Boyle et al. (2012) noted that affiliations do not significantly impact a firm's corporate governance. Despite the multiple conceptual and methodological moderating influences used in O'Boyle, Pollack, and Rutherford's (2012) study, there is no significant relation between family-affiliated firms and their financial performance. They, however, advised future research to look for additional moderating effects that could foster positive effects of family affiliation on a firm's performance. Contrary to O'Boyle, Pollack & Rutherford's (2012) result, Amit et al. (2012) and Wang & Shailer (2017) show that family-affiliated firms are more prevalent and positively influence a firm's performance. Performance, according to Amit et al. (2012) and Wang & Shailer (2017), can be categorised into financial and non-financial. These may include easy access to resources, loyalty, teamwork, shared values, etc, which the existence of ties or connections may foster.

Connection or tie is a form of networking, consciously arranged groupings bounded by cultural values (Gerlach, 1992). According to Gerlach (1992), networks could be categorised into family or tribal. Family and tribal networks both connect people with similar interests. A family network is motivated by an informal institution based on family ties. Tribal networks are another form of networking intended to improve understanding of more complex systems than the family. Tribal networks emerge within the literature as a concept of how social groups form from many families, clans, or generations that share similar language, customs, and beliefs (Greenacre et al., 2013). Tribal networks are consciously arranged groupings bounded by cultural values. Individuals or groups who share tribal ties share similar interests and beliefs despite some variability that might exist within the group (Earls, 2003; Granovetter, 1985). This means that affiliation with a group of individuals (i.e., family) or a group of families (i.e., tribe) can only be achieved when there is a connected community of people with similar interests and beliefs. Based on the H1 result, Yoruba, as one of the major tribes in Nigeria, shares a solid conception of social reality strong enough to withstand the challenging administrative problems that firms in the country encounter.

Further in the findings, H1 identifies the significance of secondary and tertiary sectors over the primary sector of the economy. This indicates that firms within the secondary and tertiary sectors may achieve economies of scale, thereby reducing costs. Economies of scale and reduced costs may be achieved by diversifying the economy away from relying on primary products. However, according to Rashid (2016), the structure of a firm and how diversified the secondary and tertiary sectors are may increase a firm's agency costs. For instance, because of the diverse and complex secondary and tertiary sectors, the lack of necessary human capital and basic ties among them may trigger high agency costs despite developing new technologies that could enable rapid industrialisation and growth.

5.1.2 Managers affiliated with a dominant tribe are positively associated with higher agency costs.

The H2 result reports no noticeable difference in the means of companies with managers from the dominant tribe on the board and those without. Contrary to the assumption of agency theory that states that agents (i.e., managers, about owners) have access to more information and are usually in a decision-making capacity, the H2 finding indicates that the H2 result shows that none of the dominant tribes is statistically significant with managers belonging to the dominant tribe on the board. This means that the manager's tribal affiliation with the dominant tribe on the board is unrelated to Type 1 agency costs. This might be because tribal affiliation at the strategic board level of a firm does not affect or depend on the managerial level.

Tribal affiliation or involvement within a firm could occur at any level (i.e., ownership, management, or both). H2 focuses on the effect of tribal affiliation on the managerial (operational rather than strategic level) level. Each of these levels of management has different responsibilities and objectives, and all ought to work together to achieve overall business goals. The board of directors defines the overall strategic decisions. Being the highest level of management, its responsibilities and objectives include the following: determining the vision, mission, and goals, developing a strategy to achieve these goals, and allocating resources for the implementation of the strategy. However, running a successful business goes beyond establishing an overall strategy and setting policies to move the organisation forward. Ensuring its long-term success via proper communication is important. Even though the board's primary responsibility is to the firm's shareholders, proper communication systems among other stakeholders (both internal and external), like the managers, employees, suppliers, etc, cannot be over-emphasised. According to Wen-Cheng et al. (2011), communication is a means of human interaction through which cultural characteristics are created and shared. In other words, culture cannot be shared without communication, and ties cannot be formed. Like communication, culture evolves to create a social identity and maintain coherence in groups that cannot rely solely on pre-human ways of building community (Wen-Cheng et al., 2011). The H2 result reveals that the manager's (i.e., agent) affiliation with the dominant tribe on the board (i.e., principal) is unrelated to Type 1 agency costs. Meaning there is no evidence of connection or association between the two parties. According to agency theory, information asymmetry argues that the principal and agent hold different amounts of information. Information asymmetry between the principals (i.e., shareholders via the board) and agents (i.e., management) will not cause the agent to behave in the best interests of the principal, which might lead to agency costs (Fama & Jensen, 1983).

On the other hand, the managerial or operational level implements strategies defined by the strategic management (i.e., the board) without much discretion. This level also manages the firm's day-to-day activities. Other responsibilities include increased productivity and profitability, reduction of costs and production times, optimisation of the use of human, financial and material resources, meeting the needs and expectations of employees, and anticipation and management of potential risks. Despite the listed responsibilities, a manager's primary obligation may be to the board regardless of tribal affiliation. According to agency theory, the agents hold more information than the principal. However, effective communication between the two parties could benefit and improve a firm's performance in various ways. These include building better teams, preventing misunderstandings and conflicts, and promoting creativity and innovation. As earlier stated, communication is a means of human interaction through which cultural characteristics are created and shared (Wen-Cheng et al., 2011). In other words, cultures are created and shared through communication. Culture and communication, although two different concepts, are directly linked (Wen-Cheng et al., 2011). According to (Wen-Cheng et al., 2011), communication is essential for human interaction, and culture is learnt, acted out, transferred, and preserved through it. Effective communication is crucial for thriving in any organisation (Wen-Cheng et al., 2011). This is achieved by building a positive atmosphere where teams can flourish together, preventing a stressful working environment and improving the firm’s performance.

The findings showed no managers' affiliation with dominant tribes significantly impacted or affected a firm’s agency costs. This means that the ability of the managers to perform their operational duties does not in any way depend on the strategic level of the firm. However, having an understanding of the function of each level of management can help to recognise the organisational structure of a firm. A firm's organisational structure will help improve communication among parties, better understand strategic decisions, allow for seizing opportunities and anticipate future challenges. According to Eisenhardt (1989), the main contribution of agency theory lies in the fact that it identifies how to treat information and risk in a firm's operation. This is made possible by explaining why and how conflicts of interest may arise between shareholders and managers; it also specifies how these conflicts can be resolved.

5.1.3 Interaction between the proportion of the dominant tribe and the managers' membership of that tribe will be positively associated with Type 1 agency costs.

H3 focuses on the effect of tribal affiliation on both the strategic and managerial levels of management. From the H3 finding, there are two major ethnic tribes (i.e., Hausa and Igbo) whose coefficients are significant to agency costs. However, these coefficients are pointing in different directions. The Igbo-dominated board has a significantly negative coefficient, while the Hausa/Fulani board has a positive one. This suggests that the effect of tribe dominance on a firm's board on Type 1 agency costs depends on whether or not the manager belongs to the same dominant tribe. It can be deduced that the relationship between the proportion of the Hausa/Fulani tribe on a firm's board and manager membership of the same tribe is positively associated with inverse sales/asset turnover, hence, higher Type 1 agency costs. This raises agency costs for the firm. The interaction between the proportion of the Hausa-dominated board and managers' membership of the same tribe is positively associated with Type 1 agency costs. However, Tawiah et al. (2022) noted that firms use tribalism as a tool to their advantage. Contrary to the H3 result, a tribal affiliation of the Hausa did not positively impact the firm's performance. According to Tawiah et al. (2022), tribal connections or ties with the country's president ought to produce some leverage and edge over other firms in terms of performance. However, despite the firms' tribal affiliation with the country's number one citizen, the H3 result demonstrates the opposite. This comes down to the cultural composition of each tribe and how this could affect corporate governance.

On the other hand, the Igbo in H3 experience similar effects to the Yorubas in H1. An Igbo-dominated board is negatively associated with inverse sales/asset turnover, lowering Type 1 agency costs. In essence, the outcome depends on whether or not the manager is of the same tribe as the dominant tribe on the board. For instance, the relationship between board dominance and manager membership of the Hausa/Fuani-dominated tribe is positively associated with inverse sales/asset turnover, but negative for the Igbo tribe. Therefore, H3 is partially supported only if the manager is of the Hausa/Fulani tribe, while H3 is not partially supported if the manager is of Igbo descent.

There is more to the Igbo culture that allows them to thrive. Just like the Yoruba nation, the Igbos have a common origin. They possess a homogeneity in cultural norms, noticeable throughout their areas or into which their influence has penetrated, as against the Hausa/Fulanis, in economic development. Modernisation diminishes cultural differences among sub-groups of the Igbo nation of Nigeria. Sharing similar cultures and values does not restrict them from cultural diffusion (Omotosho, Ihekuna & Fakoya, 2020). Regional differences exist among the Hausa/Fulanis, which extend into their political and economic space. This is evident with the crisis that is currently crippling the Hausa/Fulanis nation. It was noted by Omotosho, Ihekuna, and Fakoya (2020) that cultural expressions and identities among the Hausa/Fulanis are a significant trigger for these differences.

5.2 Claimed Contributions

The contribution of this research can be subdivided into two aspects: the theoretical aspect and the practical aspect.

5.2.1 Theoretical contributions

Applying agency theory allowed the current study to build on extant works on corporate governance, and a claimed contribution of this research is that it focused on agency costs as a logical dependent variable in an agency-based study rather than firm performance. However, agency theory makes pessimistic predictions about Type 1 agency costs (i.e., relating to tribal ownership and managerial control). Extant theoretical predictions were confronted with conflicting empirical evidence. For instance, there are reported relations between affiliation with the dominant tribe (Yaruba) and corporate governance that are positive in the case of ownership H1 (e.g., Baek, Kang, & Park, 2004) and mixed in the case of H3 (e.g., Douma, George, & Kabir, 2006; Yammeesri & Lodh, 2004). It is suggested here that the observed differences in empirical results arise because of the trust, reputation and cultural dimension of the dominant tribe within the firm's board. Other explanations may include (1) true heterogeneity arising from population differences, which is more likely when data from these firms might have different institutions of quality that govern them. For instance, some listed firms operate within a group of firms while others operate as non-groups. Even though samples were taken from the same financial year, discrepancies in their reporting month might have posed a small quantity of change in the findings; (2) differences in research design (e.g., using different measures of performance- one of the reasons why only inverse asset turnover was used, or estimation methods); or (3) sampling error.

Above all, these findings show the preliminary importance of affiliation at the various levels of a firm versus the conflicting theoretical predictions regarding the effect of affiliations on corporate governance. Since empirical findings from this research work refute these negative predictions derived from agency theory, agency theory is unsuitable for research on Nigerian corporate governance. Therefore, other proximate theories, such as stakeholder, stewardship, and network theories, may be considered alternatives to agency theory that may explain these refutations, especially in understanding the complexity of human relationships within a firm. It should be noted that other proximate theories do not offer predictions like agency theory.

5.2.2 Practitioner contribution

Results from this research can inform both policy analysis and economic understanding. As a result of our findings, BoDs in Nigeria may be less concerned about the possible costs of affiliated owners or controllers. In the case of Yoruba owners and directors, they may even anticipate lower agency costs.

5.3 Limitations of this research

Many limitations have been encountered in the course of this research. Every stage has been challenging, including the relevant literature review, data collation, measures choice, and findings discussion.

5.3.1 Limitation in terms of literature review

There is much literature on corporate governance and agency theory. The challenge is obtaining academic papers on tribal affiliations. However, few journals discuss family ties within an organisation and how they may (or may not) relate to a firm's performance. Another challenge is that most researchers often relate and link these affiliations to a firm's performance. There should have been a logical and coherent study sequence, starting with affiliations, how they relate to agency costs, and their effects on the firm's performance.

5.3.2 Limitation based on data collation

Obtaining detailed data was challenging. Though there is an official website (i.e., the Nigerian Stock Exchange) on listed companies, I had to supplement its information with that from a privately owned website (i.e., The African Market).

Qualitative data was also not collected due to time constraints. Online communication, like a Zoom interview with the Directors, was not feasible because of accessibility constraints. For instance, it might take months for these directors to respond to emails because of their tight schedules, and interviewees' probable unwillingness to respond truthfully to questions about agency costs.

There were instances of incomplete information from web links provided by the Nigerian Stock Exchange for some listed companies. For instance, pieces of information concerning definitions of the year (i.e., 2019) that were researched were missing from the companies' data (i.e., annual reports). Also, there were certain variables (list of directors, value of cash flow, value of assets, forecast of future earnings) needed from companies' annual reports that were lacking. Similarly, only two control variables were included because more than half of the financial reports do not categorically state the number of years the companies' CEO/board members were in office, despite the usefulness of this variable. The same goes for the educational background of these parties in question.

As discussed in Chapter 3, the models could be improved by gathering more data from the Nigerian stock exchange. For example, based on the availability of information from firms' annual reports, 89% (i.e., 129) samples were collated, while the remaining 11% outstanding were required for analysis. Also, other control variables could be gathered from the dataset, like the nature of a firm's business and location, which could have a significant impact. Also, free cash flow is highly skewed, and some influential outliers in the data may distort our model results. This is another thing that can be improved on to get better model results. The tribal categories in our data are not equal, which may influence our results. For instance, 59 companies from the sample have a Yoruba majority board, while the Haus/Fulani tribe has the lowest number (i.e., 9) of board members.

In addition, there were instances where some companies' annual financial statements reported their values in foreign currency. Some companies were classified as multinationals, some as internationals, and some as group companies. Therefore, their valuations were in foreign currency. It was difficult to convert these values based on the period's (i.e., 2019) exchange rate.

As earlier stated, data were extracted and collated from the firms' annual reports. One of the collated data's most important variables is the number of board members. This total was separated according to their tribal affiliations. Tribal affiliations of these members are identified using the members' names. Manually differentiating the tribal affiliations of each director of the listed firms using their names was challenging. It was time-consuming to distinguish the ethnic group each director belonged to. Aside from this, the coding system works better for men than their female counterparts. For the females, their names were also used, but their first name was considered in cases where the tribe of origin differed from the marital name that was adopted. The margin of mistakes (if any) might be minimal (since the population of female CEOs/Chairmen is less than 10%), but might be significant.

5.3.3 Limitations based on the choice of measure

This research investigates the effect of tribal affiliation on corporate governance by examining two metrics of agency costs. These metrics can be direct or forward-looking (i.e., Free Cash Flow) or indirect or backwards-looking (i.e., Inverse Asset Turnover). Free Cash Flow is a potentially more subjective measure of Agency Costs, relying on future forecasts of growth prospects. The Inverse sales-asset ratio is based on the valuation of arguably less subjective, audited historical sales and assets. It should be noted that there are several possible issues with the asset turnover ratio as a measure, despite its usefulness. First, sales may not necessarily result from productive activities. Second, sales generation may not be equivalent to shareholder wealth. For instance, it is possible that the revenue generated from sales is being expropriated by management rather than being distributed to shareholders. Third, this measure might not be appropriate for comparing similar firms because firms within the same industry can have different production levels (Coles et al., 2005).

Following the analysis using these measures, the first limitation encountered was reconciling robustness tests. First, the two sets of results for Agency Costs were inconsistent, and second, there were conflicting results within the indirect measure. However, as a direct measure, results from cash flow exhibited consistency in the effect of tribal relationships on corporate governance for all hypotheses. This consistency is reflected in the direction of the relationship (i.e., positive) and what tribal affiliations are affected (i.e., how the Igbo tribe showcased its influential power against all other major tribes). Conversely, the indirect measure had inconsistent results that showcase different directions (i.e., positive and negative) of tribal affiliations in its relationship with corporate governance.

Despite the consistency of results across the three hypotheses while using cash flow, there was some incompleteness because of the insufficient data regarding sophisticated subjective estimations of growth prospects that free cash flow requires. A full free cash flow measure could not be estimated without forecasts of future earnings. Only a simpler, cruder measure of Cash Flow was used. For instance, according to Guariglia & Yang (2016), cash flow is calculated by deducting the optimal amount of cash that a company intends to maintain in reserve from its net cash from operating activities. Which, for this research, is difficult to calculate based on the limited available data.

Aside from the limited available data, cash flow figures may be manipulated by a firm's management and, in most cases, do not represent the actual value of a firm's cash flow. For instance, free cash flow may be inflated by accelerating the recognition of funds coming in and delaying that which is leaving until the next financial period. This scenario explains how excessive free cash flow might be high even amid substantial agency costs (Nicholson & Kiel, 2007; Wiwat-tanakantang, 2001). It should be noted that the cash flow measure was used as an attempted robustness test (as reported in the Appendix).

Because of the above limitations, inverse asset turnover was chosen despite displaying some variations in results. The metric arguably exhibited more objectivity, even though the results display variations in how these major tribes showcase their influence at different levels (i.e., ownership, management and both) of affiliation and its effect on corporate governance. Also, the data required for this analysis were complete and straightforward. Ultimately, the inverse asset turnover can be used as a more precise indicator of agency costs that relies more on conventional audited accounting measures of sales and value of assets (Ang et al., 2000; Florackis & Ozkan, 2009; Singh & Davidson, 2004).

5.3.4 Limitations based on discussion of findings

It was hard to make a logical and critical discussion on findings because of the following:

Few academic papers discuss the effect of affiliations or ties (especially tribal affiliation) on agency costs, although many are based on family ties. In discussing my findings, I had to draw parallels between family and tribe and how the extant literature on family ties can be used as a comparator for explaining and discussing results from tribal ties.

Most extant literature discusses ties and connections in reference to firm performance rather than agency costs, which contrasts with this research, as noted above. This research focuses on associating tribal affiliations with governance and agency costs, not firm performance. In discussing research findings, comparisons with the extant literature could not be made like-for-like, as the latter was based on corporate performance.

5.4 Future research direction

Possibilities for future research direction

As earlier noted, there has been extensive research on corporate governance and family ties, but virtually none (to the best of the researcher's knowledge) on tribal affiliations. There has been little research on how local circumstances, particularly tribal networks, may modify the consequences of institutional voids in developing countries. This thesis has begun the investigation of tribal affiliation, its relationship with corporate governance and its relative effects. Therefore, it seems important to further investigate the following:

Network affiliations in developing versus developed economies.

Other types of agency costs, e.g. Type 2 agency costs.

How tribal affiliations might influence firm performance beyond agency cost.

In investigating the above-suggested topics, the following have to be taken into consideration:

Because of the complexity of data collation, its method and analysis must be thoroughly considered, as must its limitations. For instance, a log variable might be created to normalise skewed data to make it more symmetrical and better fit the assumptions of statistical models.

Aside from the quantitative method, the qualitative method could be explored. For instance, a face-to-face or an online interview could be used, given the interviewees' willingness to answer some questions on agency costs truthfully.

More control variables could be used.

More years could be examined to see the effect of the interaction over a specific period.

5.5 Conclusions

This research is organised into five chapters. These chapters tilt towards investigating the influence of tribal affiliations on corporate governance in Nigerian firms. Agency theory is used to understand and explain the many weaknesses of corporate governance. This research also reviewed affiliation (i.e., family and tribe), culture, different types of governance, the relationships between various parties in an organisation, and how these relationships might relate to agency costs. Contrary to the theory's prediction (i.e., the adverse effect of affiliations), this research found that affiliations are not necessarily associated with adverse outcomes. This is because the outcome of this association depends on so many variables. Following these research findings, the influence of these affiliations on agency costs (i.e., corporate governance) in multi-tribal relationships goes in different directions (i.e., positive and negative). For instance, this research has provided evidence that proves that affiliations of the Yorubas (i.e., the most popular tribe) within a firm were found to be negatively associated with Type 1 agency costs. In contrast, that of the Hausa/Fulanis highlights the opposite. This means that practitioners or agency-focused academics need not fear these affiliations. It will depend on the 'make-up' of the tribe in question.

Nigeria, being a hyper-partisan political environment, one would have thought the affiliation of the Hausa/Fulani within a firm would reflect a negative relationship with agency costs, thereby emphasising the advantage of partisan political connections. This research, however, invalidates Tawiah et al.'s (2021) argument that building political ties in Nigeria is almost a requirement for the long-term sustainability of businesses in emerging countries. According to Tawiah et al. (2021), political connections improve firm performance because of politicians' power and control over scarce resources. On the contrary, this research established the importance of intangible resources (such as trust, reputation and culture) over building political ties with powerful and influential politicians. It also goes to show that Nigerian firms tend to thrive when associated with a tribe that possesses these intangible resources rather than one that is associated with politics.

Furthermore, this research has implications for researchers looking at agency theory as a theory for all times and places. Though most extant studies have focused on developed economies like the UK and the US, a multi-tribal setting like this will make current conceptualisations more robust. It also has implications for the broader field of corporate governance to shed light on contexts other than those in the current body of literature.

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Appendix

This appendix section is divided into four parts:

A) Justification for focus on inverse asset turnover as a measure of agency costs.
B) Attempted a failed robustness test for dummy variable A using cash flow as a measure of agency costs.
C) Summary of the hypotheses tests for dummy variable A using the two measures of agency costs, with the explanation of findings.
D) Test of hypotheses for dummy variable B using the two measures of agency costs.
E) Summary of the hypotheses tests for dummy variable B using the two measures of agency costs, with the explanation of findings.
F) Workings A.
G) Workings B.

A) Justification for a focus on Inverse Asset Turnover as a measure of Agency Cost

As earlier stated, this research investigates the impact and association between tribal affiliation and a firm's agency costs. Two alternative proxies (i.e., Inverse Asset Turnover and Free Cash Flow) for agency costs were considered seriously. However, the preference for the inverse sales asset ratio must be explained, together with the reasons for relegating the other (free cash flow) to this appendix and the role of the attempted robustness test.

Free positive cash flow indicates a company's capacity to settle its debt, distribute dividends to shareholders, repurchase stock, and support business expansion. Free cash flow provides better insight into both a firm's business model and the organisation's financial health. It is a reliable measurement of how efficiently a firm invests resources. It helps determine the BoD's capacity to perform its function of generating resources (i.e., resource provision). According to Guariglia & Yang (2016), free cash flow is calculated by deducting the optimal amount of cash that a company intends to maintain in reserve from its net cash from operating activities based on growth prospects. Free cash flow can either be positive or negative, depending on whether net cash flow from operating activities exceeds the optimal level of cash flow (Guariglia & Yang, 2016). When a company generates more cash than is required to operate the business and reinvests it to expand it, it has an excessive free cash flow. It is a measure used to assess how effectively a company employs funds for investment. As a result, it is more difficult for the capital market to keep track of management decisions when there are excessive free cash flows retained (Farooque, 2021). Higher managerial discretion and higher agency costs are implied by excessive free cash flow levels. This is because managers can safeguard their positions and prevent potentially damaging career consequences by amassing large cash reserves (Jensen, 1986).

However, free cash flow calculation involves sophisticated subjective estimations of growth prospects. According to Guariglia & Yang (2016), free cash flow is calculated by deducting the optimal amount of cash that a company intends to maintain in reserve from its net cash from operating activities. Free cash flow can either be positive or negative, depending on whether net cash flow from operating activities exceeds the optimal level of cash flow (Guariglia & Yang, 2016). With reluctance, it was decided that the researcher was incapable of calculating free cash flow, without estimates of growth prospects and thus calculations of optimal cash reserves. Also, it was realised that cash flow figures may be manipulated by a firm's management and, in most cases, do not represent the true value of a firm's cash flow. For instance, free cash flow can be inflated by accelerating the recognition of funds coming in and delaying that which is leaving until the next financial period. This scenario explains how excessive free cash flow might be high even amid substantial agency costs (Nicholson & Kiel, 2007; Wiwattanakantang, 2001).

Despite these shortcomings, it was decided to experiment with published cash flow measures (not free cash flow) as part of a robustness test of the stability of results across different measures of agency cost.

This study, therefore, focuses on inverse asset turnover mainly because the metric exhibited more objectivity. For instance, inverse asset turnover (i.e., the ratio of total sales to total assets) can be used as a more precise indicator of agency costs because it relies more on conventional audited accounting measures of sales and value of assets (Ang et al., 2000; Florackis & Ozkan, 2009; McKnight & Weir, 2009 and Singh & Davidson 2004). According to

Guariglia & Yang (2016), the inverse asset turnover ratio is a subset of financial and accounting ratios that provide valuable insights by gauging the effectiveness of a firm's governance, i.e. asset turnover measures how well management makes use of the company's resources to generate sales (McKnight & Weir, 2009). Inverse asset turnover also helps the shareholders determine how well the firm's board performs its control function in monitoring the affairs of the management. Furthermore, this measure helps shareholders or investors determine how successfully a firm can effectively leverage its assets to create sales by comparing similar firms in the same sector or group. Finally, it examines the influence and magnitude of the effect of an informal factor (such as tribal affiliation) on the overall firm's performance and expansion (Guariglia & Yang, 2016; Farooque, 2021).

The asset turnover ratio could either be high or low. A high ratio implies low agency cost because it shows that the assets are deployed to generate many sales. At the same time, a low ratio could indicate that management engages in inefficient asset utilisation and wasteful investing practices, such as consuming excessive perquisites. Despite its display of some results variations in how the major three tribes were able to showcase their influencing power at different levels (i.e., ownership, management and both) of affiliation and its relations with corporate governance, the measure is arguably a useful indicator of agency costs because it captures the effectiveness of corporate governance practices (Ang et al., 2000; Singh & Davidson, 2003).

Asset turnover was inverted as an alternate measure of agency costs (i.e., the inverse of the sales asset ratio) to produce a direct measure of agency cost comparable with the free cash flow. The main goal of this conversion is to provide direct and comparable explanations for the relationship between the independent variable (i.e., tribal affiliation) and the dependent variable (i.e., agency costs). In summary, inverse asset turnover (i.e., the ratio of total sales to total assets) can be used as a more precise indicator of agency costs that relies more on conventional audited accounting measures of sales and value of assets (Ang et al., 2000; Florackis & Ozkan, 2009; and Singh & Davidson 2004). Not all agency cost measures are suitable for a particular situation, and for this research, the inverse asset turnover was adapted to interpret the research questions via the stated hypotheses.

B) Attempted a failed robustness test using cash flow as a measure of agency costs for all hypotheses (i.e., H1, H2 and H3)

Free cash flow is calculated by deducting the optimal amount of cash that a company intends to maintain in reserve from its net cash from operating activities based on growth prospects. However, for the robustness test, (non-free) cash flow (closing balance on firms' cash flow statements) was used as an alternative (unsophisticated) measure of agency costs. The essence of a robustness test is to ascertain how well the coefficient values behave when some regression specifications are modified (Lu & White, 2013). In comparison with inverse asset turnover, two sets of conflicting results were documented (as shown in Table 7 below). The robustness test failed.

This test failed because:
Limited information available to the researcher: Free cash flow cannot be easily calculated because of the limited information obtained from the firm's annual report. To calculate free cash flow, the researcher needs the firm's growth prospects, which were lacking.

On their own, results using cash flow as a measure show some level of consistency. For instance, the Igbo could showcase their influential power against all other major tribes at all levels (i.e., ownership-H1, managerial-H2 and both-H3). However, the subjective nature of cash flow measures, and the limited availability of data (which causes an inability to provide a full free cash flow calculation), make free cash flow as a measure impossible to pass the robustness test, as its results were quite different from those using the inverse asset sales ratio.

The following tables (i.e., 1a, 2a, 3a, 4a, 5a and 6a) show the regression analysis carried out on H1, H2 and H3 based on unadjusted cash flows.

H1

Using Cashflow as an Agency Cost Measure

This analysis is based on ownership via board representation.

Table 1a:Regression analysis for H1

Variable	Coefficient	Std.Error	t-Statistic	Prob.	Significance
Intercept	-6443993	18812861	-0.343	0.733	
Hausa/Fulani dominated the board	10573765	22595739	0.468	0.641	
Igbo dominated board	35244586	15934859	2.212	0.029	*
Yoruba dominated the board	-3048804	12187760	-0.250	0.803	
Secondary sector	-11680795	18280283	-0.639	0.524	
Tertiary sector	7087093	16262585	0.436	0.664	
Firm's age	158614	251204	0.631	0.529	
Firm's size	10154	2187	4.643	<0.001	*

Table 2a: Summary for H1

R-squared	0.226	**F-statistic**	4.793
Adjusted R-squared	0.179	**P-value**	0.000

Interpretation

According to Table 1, an Igbo-dominated board positively affects the free cash flow (coefficient value = 35244586; p = 0.029). That is, an Igbo-dominated board incurs high Type 1 agency costs. However, there is no statistically significant result for the other two (i.e., Hausa/Fulani and Yoruba) tribal-dominated boards. Hence, **H1 is partially supported.** For instance, when free cash flow is high, managers have a greater opportunity for overinvesting in negatively valued projects, thereby increasing their agency costs.

Additionally, the positive coefficient value (0.001) of the firm's size indicates an increase in both free cash flow and Type 1 agency costs. For instance, businesses with more staff members might have higher free cash flow since they are more adept at generating internal funds and higher dividend yields, hence higher Type 1 agency costs.

Goodness of fit

R-squared

Just like the asset turnover, the R-squared value explains 22.6% of the variance observed in cash flow with an adjusted R-squared of 17.9%.

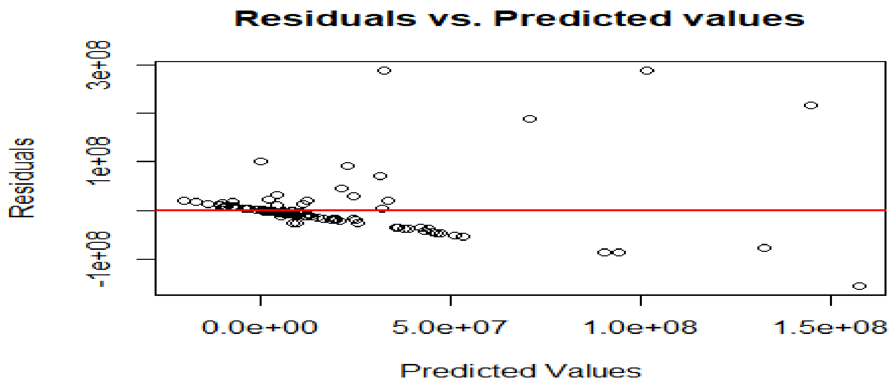
F-Statistic

From Table 2 above, the F-statistic for our model is 4.79 with a p-value of 0.000, which indicates that the model provides a better fit to the data than an intercept-only model.

Residual Analysis

The plot of residuals shown below shows a trend, which indicates a better fit of the model.

Figure 1a: The relationship between residuals and predicted values



H2

Using Cashflow as an Agency Cost Measure

This analysis is based on tribal control in terms of the CEO.

Table 3a:Regression analysis for H2

Variable	Coefficient	Std.Error	t-Statistic	Prob.	Significance
Intercept	-13722621	18565258	-0.739	0.461	
Hausa/Fulani-dominated CEO	18557848	20492078	0.906	0.367	
Igbo dominated CEO	61603312	15511191	3.972	<0.001	*
Yoruba dominated CEO	-5689713	11216616	-0.507	0.613	
Secondary sector	-3431462	17288919	-0.198	0.843	
Tertiary Sector	13083042	15082149	0.867	0.388	
Firm's age	160677	231853	0.693	0.490	
Firm's size	8915	2020	4.414	<0.001	*

Table 4a: Summary for H2

R-squared	0.312	**F-statistic**	7.466
Adjusted R-squared	0.271	**P-value**	0.000

Interpretation

According to Table 3, there is a considerable difference between the means of companies with CEOs from an Igbo-dominant tribe and those with CEOs from other tribes. Table 3 shows that there is some evidence linking CEO's membership with the Igbo dominant tribe on the board to Type 1 agency costs A positive coefficient value at p-value <0.001 shows that there is a positive correlation between Type 1 agency costs and companies whose CEOs are members of the Igbo dominated tribe, thus, **H2 is partially supported**.

Except for a firm's size, all other control variables in Table 3 above are more than the significance level of 0.05. A positive correlation value of <0.001 of the firm's size suggests that free cash flow and Type 1 agency costs are more likely to be associated with larger firms. For instance, firms with larger workforces might have higher free cash flow since they are more adept at generating internal funds and higher dividend yields, hence higher Type 1 agency costs.

Goodness of fit

R-squared

Just like the asset turnover, the R-squared value explains 31.2% of the variance observed in cash flow with an adjusted R-squared of 27.1%.

F-Statistic

From Table 4 above, the F-statistic for our model is 7.47 with a p-value of 0.000, which indicates that the model provides a better fit to the data than an intercept-only model.

H3

Using Cashflow as an Agency Cost Measure

This analysis combines the effects of ownership and control.

Note: Only the results of the interaction terms are presented in this table.

Table 5a: Regression analysis for H3

Variable	Coefficient	Std.Error	t-Statistic	Prob.	Significance
Intercept	-711311	18189546	-0.039	0.969	
Hausa/Fulani dominated the board	9329387	23047560	0.405	0.686	
Hausa/Fulani CEO	2588961	19816578	0.131	0.896	
Igbo dominated board	-17963525	19553742	-0.919	0.360	
Igbo CEO	21663605	16347255	1.325	0.188	
Yoruba dominated the board	-14789986	15881550	-0.931	0.354	
Yoruba CEO	-22601657	17208488	-1.313	0.192	
Hausa/Fulani dominated board: CEO	11455595	32972155	0.347	0.729	
Igbo-dominated board: CEO	69845368	27012128	2.586	0.011	*
Yoruba-dominated board: CEO	30253466	21845662	1.385	0.169	
Secondary Sector	-17074504	17316482	-0.986	0.326	
Tertiary Sector	3293070	15038326	0.219	0.827	
Firm's age	200043	231471	0.864	0.389	
Firm's size	8995	2121	4.242	<0.001	*

Table 6a: Summary for H3

R-squared	0.391	**F-statistic**	5.385
Adjusted R-squared	0.319	**P-value**	0.000

Interpretation

H3 relies on whether the CEO of a company shares the same tribal ties as the majority tribe on a firm's board. Except for the Igbo-dominated tribe, there is no evidence to determine the impact of tribal ties of the CEO's tribal ties with those of other majority tribes on a firm's board on Type 1 agency costs. Table 5 shows a positive correlation between Type 1 agency costs and the proportion of CEO membership with that of the dominating (i.e., Igbo) tribe on a firm's board. The positive coefficient (at $p = 0.011$) suggests a positive correlation between cash flow and the relationship between members (CEO and a firm's board) of the Igbo-dominated tribe. Accordingly, the stronger the relationship between the CEO membership and the Igbo-dominated tribe on a firm's board, the greater the free cash flow, hence, the higher Type 1 agency costs. A high free cash flow shows that a firm has more cash than it needs for its operating expenses or working capital, leading to higher Type 1 agency costs**. H3 is partially supported** because the relationship is not substantial for the Yoruba and Hausa/Fulani tribes.

Goodness of fit

R-squared

Just like the asset turnover, the R-squared value explains 39.1% of the variance observed in cash flow with an adjusted R-squared of 31.9%.

F-Statistic

From Table 6 above, the F-statistic for our model is 5.39 with a p-value of 0.000, which indicates that the model provides a better fit to the data than an intercept-only model.

C) Summary of the hypothesis tests using the two measures of agency costs, with an explanation of findings

Table 7a: Summary of hypothesis test results using the two measures

Hypotheses	Type 1 agency cost measure 1: Inverse Asset Turnover	Association with corporate governance	Type 1 agency cost measure 2: Cashflow	Association with corporate governance
H1	Yoruba (-)	Positive	Igbo (+)	Negative
H2	None	None	Igbo (+)	Negative
H3	Hausa (+) Igbo (-)	Negative Positive	Igbo (+)	Negative

Direct measure (inverse asset turnover)
Positive relationship=Negative effect
Negative relationship=Positive effect

Table 7a shows that there is statistically significant evidence that board dominance of a tribe is positively associated with Type 1 agency costs, using free cash flow and asset turnover as a measure. For instance, when free cash flow is used as an agency cost measure, a majority tribe (i.e., Igbo) on the board is associated with higher Type 1 agency costs. Similarly, there is statistically significant evidence that board dominance of the Yoruba tribe is negatively associated with Type 1 agency costs when inverse sales/asset turnover is used as a measure of agency cost to test for H1. This means the proportion of board members' dominance can be attributed to different tribes. This is a determinant of the measure used. For instance, when inverse sales/asset turnover was used, the relationship was negative and statistically significant for the Yoruba. At the same time, it was positive and significant for the Igbo tribe when cash flow was used. None of the measures of agency cost is statistically significant for the Hausa/Fulani tribe for H1.

In testing for H2, two measures of agency cost were used. The first was the inverse sales/asset turnover, and the second was the free cash flow. These measures provide different results. For instance, when the free cashflow measure of agency cost was employed, the results showed that the Igbos, as the dominating tribe, had a statistically significant and positive difference in means; however, when the inverse sales/asset turnover measure was used, the results were statistically insignificant. Furthermore, control variables such as sector, firm age, and firm size were statistically significant.

The regression models that tested the influence on Type 1 agency costs of the interaction between the dominance of a tribe on the board of companies and CEO membership of that tribe are explained by this variation (approx. 31% and 39% from Tables 9 and 10, respectively). However, the direction of causation cannot be ascertained but can only be partially supported. For instance, when asset turnover is used, the association with Type 1 agency costs is positive for the Hausa/Fulani tribe but negative for the Igbo tribe. In another instance, when cash flow is used, the direction of the relationship is positive for only the Igbo tribe.

This analysis made different inferences, mainly when two different proxies for measuring agency costs were used. For instance, when inverse sales/asset turnover is used, the statistical significance shows that the highest proportion of board members affiliated with the Yoruba tribe (as shown in H1) is associated with Type 1 agency cost but differs (i.e., to the Igbos, as also shown in H1) when free cash flow is used as a measure. For H3, inverse sales/asset turnover was used as a measure to determine if the interaction between the proportion of board members associated with dominant tribes like the Hausa/Fulani and Igbo and CEO membership of those tribes is positively associated with Type 1 agency cost. The result shows that the Hausa/Fulani tribe is positively associated with Type 1 agency cost. This means that the interaction of board dominance and CEO membership of the Hausa/Fulani tribe is associated with higher Type 1 agency costs **(H3)**. At the same time, the Igbo tribe is negatively associated with Type 1 agency cost. However, this reaction differs for the Igbo tribe when free cash flow is used to measure agency cost. The measures tend to give different reactions because of the type of measure. While the direct measure (i.e., free cash flow) gives a positive association and adverse effect of tribal ties on agency costs, the inverse measure (i.e., sales/asset turnover) gives both positive (Igbo) and negative (Hausa/Fulani) effects of tribal ties on agency costs

D) Test of hypotheses for dummy variable B using the two measures of agency costs.

A series of tests were conducted for dummy variable B. The tests conducted were descriptive statistics, correlations and regression analysis. A new dummy variable (0, 1) was created, considering whether there was any dominant tribal group on the board, regardless of the actual tribe. 0 stands for firms without a dominant tribal group on the board, while one stands for firms with a dominant tribal group. In contrast to the previous dummy variables formed (which emphasise the highest proportion of board members from the three major tribes), these new dummy variable focuses on the average value of the given observations to draw out any dominant tribal group regardless of their actual tribe. As suggested by the examiners, a log value of firm size is also included in the tests.

Table 1b: Descriptive statistics of all variables

Variables	N	Mean	Std. Deviation	Range	Minimum	Maximum	Sum
Hausa/Fulani dominated board	130	0.08	0.476	5	0	5	10
Igbo dominated board	130	0.18	1.084	12	0	12	24
Yoruba dominated the board	129	0.68	3.873	44	0	44	88
Minority dominated board	130	0.14	0.824	9	0	9	18
Nonnative dominated board	130	0.23	1.344	15	0	15	30
Hausa/Fulani dominated chairmen	130	0.26	1.518	17	0	17	34
Igbo dominated chairmen	130	0.43	2.471	28	0	28	56
Yoruba dominated chairmen	130	0.82	4.639	53	0	53	106
Minority dominated chairmen	130	0.32	1.864	21	0	21	42
Nonnative dominated chairmen	130	0.23	1.344	15	0	15	30
Hausa/Fulani dominated CEOs	130	0.15	0.910	10	0	10	20
Igbo dominated CEOs	130	0.35	2.038	23	0	23	46
Yoruba dominated CEOs	130	0.86	4.899	56	0	56	112
Minority dominated CEOs	130	0.30	1.692	19	0	19	39
Nonnative dominated CEOs	130	0.42	2.385	27	0	27	54
Sector	129	2.48	0.708	2	1	3	320
Firm's age	129	40.72	21.728	99	0	99	5253
Firm's size	124	2.4820	0.72765	4.05	0.85	4.90	307.77
Inverse Asset Turnover	129	-0.6404	0.92032	8.10	-8.10	0.00	-82.61
Cash	129	17181420.1857	60616390.79913	406863135.00	-18010135.00	388853000.00	2216403203.96
Valid N (listwise)	123						

Table 2b: Summary of the various tribes on the board of listed Nigerian firms

Tribe on the board of listed Nigerian firms	Board members	Chairmen	CEOs	Total Board members	Board members (%)	Chairmen (%)	CEOs (%)	Total %	Total %
Hausa/Fulani tribe	5	17	10	32	5.9	12.7	7.4	26.0	8.7
Igbo tribe	12	28	23	63	14.1	20.9	17.0	52.1	17.4
Yoruba tribe	44	53	56	153	51.8	39.6	41.5	132.8	44.3
Minorities	9	21	19	49	10.6	15.7	14.1	40.3	13.4
Non-Native	15	15	27	57	17.6	11.2	20.0	48.8	16.3
Total	85	134	135	354	100	100	100	300	100

Table 1b presents the descriptive statistics of all variables. The Yoruba tribe has the highest mean values across all boards. From board members (with a mean value of 0.68) to the position of their board chairman (mean value of 0.82) and the firms' CEOs (with a mean value of 0.86). From Table 2b, it is noted that the Yoruba tribe occupies an estimated 51.8% (i.e., the average percentage of Yoruba board membership across Nigerian listed firms, as against 5.9% Hausa/Fulanis, 10.6% Minorities, and 14.1% Igbos. This means the Yoruba tribe are the most common and popular tribe to be represented transversely by all the listed firms in Nigeria. Irrespective of the tribal groups, 85 out of 129 firms have a dominant tribe on their board, with the Yoruba tribe having 51.7% dominance (i.e., 44 out of those 85).

In another instance, the standard deviation values of all tribal groups across the firms are higher than their mean value. This means the data area, in this case, is more spread out. It should be noted that the more spread the data, the higher the level of heterogeneity. By implication, the mean values in the first table are not as representative of the data as they seem. Instead, standard deviation values will be used because they are a valuable tool for understanding variability within a dataset. From Table 1b, the standard deviation values of members of Yoruba descent have the highest values across the board. A high standard deviation is generally unsuitable for a group (the Yorubas). This means there is a high degree of variability, uncertainty, and dissimilarity within the Yorubas.

Table 3b: Correlations

Variables		Hausa/Fulani dominated board	Igbo dominated board	Yoruba dominated board	Minority dominated board	Non-Native dominated board	Firms with dominant tribe board	Firms without dominant tribe board	Hausa/Fulani chairmen	Igbo chairmen	Yoruba chairmen	Minority chairmen	Non-Native chairmen	Firms with dominant tribe Chairmen	Firms without dominant tribe Chairmen	Hausa/Fulani CEOs	Igbo CEOs	Yoruba CEOs	Minority CEOs	Non-Native CEOs	Firms with dominant tribe CEOs	Firms without dominant tribe CEOs	Sector	Firm's age	Firm's size	Inverse Sales/asset turnover	Free cashflow
Hausa/Fulani dominated board	Pearson Correlation	1	-0.064	-0.146	-0.055	-0.073	0.144	-0.144	.397**	-0.106	-0.086	-0.089	-0.073	-0.040	.b	.242**	-0.094	-0.095	-0.086	0.094	-0.035	.b	-0.023	-0.105	0.036	-0.014	-0.009
	Sig. (2-tailed)		0.469	0.100	0.536	0.412	0.102	0.102	0.000	0.233	0.332	0.318	0.412	0.650		0.006	0.292	0.285	0.332	0.289	0.695		0.796	0.236	0.690	0.879	0.923
Igbo dominated board	Pearson Correlation	-0.064	1	-.233**	-0.088	-0.116	.230**	-.230**	-0.046	.285**	-0.105	-0.069	-0.116	-0.064	.b	-0.093	.409**	-0.173	-0.063	-0.099	-0.056	.b	0.009	0.005	-.200*	-0.022	0.026
	Sig. (2-tailed)	0.469		0.008	0.323	0.190	0.009	0.009	0.606	0.001	0.238	0.438	0.190	0.469		0.295	0.000	0.050	0.475	0.264	0.532		0.921	0.952	0.026	0.807	0.766
Yoruba dominated board	Pearson Correlation	-0.146	-.233**	1	-.199*	-.264**	.515**	-.515**	-.224*	-0.144	.560**	-.187*	-.213*	0.024	.b	-0.027	-0.155	.423**	-0.130	-.213*	0.031	.b	0.117	-0.143	-0.169	-0.120	-0.147
	Sig. (2-tailed)	0.100	0.008		0.024	0.003	0.000	0.000	0.011	0.104	0.000	0.034	0.016	0.789		0.764	0.080	0.000	0.143	0.016	0.727		0.188	0.108	0.062	0.177	0.098
Minority dominated board	Pearson Correlation	-0.055	-0.088	-.199*	1	-0.099	.197*	-.197*	-0.017	-0.070	-.229**	.291**	0.091	-0.055	.b	-0.079	-0.048	-.178*	.471**	-0.141	-0.048	.b	0.158	-0.134	-0.062	0.086	-0.071
	Sig. (2-tailed)	0.536	0.323	0.024		0.263	0.025	0.025	0.851	0.428	0.009	0.001	0.308	0.536		0.371	0.589	0.043	0.000	0.111	0.593		0.073	0.129	0.495	0.332	0.422
Non-Native dominated board	Pearson Correlation	-0.073	-0.116	-.264**	-0.099	1	.261**	-.261**	-0.070	-0.132	-0.155	0.102	.321**	-0.073	.b	-0.015	-0.106	-.220*	-0.089	.348**	-0.140	.b	-.179*	0.113	.249**	0.026	-0.084
	Sig. (2-tailed)	0.412	0.190	0.003	0.263		0.003	0.003	0.432	0.135	0.079	0.250	0.000	0.412		0.868	0.233	0.012	0.318	0.000	0.113		0.043	0.202	0.005	0.771	0.346
Firms with dominant tribe board	Pearson Correlation	0.144	.230**	.515**	.197*	.261**	1	-1.000**	-0.155	-0.137	.235**	-0.037	-0.045	-0.110	.b	-0.036	-0.049	0.036	-0.008	-0.072	-0.137	.b	0.073	-.176*	-0.133	-0.077	-.227**
	Sig. (2-tailed)	0.102	0.009	0.000	0.025	0.003		0.000	0.080	0.122	0.007	0.677	0.612	0.216		0.685	0.579	0.683	0.928	0.418	0.123		0.411	0.046	0.142	0.384	0.010
Firms without dominant tribe board	Pearson Correlation	-0.144	-.230**	-.515**	-.197*	-.261**	-1.000**	1	0.155	0.137	-.235**	0.037	0.045	0.110	.b	0.036	0.049	-0.036	0.008	0.072	0.137	.b	-0.073	.176*	0.133	0.077	.227**
	Sig. (2-tailed)	0.102	0.009	0.000	0.025	0.003	0.000		0.080	0.122	0.007	0.677	0.612	0.216		0.685	0.579	0.683	0.928	0.418	0.123		0.411	0.046	0.142	0.384	0.010
Hausa/Fulani	Pearson	.397**	-0.046	-.224*	-0.017	-0.070	-0.155	0.155	1	-.205*	-.325**	-0.172	-0.070	0.040	.b	.230**	.178*	-0.110	-0.104	-0.031	0.079	.b	-0.038	-0.139	0.080	-0.097	-0.032
	Sig. (2-tailed)	0.000	0.606	0.011	0.851	0.432	0.080	0.080		0.020	0.000	0.052	0.432	0.649		0.009	0.044	0.214	0.243	0.724	0.374		0.669	0.116	0.378	0.273	0.718
Igbo chairmen	Pearson	-0.106	.285**	-0.144	-0.070	-0.132	-0.137	0.137	-.205*	1	-.363**	-.232**	-.191*	0.089	.b	-0.082	0.050	-0.006	-0.018	0.053	0.029	.b	0.148	0.098	-0.044	0.042	0.134
	Sig. (2-tailed)	0.233	0.001	0.104	0.428	0.135	0.122	0.122	0.020		0.000	0.008	0.030	0.315		0.354	0.577	0.947	0.842	0.553	0.745		0.095	0.269	0.629	0.638	0.130
Yoruba chairmen	Pearson	-0.086	-0.105	.560**	-.229**	-0.155	.235**	-.235**	-.325**	-.363**	1	-.368**	-.254**	0.077	.b	-0.065	-0.101	.254**	-0.140	-0.042	0.006	.b	0.012	-0.112	-0.152	0.011	-.185*
	Sig. (2-tailed)	0.332	0.238	0.000	0.009	0.079	0.007	0.007	0.000	0.000		0.000	0.004	0.385		0.462	0.256	0.004	0.113	0.634	0.944		0.895	0.205	0.092	0.906	0.036
Minority chairmen	Pearson	-0.089	-0.069	-.187*	.291**	0.102	-0.037	0.037	-0.172	-.232**	-.368**	1	-0.094	0.020	.b	0.029	-0.096	-0.090	.333**	-.175*	-0.077	.b	0.057	0.096	0.077	0.023	0.171
	Sig. (2-tailed)	0.318	0.438	0.034	0.001	0.250	0.677	0.677	0.052	0.008	0.000		0.287	0.820		0.742	0.281	0.312	0.000	0.047	0.389		0.523	0.280	0.393	0.795	0.053
Non-Native chairmen	Pearson	-0.073	-0.116	-.213*	0.091	.321**	-0.045	0.045	-0.070	-.191*	-.254**	-0.094	1	.303**	.b	-0.105	-0.043	-0.123	-0.089	.289**	-0.063	.b	-.247**	0.099	.231**	-0.007	-0.079
	Sig. (2-tailed)	0.412	0.190	0.016	0.308	0.000	0.612	0.612	0.432	0.030	0.004	0.287		0.000		0.236	0.632	0.167	0.318	0.001	0.479		0.005	0.267	0.010	0.934	0.373
Firms with dominant tribe Chairmen	Pearson Correlation	-0.040	-0.064	0.024	-0.055	-0.073	-0.110	0.110	0.040	0.089	0.077	0.020	.303**	1	.b	-0.058	-0.094	0.067	-0.086	0.094	-0.035	.b	-0.023	0.027	.184*	-0.022	-0.047
	Sig. (2-tailed)	0.650	0.469	0.789	0.536	0.412	0.216	0.216	0.649	0.315	0.385	0.820	0.000			0.512	0.292	0.449	0.332	0.289	0.695		0.796	0.764	0.041	0.802	0.599
Firms without dominant tribe Chairmen	Pearson Correlation	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b
	Sig. (2-tailed)																										
Hausa/Fulani CEOs	Pearson	.242**	-0.093	-0.027	-0.079	-0.015	-0.036	0.036	.230**	-0.082	-0.065	0.029	-0.105	-0.058	.b	1	0.016	-.195*	-0.124	-0.149	.228**	.b	0.049	-0.038	0.108	-0.110	0.018
	Sig. (2-tailed)	0.006	0.295	0.764	0.371	0.868	0.685	0.685	0.009	0.354	0.462	0.742	0.236	0.512			0.853	0.026	0.161	0.092	0.009		0.581	0.671	0.233	0.215	0.837
Igbo CEOs	Pearson	-0.094	.409**	-0.155	-0.048	-0.106	-0.049	0.049	.178*	0.050	-0.101	-0.096	-0.043	-0.094	.b	0.016	1	-.326**	-.200*	-.240**	.178*	.b	0.113	-0.051	0.077	0.116	.354**
	Sig. (2-tailed)	0.292	0.000	0.080	0.589	0.233	0.579	0.579	0.044	0.577	0.256	0.281	0.632	0.292		0.853		0.000	0.023	0.006	0.043		0.201	0.565	0.397	0.189	0.000
Yoruba CEOs	Pearson	-0.095	-0.173	.423**	-.178*	-.220*	0.036	-0.036	-0.110	-0.006	.254**	-0.090	-0.123	0.067	.b	-.195*	-.326**	1	-.332**	-.335**	.198*	.b	0.113	-0.069	-.212*	-0.037	-.192*
	Sig. (2-tailed)	0.285	0.050	0.000	0.043	0.012	0.683	0.683	0.214	0.947	0.004	0.312	0.167	0.449		0.026	0.000		0.000	0.000	0.024		0.203	0.438	0.018	0.675	0.030
Minority CEOs	Pearson	-0.086	-0.063	-0.130	.471**	-0.089	-0.008	0.008	-0.104	-0.018	-0.140	.333**	-0.089	-0.086	.b	-0.124	-.200*	-.332**	1	-0.168	0.063	.b	0.072	-0.162	-0.126	0.109	-0.113
	Sig. (2-tailed)	0.332	0.475	0.143	0.000	0.318	0.928	0.928	0.243	0.842	0.113	0.000	0.318	0.332		0.161	0.023	0.000		0.057	0.481		0.414	0.067	0.163	0.219	0.204
Non-Native CEOs	Pearson	0.094	-0.099	-.213*	-0.141	.348**	-0.072	0.072	-0.031	0.053	-0.042	-.175*	.289**	0.094	.b	-0.149	-.240**	-.335**	-0.168	1	0.154	.b	-.296**	.265**	0.158	-0.086	-0.060
	Sig. (2-tailed)	0.289	0.264	0.016	0.111	0.000	0.418	0.418	0.724	0.553	0.634	0.047	0.001	0.289		0.092	0.006	0.000	0.057		0.081		0.001	0.002	0.079	0.334	0.503
Firms with dominant tribe CEOs	Pearson Correlation	-0.035	-0.056	0.031	-0.048	-0.140	-0.137	0.137	0.079	0.029	0.006	-0.077	-0.063	-0.035	.b	.228**	.178*	.198*	0.063	0.154	1	.b	0.057	-0.046	-0.087	0.004	-0.063
	Sig. (2-tailed)	0.695	0.532	0.727	0.593	0.113	0.123	0.123	0.374	0.745	0.944	0.389	0.479	0.695		0.009	0.043	0.024	0.481	0.081			0.518	0.606	0.339	0.965	0.477
Firms without dominant tribe CEOs	Pearson Correlation	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b
	Sig. (2-tailed)																										
Sector	Pearson	-0.023	0.009	0.117	0.158	-.179*	0.073	-0.073	-0.038	0.148	0.012	0.057	-.247**	-0.023	.b	0.049	0.113	0.113	0.072	-.296**	0.057	.b	1	-0.144	0.014	.364**	0.125
	Sig. (2-tailed)	0.796	0.921	0.188	0.073	0.043	0.411	0.411	0.669	0.095	0.895	0.523	0.005	0.796		0.581	0.201	0.203	0.414	0.001	0.518			0.105	0.875	0.000	0.159
Firm's age	Pearson	-0.105	0.005	-0.143	-0.134	0.113	-.176*	.176*	-0.139	0.098	-0.112	0.096	0.099	0.027	.b	-0.038	-0.051	-0.069	-0.162	.265**	-0.046	.b	-0.144	1	0.003	-0.055	0.013
	Sig. (2-tailed)	0.236	0.952	0.108	0.129	0.202	0.046	0.046	0.116	0.269	0.205	0.280	0.267	0.764		0.671	0.565	0.438	0.067	0.002	0.606		0.105		0.975	0.538	0.884
Firm's size	Pearson	0.036	-.200*	-0.169	-0.062	.249**	-0.133	0.133	0.080	-0.044	-0.152	0.077	.231**	.184*	.b	0.108	0.077	-.212*	-0.126	0.158	-0.087	.b	0.014	0.003	1	0.102	.393**
	Sig. (2-tailed)	0.690	0.026	0.062	0.495	0.005	0.142	0.142	0.378	0.629	0.092	0.393	0.010	0.041		0.233	0.397	0.018	0.163	0.079	0.339		0.875	0.975		0.260	0.000
Inverse Sales/asset turnover	Pearson Correlation	-0.014	-0.022	-0.120	0.086	0.026	-0.077	0.077	-0.097	0.042	0.011	0.023	-0.007	-0.022	.b	-0.110	0.116	-0.037	0.109	-0.086	0.004	.b	.364**	-0.055	0.102	1	0.135
	Sig. (2-tailed)	0.879	0.807	0.177	0.332	0.771	0.384	0.384	0.273	0.638	0.906	0.795	0.934	0.802		0.215	0.189	0.675	0.219	0.334	0.965		0.000	0.538	0.260		0.126
Free cashflow	Pearson	-0.009	0.026	-0.147	-0.071	-0.084	-.227**	.227**	-0.032	0.134	-.185*	0.171	-0.079	-0.047	.b	0.018	.354**	-.192*	-0.113	-0.060	-0.063	.b	0.125	0.013	.393**	0.135	1
	Sig. (2-tailed)	0.923	0.766	0.098	0.422	0.346	0.010	0.010	0.718	0.130	0.036	0.053	0.373	0.599		0.837	0.000	0.030	0.204	0.503	0.477		0.159	0.884	0.000	0.126	

** Correlation is significant at the 0.01 level (2-tailed). * Correlation is significant at the 0.05 level (2-tailed).

Although the figures in Table 3b (i.e., correlation) are very tiny, the table shows the binary relationships between the independent variables (i.e., board members from all ethnic/tribal groups), the dependent variable (i.e., inverse asset turnover and cashflow) and control variables (i.e., sectors, firm's age, firm's size). It shows the linear relationship (i.e., positive or negative) between tribal affiliation among board members and Type 1 agency costs.

Table 3b shows that only the relationship between cash flow and Igbo and Yoruba descent CEOs is statistically significant. However, in different directions ($p = 0.000$ and $p = 0.037$, respectively), Igbo is positive while Yoruba is negative. For example, Table 3b shows that the Igbo-dominated CEOs are highly and positively correlated with cashflow ($b = 0.354$; $p = 0.000$), while the Yoruba-dominated CEOs are highly and negatively correlated with cashflow ($b = -0.192$; $p = 0.032$). This means that when the CEO of a firm is of Yoruba descent, there is a negative correlation with cash flow. It shows how tribal ties among Igbo CEOs might negatively impact their efficiency (i.e., high Type 1 agency cost). Compared with their Igbo counterparts, when the CEO of a firm is of Yoruba descent, firms might have a higher efficiency tendency (i.e., with a lower cash flow).

Table 3b shows no significant relationship between inverse asset turnover and the board, chairmen, or CEOs of these tribes (Hausa/Fulani, Igbo, Yoruba, minorities, and non-natives).

Regression analysis.

Tests of H1 - Multiple linear regression.

In **H1**, I proposed that tribal affiliations within boards of directors are positively associated with agency costs. This focuses on ownership patterns.

Using inverse asset turnover as an Agency Cost Measure

This analysis is based on ownership via board representation. The analysis shows the following results.

Table 4b: Regression analysis for H1

Variable	Coefficient	Std Error	t-statistic	Prob.	Significance
Intercept	-1.46	0.42	-3.48	0.00	*
Hausa/Fulani dominated the board	-0.23	0.43	-0.54	0.59	
Igbo dominated the board	-0.16	0.30	-0.52	0.60	
Yoruba dominated the board	-0.36	0.20	-1.79	0.08	
Minority dominated the board	-0.06	0.35	-0.18	0.86	
Non-natives dominated the board	0.13	0.27	0.47	0.64	
Sector (2)	0.81	0.28	2.85	0.00	*
Sector (3)	1.16	0.25	4.55	0.00	*
Firm's age	-0.001	0.004	-0.32	0.75	
Firm's size	0.03	0.12	0.22	0.83	

Interpretation

H1 is not supported. Tribal affiliations, represented by board appointment, show no significant **associations** with agency costs (i.e., inverse asset turnover). No board composition variables (Hausa/Fulani, Igbo, Yoruba, Minority, or Non-native dominated boards) are statistically significant predictors of agency costs.

Table 5b: Summary for H1

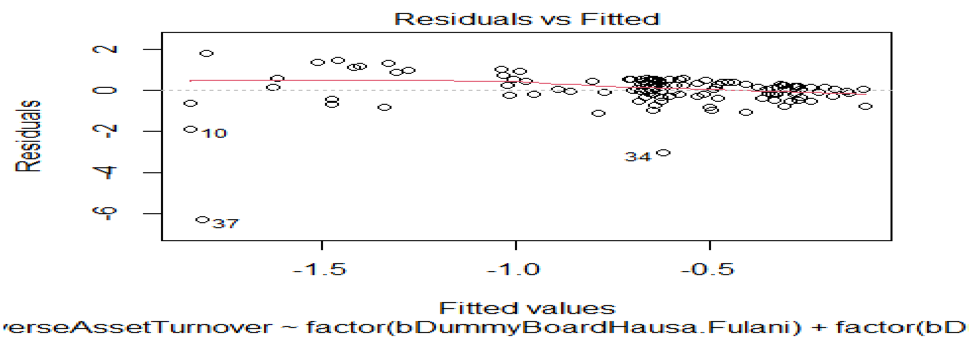
R-squared	0.186	**F-statistic**	2.84
Adjusted R-squared	0.121	**P-value**	0.000

Model performance

The model explains **18.6%** of the variation in the dependent variable (inverse asset turnover), indicating **limited explanatory power**. This suggests that factors outside the predictors included in the model explain most of the variation in agency costs. After adjusting for the number of predictors, the explanatory power drops to **12.1% (adjusted R-squared)**, reinforcing that some predictors may not contribute significantly to the model.

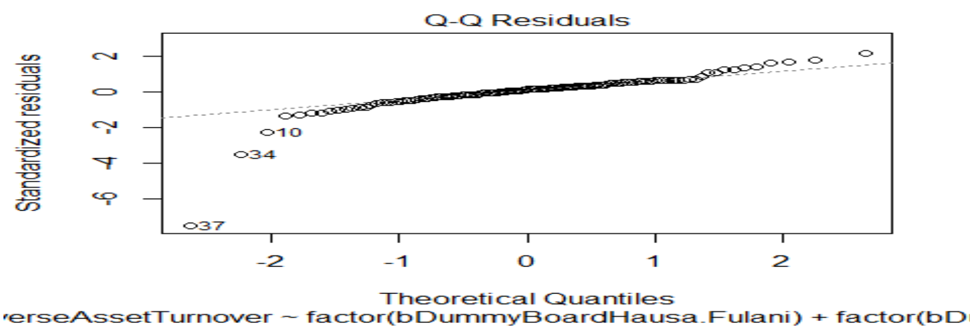
The **overall model is statistically significant ($P<0.05$)**, meaning that at least one predictor significantly affects inverse asset turnover. However, the relatively low **F-statistic (2.84)** indicates that the model's overall fit is weak.

Figure 1b: The relationship between residuals and fitted values



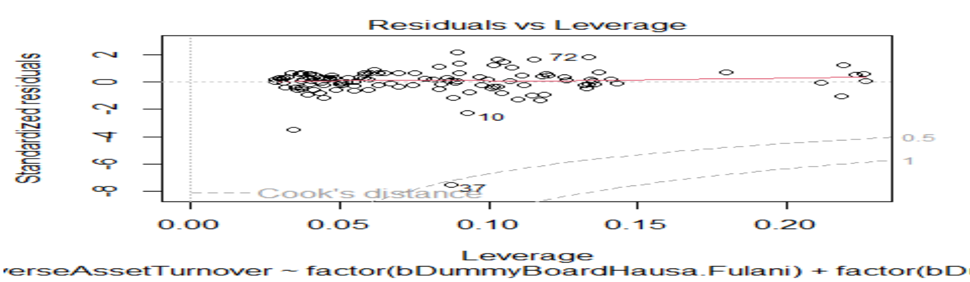
Residuals vs fitted plot explanation - There is no non-linear pattern in the residuals plot, which indicates that the model does not severely violate the assumptions of a regression model.

Figure 2b: The relationship between standardised residuals and theoretical quantiles



QQ-Residuals plot explanation – There is no significant deviation from the dotted line, which means no cause for

Figure 3b: The relationship between standardised residuals and leverage



Residuals versus leverage explanation - There are not many influential cases.

Using cash flow as an Agency Cost Measure

This analysis is based on ownership via board representation. The analysis shows the following results.

Table 6b: Regression analysis for H1

Variable	Coefficient	Std Error	t-statistic	Prob.	Significance
Intercept	-69363126	26390428	-2.628	0.01	*
Hausa/Fulani dominated board	-12463851	26971864	-0.462	0.64	
Igbo dominated the board	3356015	18842464	0.178	0.85	
Yoruba dominated the board	-23398344	12772594	-1.832	0.07	
Minority dominated the board	-29443262	22094623	-1.333	0.19	
Non-natives dominated the board	-47085345	17122880	-2.750	0.01	*
Sector (2)	-23768292	18025094	-1.319	0.19	
Sector (3)	7980517	16057645	0.497	0.62	
Firm's age	153594	257182	0.597	0.55	
Firm's size	39459444	7702380	5.123	0.00	*

Interpretation

H1 is partially supported. Tribal affiliations within the board (except for non-native-dominated boards), as represented by different board compositions, generally do not show significant associations with agency costs. N**on-native-dominated boards** are significantly associated with **agency costs**. Hence, H1 is partially supported. The hypothesised relationship is only statistically significant and supported for the non-natives. However, it is associated with reduced agency costs, which contradicts the hypothesised positive association. This result indicates that stronger ties among board members with the dominant tribe (i.e., Non-Native) lead to a lower Type 1 agency cost. In other words, tribal relationships and ties among the Non-Natives reduced agency costs.

Additionally, firm size is a major driver of agency costs, overshadowing the effects of tribal affiliations.

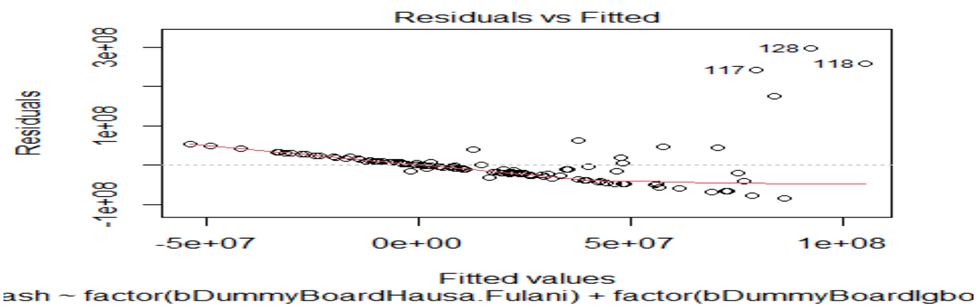
Table 7b: Summary for H1

R-squared	0.262	**F-statistic**	4.42
Adjusted R-squared	0.203	**P-value**	0.000

Model performance

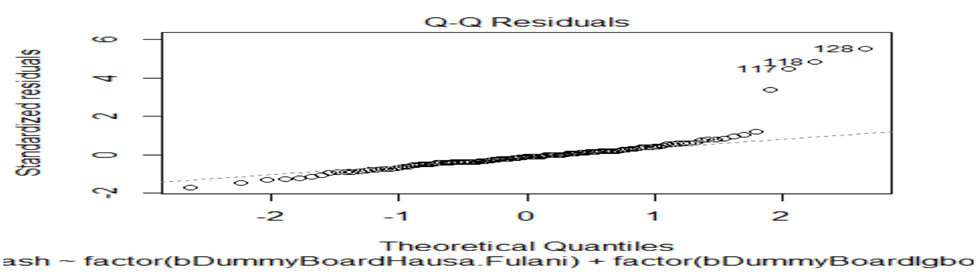
The model explains 26.2% of the variation in the dependent variable (**Cash**) based on the predictors. While this indicates a modest level of explanatory power, a large portion of the variation remains unexplained. After accounting for the number of predictors in the model, the explanatory power drops to 20.3% (adjusted R-squared). This suggests that some predictors may not significantly contribute to explaining the variation in **Cash**. The overall model is statistically significant (P<0.05), meaning that at least one predictor significantly affects **Cash**. However, the relatively low F-statistic indicates that the model's overall fit is not particularly strong.

Figure 4b: The relationship between residuals and fitted values



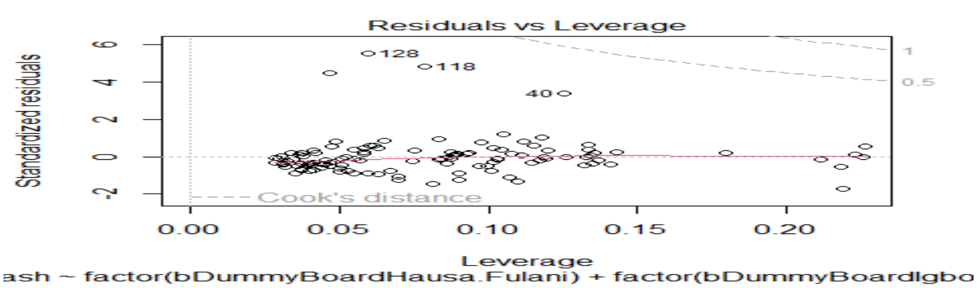
Residuals vs fitted plot explanation—The residuals plot does not have a non-linear pattern with a bit of fanning to the end, which indicates that the model does not severely violate the assumptions of a regression model.

Figure 5b: The relationship between standardised residuals and theoretical quantiles



QQ-Residuals plot explanation – No significant deviation from the dotted line means no cause for concern.

Figure 6b: The relationship between standardised residuals and leverage



Residuals versus leverage explanation - There are not many influential cases.

Tests of H2 - Multiple linear regression.

H2: CEOs affiliated with a dominant tribe are positively associated with higher agency costs

This focuses on control patterns.

Using inverse asset turnover as an Agency Cost Measure

This analysis is based on the tribal appointment of CEOs. The analysis shows the following results.

Table 8b: Regression analysis for H2

Variable	Coefficient	Std Error	t-statistic	Prob.	Significance
Intercept	-1.76	0.50	-4.45	0.00	*
Hausa/Fulani CEO	-0.46	0.35	-1.28	0.20	
Igbo CEO	0.26	0.32	0.81	0.42	
Yoruba CEO	-0.05	0.30	-0.16	0.88	
Minority CEO	0.15	0.35	0.42	0.68	
Non-native CEO	-0.06	0.33	-0.19	0.85	
Sector (2)	0.78	0.30	2.61	0.01	*
Sector (3)	1.05	0.25	4.17	0.00	*
Firm's age	0.00	0.004	0.001	0.99	
Firm's size	0.08	0.12	0.89	0.38	

Interpretation

H2 is not supported. Tribal affiliations, represented by CEO appointments, show no significant associations with agency costs (i.e., inverse turnover is used to measure agency costs. None of the CEO affiliations (Hausa/Fulani, Igbo, Yoruba, Minority, or Non-native) significantly correlate with inverse turnover. This suggests that the tribal affiliations of CEOs do not meaningfully influence agency costs in this context.

Sectoral factors, however, are significant predictors of agency costs. Both **Sector 2** (P=0.01) and **Sector 3** (P=0.00) are positively associated with inverse turnover, indicating that industry classification plays a more prominent role than CEO affiliations in explaining agency costs.

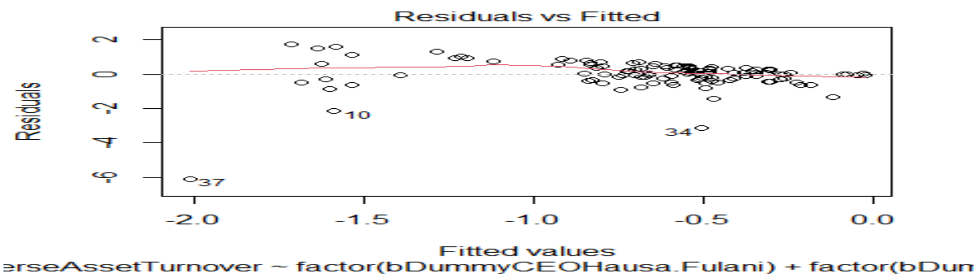
Table 9b: Summary for H2

R-squared	0.186	**F-statistic**	2.85
Adjusted R-squared	0.121	**P-value**	0.000

Model performance

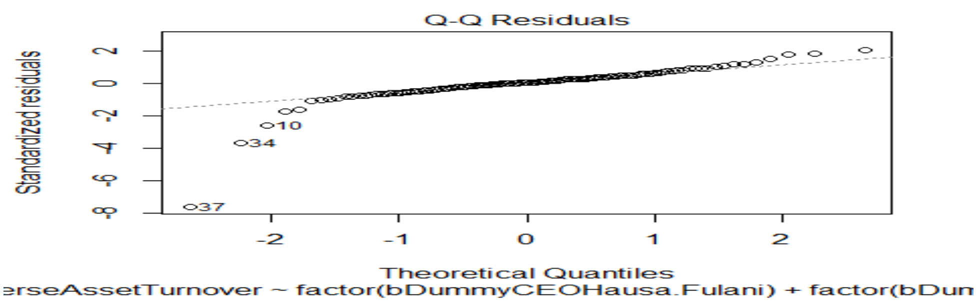
The model explains **18.6%** of the variation in the dependent variable (inverse turnover), indicating **limited explanatory power**. The **adjusted R-squared (12.1%)** suggests that the explanatory power is even lower when accounting for the number of predictors, highlighting that some variables may not contribute meaningfully to the model. The overall model is statistically significant (P=0.00), meaning that at least one predictor significantly affects inverse turnover. However, the **F-statistic (2.85)** indicates a weak overall fit.

Figure 7b: The relationship between residuals and fitted values



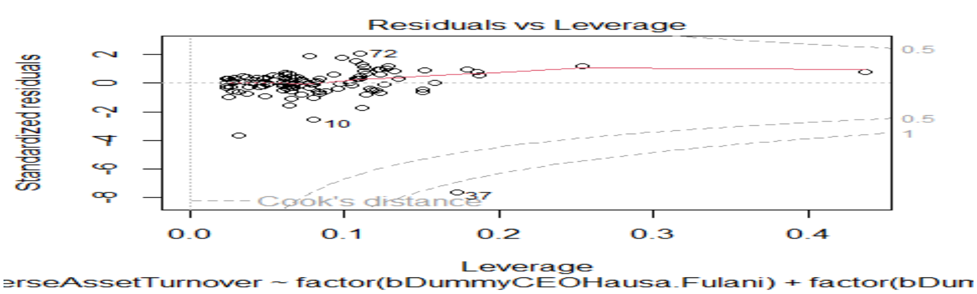
Residuals vs. fitted plot explanation: The residuals plot does not show a non-linear pattern, which indicates that the model does not severely violate the assumptions of a regression model.

Figure 8b: The relationship between standardised residuals and theoretical quantiles



QQ-Residuals plot explanation – No significant deviation from the dotted line means no cause for concern.

Figure 9b: The relationship between standardised residuals and leverage



Residuals versus leverage explanation - There are not many influential cases.

Using cash flow as an Agency Cost Measure

This analysis is based on control via CEO representations. The analysis shows the following results.

Table 10b: Regression analysis for H2

Variable	Coefficient	Std Error	t-statistic	Prob.	Significance
Intercept	-61803477	30720573	- 2.012	0.05	*
Hausa/Fulani CEO	-21086373	21990402	-0.959	0.34	
Igbo CEO	42741350	19463179	2.196	0.03	*
Yoruba CEO	-18019508	18340238	-0.983	0.33	
Minority CEO	-16984414	21588215	- 0.787	0.43	
Non-native CEO	-11933714	20328285	- 0.587	0.56	
Sector (2)	-7280514	18205667	- 0.400	0.69	
Sector (3)	13083068	15417336	0.849	0.40	
Firm's age	92324	249743	0.370	0.71	
Firm's size	31295169	7306725	4.283	0.00	*

Interpretation

H2 is supported. Most tribal affiliations of CEOs (Hausa/Fulani, Yoruba, Minority, and Non-native) show **no significant associations** with agency costs as measured by cash flow. The exception is **Igbo CEOs**, who are significantly and positively associated with higher agency costs (P=0.03P = 0.03P=0.03), partially supporting the hypothesis for this specific group. The result shows that managers affiliated with the Igbo tribe lead to higher Type 1 agency costs. In other words, tribal relationships and ties among the Igbo CEOs increase agency costs.

Firm size also plays a significant role, as larger firms are associated with higher agency costs (P=0.00). This indicates that structural factors may be more influential than tribal affiliations in driving agency costs.

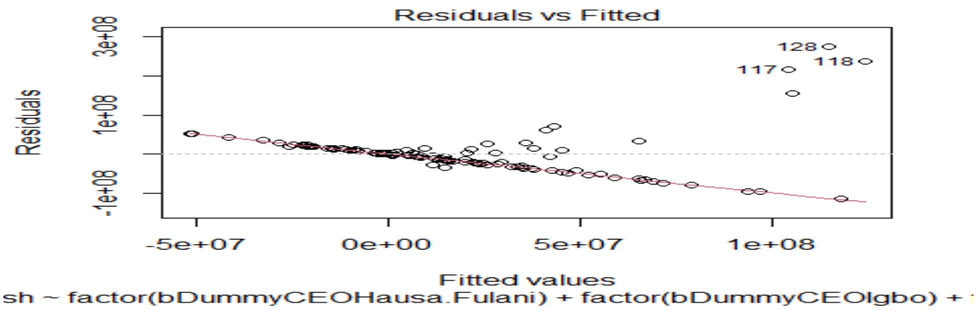
Table 11b: Summary for H2

R-squared	0.306	**F-statistic**	5.49
Adjusted R-squared	0.250	**P-value**	0.000

Model performance

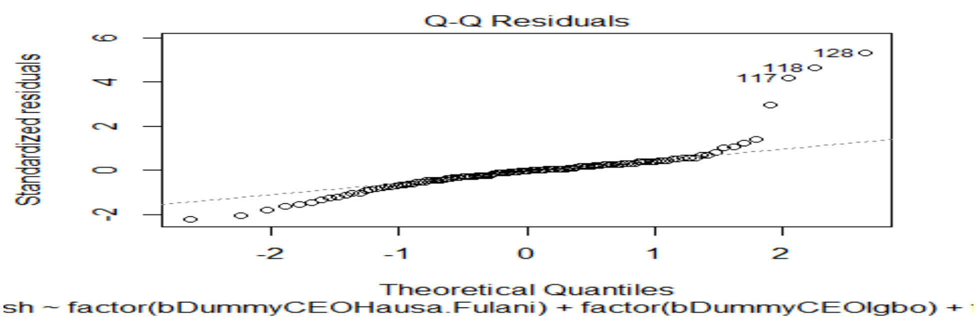
The model explains **30.6%** of the variation in the dependent variable (cash flow), indicating **moderate explanatory power**. After adjusting for the number of predictors, the explanatory power reduces to **25.0% (adjusted R-squared)**, suggesting that while some predictors contribute meaningfully, others do not. The overall model is statistically significant (P=0.00P = 0.00P=0.00), meaning that at least one predictor significantly affects cash flow. The **F-statistic (5.49)** indicates a reasonable fit, though improvements could be made by including additional relevant variables.

Figure 10b: The relationship between residuals and fitted values



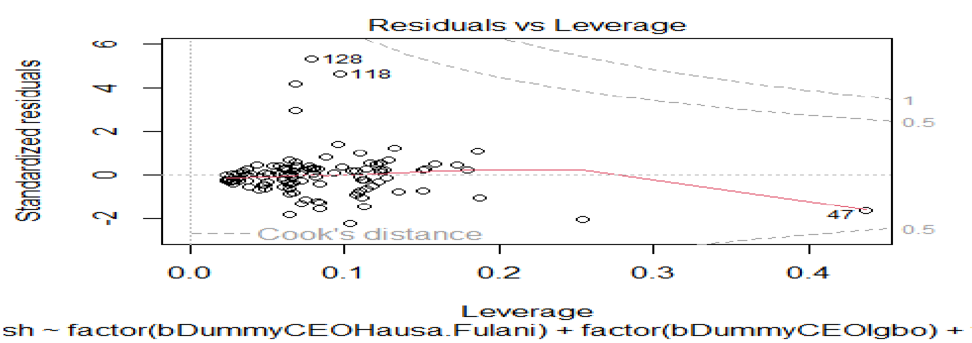
Residuals vs. fitted plot explanation: The residuals plot does not show a non-linear pattern, which indicates that the model does not severely violate the assumptions of a regression model.

Figure 11b: The relationship between standardised residuals and theoretical quantiles



QQ-Residuals plot explanation – No significant deviation from the dotted line means no cause for concern.

Figure 12b: The relationship between standardised residuals and leverage



Residuals versus leverage explanation - There are not many influential cases.

Tests of H3 - Multiple linear regression.

H3: Interaction between the proportion of the dominant tribe and managers' membership of that tribe will be positively associated with Type 1 agency costs.

This hypothesis combines both ownership and control patterns.

Using Inverse Sales/Asset Turnover as an Agency Cost Measure

This analysis combines the effects of ownership and control. The analysis shows the following results.

Table 12b: Regression analysis for H3

Variable	Coefficient	Std Error	t-statistic	Prob.	Significance
Intercept	-1.32	0.57	-2.33	0.02	*
Single-variable effect					
Hausa/Fulani Board	-0.55	0.54	-1.03	0.31	
Hausa/Fulani CEO	-0.71	0.39	-1.81	0.07	
Igbo Board	0.25	0.47	0.53	0.59	
Igbo CEO	0.63	0.35	1.79	0.08	
Yoruba Board	-0.71	0.35	-2.04	0.04	*
Yoruba CEO	-0.26	0.34	-0.76	0.44	
Minority Board	0.21	0.89	0.24	0.81	
Minority CEO	-0.09	0.40	-0.22	0.82	
Non-native Board	0.65	0.40	1.62	0.11	
Non-native CEO	-0.10	0.37	-0.28	0.78	
Sector (2)	1.12	0.32	3.47	0.00	*
Sector (3)	1.32	0.26	5.02	0.00	*
Firm's age	-0.0005	0.004	-0.14	0.89	
Firm's size	-0.07	0.13	-0.55	0.58	
Interaction effect					
Hausa/Fulani Board: Hausa/Fulani CEO	1.36	0.87	1.56	0.12	
Igbo Board: Igbo CEO	-1.34	0.64	-2.10	0.04	*
Yoruba Board: Yoruba CEO	0.59	0.42	1.41	0.16	
Minority Board: Minority CEO	-0.32	0.98	-0.33	0.75	
Non-native Board: Non-native CEO	-0.76	0.52	-1.46	0.15	

Interpretation

The hypothesis that tribal affiliations and CEO-board composition interactions are associated with higher agency costs is **partially supported** when inverse asset turnover is used to measure agency costs.

- **Yoruba boards** are significantly associated with **lower agency costs** (P=0.04), suggesting that the presence of Yoruba board members may reduce agency costs.
- The interaction effect between **Igbo boards and Igbo CEOs** is significantly adverse (P=0.04), indicating that the combination of Igbo board members and CEOs is associated with **lower agency costs**, contrary to the hypothesis of a positive relationship.
- **Hausa/Fulani board and CEO** affiliations and Non-native boards and CEOs do not significantly correlate with agency costs.
- **Firm size** and **firm age** do not significantly impact agency costs in this model, and **sector** effects are again important, with both **Sector 2** (P=0.00) and **Sector 3** (P=0.00) significantly associated with higher agency costs.

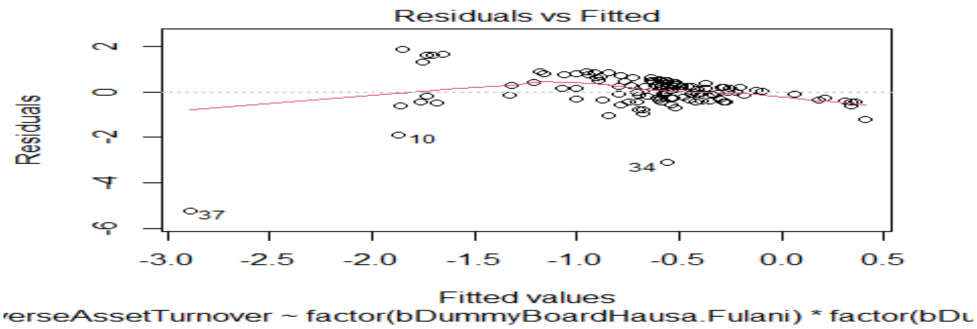
Table 13b: Summary for H3

R-squared	0.292	**F-statistic**	2.21
Adjusted R-squared	0.160	**P-value**	0.000

Model performance

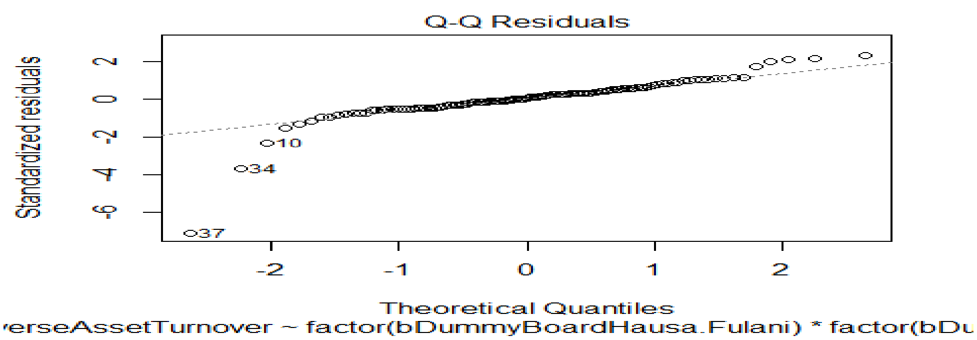
The model explains **29.2%** of the variation in the dependent variable (inverse asset turnover), indicating **moderate explanatory power.** The adjusted R-squared (16.0%) suggests a weaker explanatory power when adjusting for the number of predictors, implying that some variables might not significantly contribute to the model. The overall model is statistically significant (P=0.00), indicating that at least one predictor significantly affects inverse asset turnover. The **F-statistic (2.21)** suggests a moderate fit for the model.

Figure 13b: The relationship between residuals and fitted values



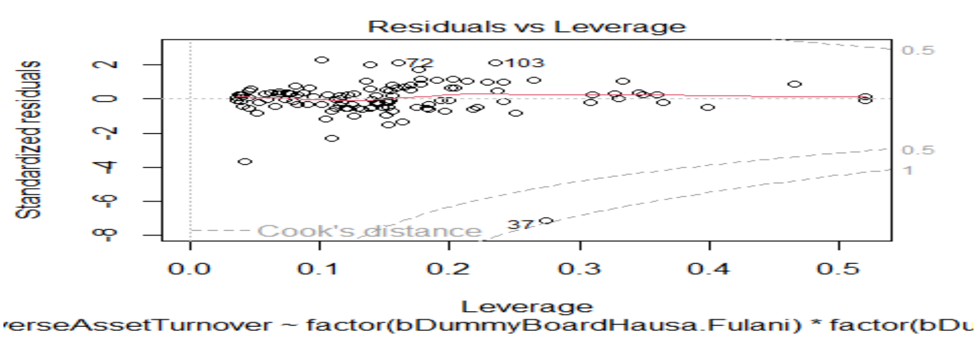
Residuals vs fitted plot explanation - There is some non-linear relationship not explained by the model, and remains in the residuals.

Figure 14b: The relationship between standardised residuals and theoretical quantiles



QQ-Residuals plot explanation – No significant deviation from the dotted line means no cause for concern.

Figure 15b: The relationship between standardised residuals and leverage



Residuals versus leverage explanation - There are not many influential cases.

Using cash flow as an Agency Cost Measure

This analysis combines the effects of ownership and control. The analysis shows the following results.

Table 14b: Regression analysis for H3

Variable	Coefficient	Std Error	t-statistic	Prob.	Significance
Intercept	- 22225670	34559075	- 0.643	0.52	
Single-variable effect					
Hausa/Fulani Board	-17068965	32704116	- 0.52	0.60	
Hausa/Fulani CEO	-36861181	23941354	- 1.54	0.13	
Igbo Board	2749337	28925180	0.095	0.92	
Igbo CEO	50507155	21480097	2.351	0.02	*
Yoruba Board	- 40057131	21333221	- 1.878	0.06	
Yoruba CEO	- 48290697	20966879	- 2.303	0.02	*
Minority Board	- 9071750	54309541	- 0.167	0.87	
Minority CEO	- 36996837	24233364	- 1.53	0.13	
Non-native Board	-61850395	24384325	- 2.536	0.01	*
Non-native CEO	-24841179	22304240	- 1.114	0.27	
Sector (2)	- 2415759	19778830	- 0.122	0.90	
Sector (3)	19824286	16002144	1.239	0.22	
Firm’s age	52427	254064	0.206	0.84	
Firm’s size	28406086	8005377	3.548	0.00	*
Interaction effect					
Hausa/Fulani Board: Hausa/Fulani CEO	15203230	53461092	0.284	0.78	
Igbo Board: Igbo CEO	- 77625099	39125689	- 1.984	0.05	*
Yoruba Board:Yoruba CEO	34984548	25832108	1.354	0.18	
Minority Board: Minority CEO	-5038461	59726729	- 0.252	0.80	
Non-native Board: Non-native CEO	27147615	31788096	0.854	0.40	

Interpretation

The data partially support the hypothesis that tribal affiliations and CEO-board composition interactions are associated with higher agency costs when cash flow is used to measure agency costs.

- **Igbo CEOs** show a significant positive association with agency costs (P=0.02P = 0.02P=0.02), supporting the hypothesis for this group.
- **Yoruba CEOs** also exhibit a significant negative association with agency costs (P=0.02P = 0.02P=0.02), indicating that this tribal affiliation might lower agency costs, contradicting the hypothesised positive relationship.
- **Non-native CEOs** and **Non-native boards** are significantly associated with reduced agency costs (P = 0.01, P = 0.01P=0.01, and P=0.00P = 0.00P=0.00, respectively), suggesting that non-native affiliations have a notable impact on agency costs.
- The **interaction effect** between **Igbo board members and Igbo CEOs** is significantly adverse (P=0.05P = 0.05P=0.05), indicating that the combination of both might reduce agency costs, which again contradicts the hypothesis of a positive association.

Firm size is another key determinant, and it is significantly positively associated with agency costs (P=0.00P = 0.00P=0.00), suggesting that larger firms tend to have higher agency costs.

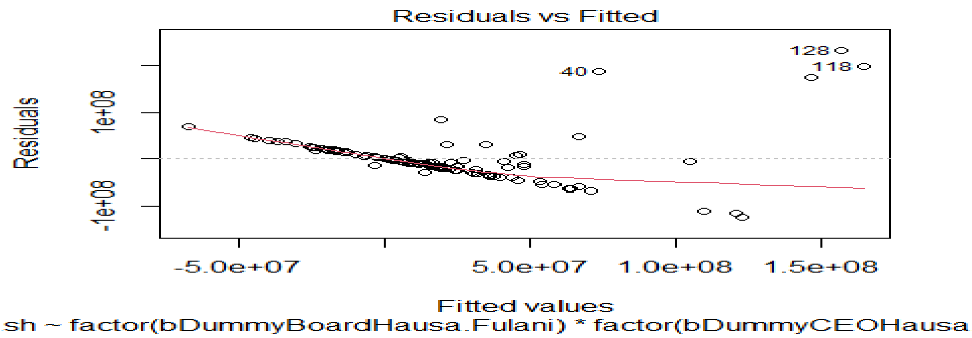
Table 15b: Summary for H3

R-squared	0.399	**F-statistic**	3.57
Adjusted R-squared	0.288	**P-value**	0.000

Model performance

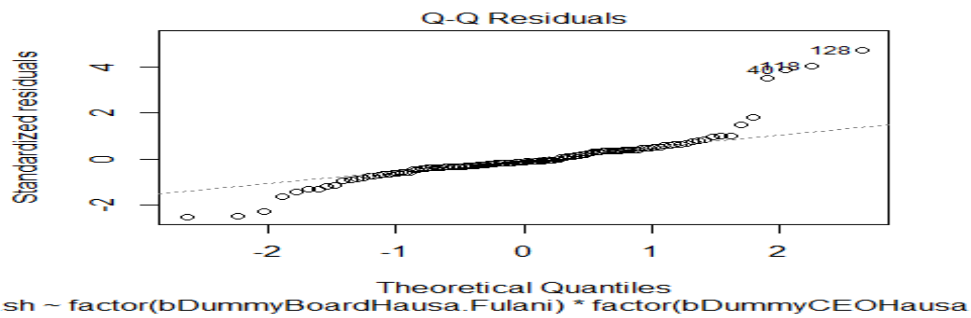
The model explains **39.9%** of the variation in the dependent variable (cash flow), indicating **moderate to good explanatory power**. The **adjusted R-squared (28.8%)** suggests that the model retains a reasonable explanatory power after accounting for the number of predictors. The overall model is statistically significant (P=0.00P = 0.00P=0.00), meaning that at least one predictor significantly affects agency costs. The **F-statistic (3.57)** indicates a moderate overall fit.

Figure 16b: The relationship between residuals and fitted values



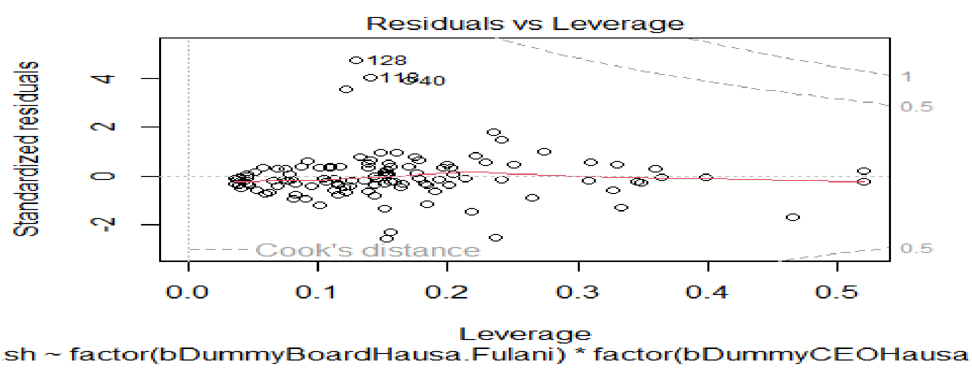
Residuals vs fitted plot explanation - There is some non-linear relationship not explained by the model, and remains in the residuals.

Figure 17b: The relationship between standardised residuals and theoretical quantiles



QQ-Residuals plot explanation – No significant deviation from the dotted line means no cause for concern.

Figure 18b: The relationship between standardised residuals and leverage



Residuals versus leverage explanation - There are not many influential cases.

E) Summary of the hypotheses tests for dummy variable B using the two measures of agency costs, with the explanation of findings.

Table 16b: Summary of hypothesis test results using the two measures

Hypotheses	**Type 1 agency cost measure 1: Inverse Asset Turnover**	**Association with corporate governance**	**Type 1 agency cost measure 2: Cashflow**	**Association with corporate governance**
H1	None	None	Non-native (-)	Positive
H2	None	None	Igbo (+)	Negative
H3	Igbo (-)	Positive	Igbo (-)	Positive

Direct measure (inverse asset turnover)
Positive relationship=Negative effect
Negative relationship=Positive effect

There is statistically significant evidence that board dominance of the non-native group is positively associated with Type 1 agency costs when free cash flow was used, but none when inverse asset turnover as a measure was used. For instance, when free cash flow was used as an agency cost measure, the relationship was negative and statistically significant for the non-natives. This means a dominant group (i.e., non-native) on the board is associated with lower Type 1 agency costs. The proportion of board members' dominance can be attributed to non-native groups, which shows the positive impact of the non-natives on Nigerian firms. However, one of the measures of agency cost is statistically significant for the native groups (i.e., Hausa/Fulani, Igbo, Yoruba and the minorities) for H1.

In testing for H2, the two measures of agency cost were also used. These measures provided similar results to those of H1 when inverse agency cost was used, but were different for free cash flow. For instance, when the free cashflow measure of agency cost was employed, the results showed that the Igbos, as the dominating tribe, had a statistically significant and positive difference in means; however, when the inverse sales/asset turnover measure was used, the results were statistically insignificant. Furthermore, control variables such as sector, firm age, and firm size were statistically significant.

This analysis made different inferences, mainly when two different proxies for measuring agency costs were used. For instance, when inverse sales/asset turnover is used, H1 and H2 are statistically insignificant. However, it differs (i.e., to the non-native, as shown in H1 and the Igbos for H2) when free cash flow is used as a measure. H3 determines if the interaction between the proportion of board members associated with dominant tribes and CEO membership of that tribe is positively associated with Type 1 agency cost. The result shows that the Igbo tribe is negatively associated with Type 1 agency cost when both measures were used. This means that the interaction of board dominance and CEO membership of the Igbo tribe is associated with lower Type 1 agency costs **(H3)**.

Despite decades of political and economic exclusion, the ongoing marginalisation of the Igbos in the South-East of Nigeria has ignited innovative thinking and entrepreneurial spirit among its people, even though the adverse effect of political zoning and marginalisation of the Igbos is quite reflective in other broader aspect of their life (e.g., the economic). Looking at the marginalisation of the Igbo people primarily from the political and economic perspectives, and following the end of the Nigeria-Biafra civil war, the military regimes introduced a series of decrees that ushered in policies which do not accommodate the interests of the Igbos (Nsoedo, 2019). According to Nsoedo (2019), such policies include unfulfilled reconstruction of the devastated Igbo land, indigenisation policy, zoning policy, etc. As noted in Table 1.3 above, the South East (i.e., the Igbos) is the only geopolitical zone that has not presided over Nigeria since the advent of the zoning convention in 1999, even though politically, the Igbos played pivotal roles through the political leaders of the regional powerhouse, the NCNC. There are efforts from the Igbos to rise above these disadvantages via patronage networks and apprenticeship systems (facilitated by trust among its people, reputation and culture of its people).

F) Workings A

Table 4.1 – full results

Variables	N Valid	N Missing	Mean	Std. Deviation	Range	Minimum	Maximum	Sum
Hausa/Fulani dominated board	129	0	0.07	0.256	1	0	1	9
Igbo dominated board	129	0	0.16	0.363	1	0	1	20
Yoruba dominated board	129	0	0.46	0.500	1	0	1	59
Non-Predominant board	128	1	0.32	0.468	1	0	1	41
Hausa/Fulani chairmen	129	0	0.13	0.340	1	0	1	17
Igbo chairmen	129	0	0.20	0.403	1	0	1	26
Yoruba chairmen	129	0	0.40	0.491	1	0	1	51
Non-Predominant chairmen	129	0	0.27	0.446	1	0	1	35
Hausa/Fulani CEOs	129	0	0.06	0.242	1	0	1	8
Igbo CEOs	129	0	0.16	0.363	1	0	1	20
Yoruba CEOs	129	0	0.42	0.495	1	0	1	54
Non-Predominant CEOs	129	0	0.35	0.478	1	0	1	45
Sector	129	0	2.48	0.708	2	1	3	320
Firm's age	129	0	40.72	21.728	99	0	99	5253
Firm's size	124	5	1741.20	7485.208	79879	7	79886	215909
Sales/AssetTurnover	129	0	0.6404	0.92032	8.10	0.00	8.10	82.61
Free Cashflow	129	0	17181420.1857	60616390.79913	406863135.00	-18010135.00	388853000.00	2216403203.96

Table 4.2 - full results

Tribe on the board of listed Nigerian firms	Board members	Chairmen	CEOs	Total Board members	Board members (%)	Chairmen (%)	CEOs (%)	Total %	Total in %
Hausa/Fulani tribe	9	17	8	34	7.0	13.2	6.3	26.5	8.8
Igbo tribe	20	26	20	66	15.5	20.2	15.7	51.4	17.1
Yoruba tribe	59	51	54	164	45.7	39.5	42.5	127.8	42.6
Non-predominant tribe	41	35	45	121	31.8	27.1	35.4	94.3	31.4
Total	129	129	127	385	100	100	100	300	100

Table 4.3 - full results

Variables		Hausa/Fulani dominated board	Igbo dominated board	Yoruba dominated board	Non-Predominant board	Hausa/Fulani chairmen	Igbo chairmen	Yoruba chairmen	Non-predominant chairmen	Hausa/Fulani CEOs	Igbo CEOs	Yoruba CEOs	Non-Predominant CEOs	Sector	Firm's age	Firm's size	Inverse Sales/asset turnover	Free cashflow
Hausa/Fulani dominated board	Pearson Correlation	1	-0.117	-.251**	-.189*	.433**	-0.138	-0.159	-0.030	.182*	-0.117	-0.109	0.055	0.029	-0.137	-0.039	0.028	-0.001
	Sig. (2-tailed)		0.186	0.004	0.033	0.000	0.120	0.072	0.734	0.039	0.186	0.219	0.536	0.743	0.121	0.667	0.750	0.988
Igbo dominated board	Pearson Correlation	-0.117	1	-.393**	-.295**	-0.040	.372**	-0.127	-0.165	-0.021	.467**	-.190*	-0.134	0.133	0.070	-0.037	0.007	.245**
	Sig. (2-tailed)	0.186		0.000	0.001	0.651	0.000	0.150	0.062	0.810	0.000	0.031	0.131	0.132	0.432	0.687	0.941	0.005
Yoruba dominated board	Pearson Correlation	-.251**	-.393**	1	-.625**	-.174*	-0.112	.467**	-.280**	-0.107	-.221*	.514**	-.280**	0.058	0.007	-0.139	-0.163	-.189*
	Sig. (2-tailed)	0.004	0.000		0.000	0.049	0.206	0.000	0.001	0.227	0.012	0.000	0.001	0.512	0.939	0.125	0.066	0.032
Non-Predominant board	Pearson Correlation	-.189*	-.295**	-.625**	1	-0.022	-0.097	-.309**	.443**	0.030	-0.065	-.349**	.384**	-.179*	0.018	.196*	0.156	0.012
	Sig. (2-tailed)	0.033	0.001	0.000		0.806	0.277	0.000	0.000	0.735	0.467	0.000	0.000	0.044	0.838	0.030	0.079	0.894
Hausa/Fulani chairmen	Pearson Correlation	.433**	-0.040	-.174*	-0.022	1	-.196*	-.315**	-.238**	.185*	0.086	-.191*	0.003	-0.038	-0.139	0.019	-0.095	-0.032
	Sig. (2-tailed)	0.000	0.651	0.049	0.806		0.026	0.000	0.007	0.036	0.330	0.030	0.970	0.669	0.116	0.838	0.284	0.718
Igbo chairmen	Pearson Correlation	-0.138	.372**	-0.112	-0.097	-.196*	1	-.406**	-.307**	-0.049	0.105	-0.035	-0.003	0.123	0.140	-0.057	0.023	0.148
	Sig. (2-tailed)	0.120	0.000	0.206	0.277	0.026		0.000	0.000	0.581	0.236	0.697	0.975	0.164	0.115	0.529	0.798	0.094
Yoruba chairmen	Pearson Correlation	-0.159	-0.127	.467**	-.309**	-.315**	-.406**	1	-.493**	-0.076	-0.084	.246**	-0.126	-0.011	-0.081	-0.114	0.007	-.178*
	Sig. (2-tailed)	0.072	0.150	0.000	0.000	0.000	0.000		0.000	0.389	0.347	0.005	0.154	0.897	0.361	0.208	0.936	0.044
Non-predominant chairmen	Pearson Correlation	-0.030	-0.165	-.280**	.443**	-.238**	-.307**	-.493**	1	-0.012	-0.069	-0.094	0.139	-0.070	0.069	0.162	0.044	0.086
	Sig. (2-tailed)	0.734	0.062	0.001	0.000	0.007	0.000	0.000		0.890	0.439	0.291	0.117	0.432	0.437	0.071	0.618	0.332
Hausa/Fulani CEOs	Pearson Correlation	.182*	-0.021	-0.107	0.030	.185*	-0.049	-0.076	-0.012	1	-0.110	-.218*	-.188*	0.007	-0.010	-0.033	-0.156	0.036
	Sig. (2-tailed)	0.039	0.810	0.227	0.735	0.036	0.581	0.389	0.890		0.214	0.013	0.033	0.937	0.910	0.714	0.079	0.685
Igbo CEOs	Pearson Correlation	-0.117	.467**	-.221*	-0.065	0.086	0.105	-0.084	-0.069	-0.110	1	-.363**	-.314**	0.072	-0.043	0.007	0.088	.390**
	Sig. (2-tailed)	0.186	0.000	0.012	0.467	0.330	0.236	0.347	0.439	0.214		0.000	0.000	0.414	0.629	0.935	0.321	0.000
Yoruba CEOs	Pearson Correlation	-0.109	-.190*	.514**	-.349**	-.191*	-0.035	.246**	-0.094	-.218*	-.363**	1	-.621**	0.090	-0.047	-0.088	-0.064	-.184*
	Sig. (2-tailed)	0.219	0.031	0.000	0.000	0.030	0.697	0.005	0.291	0.013	0.000		0.000	0.310	0.596	0.329	0.470	0.037
Non-Predominant CEOs	Pearson Correlation	0.055	-0.134	-.280**	.384**	0.003	-0.003	-0.126	0.139	-.188*	-.314**	-.621**	1	-0.130	0.077	-0.074	0.064	-0.129
	Sig. (2-tailed)	0.536	0.131	0.001	0.000	0.970	0.975	0.154	0.117	0.033	0.000	0.000		0.143	0.385	0.415	0.474	0.145
Sector	Pearson Correlation	0.029	0.133	0.058	-.179*	-0.038	0.123	-0.011	-0.070	0.007	0.072	0.090	-0.130	1	-0.144	-0.163	.362**	0.125
	Sig. (2-tailed)	0.743	0.132	0.512	0.044	0.669	0.164	0.897	0.432	0.937	0.414	0.310	0.143		0.105	0.070	0.000	0.159
Firm's age	Pearson Correlation	-0.137	0.070	0.007	0.018	-0.139	0.140	-0.081	0.069	-0.010	-0.043	-0.047	0.077	-0.144	1	0.057	-0.072	0.013
	Sig. (2-tailed)	0.121	0.432	0.939	0.838	0.116	0.115	0.361	0.437	0.910	0.629	0.596	0.385	0.105		0.527	0.422	0.884
Firm's size	Pearson Correlation	-0.039	-0.037	-0.139	.196*	0.019	-0.057	-0.114	0.162	-0.033	0.007	-0.088	-0.074	-0.163	0.057	1	0.070	0.106
	Sig. (2-tailed)	0.667	0.687	0.125	0.030	0.838	0.529	0.208	0.071	0.714	0.935	0.329	0.415	0.070	0.527		0.445	0.240
Inverse Sales/asset turnover	Pearson Correlation	0.028	0.007	-0.163	0.156	-0.095	0.023	0.007	0.044	-0.156	0.088	-0.064	0.064	.362**	-0.072	0.070	1	0.137
	Sig. (2-tailed)	0.750	0.941	0.066	0.079	0.284	0.798	0.936	0.618	0.079	0.321	0.470	0.474	0.000	0.422	0.445		0.122
Free cashflow	Pearson Correlation	-0.001	.245**	-.189*	0.012	-0.032	0.148	-.178*	0.086	0.036	.390**	-.184*	-0.129	0.125	0.013	0.106	0.137	1
	Sig. (2-tailed)	0.988	0.005	0.032	0.894	0.718	0.094	0.044	0.332	0.685	0.000	0.037	0.145	0.159	0.884	0.240	0.122	

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

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

Table 4.4 - full results

```
##
## Call:
## lm(formula = InverseAssetTurnover ~ dom_tribe_board + factor(Sector) +
##     Years + Employees, data = companies_df)
##
## Residuals:
##     Min      1Q  Median      3Q     Max
## -6.2331 -0.2900  0.0516  0.3995  1.8644
##
## Coefficients:
##                                Estimate Std. Error t value Pr(>|t|)

## (Intercept)                   -1.396e+00  2.859e-01  -4.883 3.40e-06 **
*
## dom_tribe_boardhausa_fulani_v_NP -2.915e-01  3.434e-01  -0.849  0.39765

## dom_tribe_boardyoruba_v_NP    -4.857e-01  1.852e-01  -2.622  0.00992 **

## dom_tribe_boardigbo_v_NP      -3.257e-01  2.422e-01  -1.345  0.18124

## factor(Sector)2                8.815e-01  2.778e-01   3.173  0.00193 **

## factor(Sector)3                1.250e+00  2.471e-01   5.059 1.61e-06 **
*
## Years                          4.926e-04  3.817e-03   0.129  0.89755

## Employees                      1.076e-05  3.324e-05   0.324  0.74673

## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 0.8529 on 115 degrees of freedom
##   (4 observations deleted due to missingness)
## Multiple R-squared:  0.2178, Adjusted R-squared:  0.1701
## F-statistic: 4.573 on 7 and 115 DF,  p-value: 0.0001548
```

Table 4.6 - full results

```
##
## Call:
## lm(formula = InverseAssetTurnover ~ factor(DummyCEOH) + factor(DummyCEOI)
 +
##     factor(DummyCEOY) + factor(DummyCEONonPredominant) + factor(Sector) +
##     Years + Employees, data = companies_df)
##
## Residuals:
##     Min      1Q  Median      3Q     Max
## -5.9488 -0.2270  0.0674  0.3229  1.6726
##
## Coefficients: (1 not defined because of singularities)
##                                 Estimate Std. Error t value Pr(>|t|)
## (Intercept)                   -1.513e+00  3.020e-01  -5.010 1.99e-06 **
*
## factor(DummyCEOH)1            -6.348e-01  3.333e-01  -1.904  0.05935 .
## factor(DummyCEOI)1             9.290e-02  2.523e-01   0.368  0.71340
## factor(DummyCEOY)1            -1.586e-01  1.825e-01  -0.869  0.38639
## factor(DummyCEONonPredominant)1        NA         NA      NA       NA
## factor(Sector)2                8.233e-01  2.812e-01   2.927  0.00412 **
## factor(Sector)3                1.161e+00  2.453e-01   4.734 6.32e-06 **
*
## Years                         -1.263e-04  3.772e-03  -0.033  0.97335
## Employees                      2.605e-05  3.286e-05   0.793  0.42959
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 0.8604 on 115 degrees of freedom
##   (4 observations deleted due to missingness)
## Multiple R-squared:  0.2039, Adjusted R-squared:  0.1555
## F-statistic: 4.208 on 7 and 115 DF,  p-value: 0.000365
```

Table 4.8 - full results

```
##
## Call:
## lm(formula = InverseAssetTurnover ~ `DummyHausa/Fulani` * CeoH +
##     DummyIgbo * CeoI + DummyYoruba * CeoY + factor(Sector) +
##     Years + Employees, data = companies_df)
##
## Residuals:
##     Min      1Q  Median      3Q     Max
## -5.1005 -0.3147  0.0484  0.3976  2.0027
##
## Coefficients:
##                              Estimate Std. Error t value Pr(>|t|)
## (Intercept)                -1.584e+00  2.926e-01  -5.414 3.71e-07 ***
## `DummyHausa/Fulani`        -4.724e-01  3.707e-01  -1.274 0.205230
## CeoH                       -8.786e-01  3.187e-01  -2.756 0.006854 **
## DummyIgbo                  -2.180e-01  3.145e-01  -0.693 0.489713
## CeoI                        7.433e-01  2.629e-01   2.827 0.005592 **
## DummyYoruba                -5.843e-01  2.555e-01  -2.287 0.024103 *
## CeoY                        2.394e-01  2.768e-01   0.865 0.389020
## factor(Sector)2             1.071e+00  2.785e-01   3.846 0.000203 ***
## factor(Sector)3             1.359e+00  2.419e-01   5.617 1.50e-07 ***
## Years                       1.576e-03  3.723e-03   0.423 0.672882
## Employees                  -3.600e-06  3.411e-05  -0.106 0.916140
## `DummyHausa/Fulani`:CeoH  1.244e+00  5.303e-01   2.346 0.020777 *
## DummyIgbo:CeoI             -8.453e-01  4.345e-01  -1.946 0.054274 .
## DummyYoruba:CeoY           -1.178e-01  3.514e-01  -0.335 0.738110
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 0.8224 on 109 degrees of freedom
##   (4 observations deleted due to missingness)
## Multiple R-squared:  0.3107, Adjusted R-squared:  0.2285
## F-statistic: 3.779 on 13 and 109 DF,  p-value: 5.389e-05
```

Table 1a - full results

```
##
## Call:
## lm(formula = Cash ~ dom_tribe_board + factor(Sector) + Years +
##     Employees, data = companies_df)
##
## Residuals:
##        Min         1Q     Median         3Q        Max
## -154708519  -15976292   -4789061    4110109  288072444
##
## Coefficients:
##                                  Estimate Std. Error t value Pr(>|t|)
## (Intercept)                      -6443993   18812861  -0.343    0.733
## dom_tribe_boardhausa_fulani_v_NP  10573765   22595739   0.468    0.641
## dom_tribe_boardyoruba_v_NP       -3048804   12187760  -0.250    0.803
## dom_tribe_boardigbo_v_NP         35244586   15934859   2.212    0.029 *
## factor(Sector)2                 -11680795   18280283  -0.639    0.524
## factor(Sector)3                   7087093   16262585   0.436    0.664
## Years                              158614     251204   0.631    0.529
## Employees                           10154       2187   4.643 9.19e-06 ***
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 56130000 on 115 degrees of freedom
##   (4 observations deleted due to missingness)
## Multiple R-squared:  0.2259, Adjusted R-squared:  0.1787
## F-statistic: 4.793 on 7 and 115 DF,  p-value: 9.242e-05
```

Table 3a - full results

```
##
## Call:
## lm(formula = Cash ~ factor(DummyCEOH) + factor(DummyCEOI) + factor(DummyCE
OY) +
##     factor(DummyCEONonPredominant) + factor(Sector) + Years +
##     Employees, data = companies_df)
##
## Residuals:
##        Min         1Q     Median         3Q        Max
## -136904749   -8947783    -984282    7884430  269738238
##
## Coefficients: (1 not defined because of singularities)
##                                 Estimate Std. Error t value Pr(>|t|)
## (Intercept)                    -13722621   18565258  -0.739 0.461318
## factor(DummyCEOH)1              18557848   20492078   0.906 0.367035
## factor(DummyCEOI)1              61603312   15511191   3.972 0.000125 ***
## factor(DummyCEOY)1              -5689713   11216616  -0.507 0.612945
## factor(DummyCEONonPredominant)1       NA         NA      NA       NA
## factor(Sector)2                 -3431462   17288919  -0.198 0.843022
## factor(Sector)3                 13083042   15082149   0.867 0.387501
## Years                             160677     231853   0.693 0.489700
## Employees                           8915       2020   4.414  2.3e-05 ***
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 52890000 on 115 degrees of freedom
##   (4 observations deleted due to missingness)
## Multiple R-squared:  0.3124, Adjusted R-squared:  0.2706
## F-statistic: 7.466 on 7 and 115 DF,  p-value: 2.155e-07
```

Table 5a - full results

```
##
## Call:
## lm(formula = Cash ~ `DummyHausa/Fulani` * CeoH + DummyIgbo *
##     CeoI + DummyYoruba * CeoY + factor(Sector) + Years + Employees,
##     data = companies_df)
##
## Residuals:
##        Min         1Q     Median         3Q        Max
## -118262835  -13083706   -1442388   10463474  265093120
##
## Coefficients:
##                            Estimate Std. Error t value Pr(>|t|)
## (Intercept)                 -711311   18189546  -0.039    0.969
## `DummyHausa/Fulani`         9329387   23047560   0.405    0.686
## CeoH                        2588962   19816578   0.131    0.896
## DummyIgbo                 -17963526   19553742  -0.919    0.360
## CeoI                       21663605   16347255   1.325    0.188
## DummyYoruba               -14789986   15881550  -0.931    0.354
## CeoY                      -22601657   17208488  -1.313    0.192
## factor(Sector)2           -17074505   17316482  -0.986    0.326
## factor(Sector)3             3293070   15038326   0.219    0.827
## Years                        200043     231471   0.864    0.389
## Employees                      8996       2121   4.242 4.66e-05 ***
## `DummyHausa/Fulani`:CeoH  11455595   32972155   0.347    0.729
## DummyIgbo: CeoI             69845369   27012128   2.586    0.011 *
## DummyYoruba:CeoY          30253467   21845662   1.385    0.169
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 51130000 on 109 degrees of freedom
##   (4 observations deleted due to missingness)
## Multiple R-squared:  0.3911, Adjusted R-squared:  0.3185
## F-statistic: 5.385 on 13 and 109 DF,  p-value: 2.061e-07
```

G) Workings B

Table 1b - full results

Variables	N	Mean	Std. Deviation	Range	Minimum	Maximum	Sum
Hausa/Fulani dominated board	130	0.08	0.476	5	0	5	10
Igbo dominated board	130	0.18	1.084	12	0	12	24
Yoruba dominated board	129	0.68	3.873	44	0	44	88
Minority dominated board	130	0.14	0.824	9	0	9	18
NonNative dominated board	130	0.23	1.344	15	0	15	30
Hausa/Fulani dominated chairmen	130	0.26	1.518	17	0	17	34
Igbo dominated chairmen	130	0.43	2.471	28	0	28	56
Yoruba dominated chairmen	130	0.82	4.639	53	0	53	106
Minority dominated chairmen	130	0.32	1.864	21	0	21	42
NonNative dominated chairmen	130	0.23	1.344	15	0	15	30
Hausa/Fulani dominated CEOs	130	0.15	0.910	10	0	10	20
Igbo dominated CEOs	130	0.35	2.038	23	0	23	46
Yoruba dominated CEOs	130	0.86	4.899	56	0	56	112
Minority dominated CEOs	130	0.30	1.692	19	0	19	39
NonNative dominated CEOs	130	0.42	2.385	27	0	27	54
Sector	129	2.48	0.708	2	1	3	320
Firm's age	129	40.72	21.728	99	0	99	5253
Firm's size	124	2.4820	0.72765	4.05	0.85	4.90	307.77
InverseAssetTurnover	129	-0.6404	0.92032	8.10	-8.10	0.00	-82.61
Cash	129	17181420.1857	60616390.79913	406863135.00	-18010135.00	388853000.00	2216403203.96
Valid N (listwise)	123						

Table 2b - full results

ribe on the board of listed Nigerian firms	Board members	Chairmen	CEOs	Total Board members	Board members (%)	Chairmen (%)	CEOs (%)	Total %	Total in %
Hausa/Fulani tribe	5	17	10	32	5.9	12.7	7.4	26.0	8.7
Igbo tribe	12	28	23	63	14.1	20.9	17.0	52.1	17.4
Yoruba tribe	44	53	56	153	51.8	39.6	41.5	132.8	44.3
Minorities	9	21	19	49	10.6	15.7	14.1	40.3	13.4
Non-Native	15	15	27	57	17.6	11.2	20.0	48.8	16.3
Total	85	134	135	354	100	100	100	300	100

Table 3b - full results

Variables		Hausa/Fulani dominated board	Igbo dominated board	Yoruba dominated board	Minority dominated board	Non-Native dominated board	Firms with dominant tribe board	Firms without dominant tribe board	Hausa/Fulani chairmen	Igbo chairmen	Yoruba chairmen	Minority chairmen	Non-Native chairmen	Firms with dominant tribe Chairmen	Firms without dominant tribe Chairmen	Hausa/Fulani CEOs	Igbo CEOs	Yoruba CEOs	Minority CEOs	Non-Native CEOs	Firms with dominant tribe CEOs	Firms without dominant tribe CEOs	Sector	Firm's age	Firm's size	Inverse Sales/asset turnover	Free cashflow
Hausa/Fulani dominated board	Pearson Correlation	1	-0.064	-0.146	-0.055	-0.073	0.144	-0.144	.397**	-0.106	-0.086	-0.089	-0.073	-0.040	.b	.242**	-0.094	-0.095	-0.086	0.094	-0.035	.b	-0.023	-0.105	0.036	-0.014	-0.009
	Sig. (2-tailed)		0.469	0.100	0.536	0.412	0.102	0.102	0.000	0.233	0.332	0.318	0.412	0.650		0.006	0.292	0.285	0.332	0.289	0.695		0.796	0.236	0.690	0.879	0.923
Igbo dominated board	Pearson Correlation	-0.064	1	-.233**	-0.088	-0.116	.230**	-.230**	-0.046	.285**	-0.105	-0.069	-0.116	-0.064	.b	-0.093	.409**	-0.173	-0.063	-0.099	-0.056	.b	0.009	0.005	-.200*	-0.022	0.026
	Sig. (2-tailed)	0.469		0.008	0.323	0.190	0.009	0.009	0.606	0.001	0.238	0.438	0.190	0.469		0.295	0.000	0.050	0.475	0.264	0.532		0.921	0.952	0.026	0.807	0.766
Yoruba dominated board	Pearson Correlation	-0.146	-.233**	1	-.199*	-.264**	.515**	-.515**	-.224*	-0.144	.560**	-.187*	-.213*	0.024	.b	-0.027	-0.155	.423**	-0.130	-.213*	0.031	.b	0.117	-0.143	-0.169	-0.120	-0.147
	Sig. (2-tailed)	0.100	0.008		0.024	0.003	0.000	0.000	0.011	0.104	0.000	0.034	0.016	0.789		0.764	0.080	0.000	0.143	0.016	0.727		0.188	0.108	0.062	0.177	0.098
Minority dominated board	Pearson Correlation	-0.055	-0.088	-.199*	1	-0.099	.197*	-.197*	-0.017	-0.070	-.229**	.291**	0.091	-0.055	.b	-0.079	-0.048	-.178*	.471**	-0.141	-0.048	.b	0.158	-0.134	-0.062	0.086	-0.071
	Sig. (2-tailed)	0.536	0.323	0.024		0.263	0.025	0.025	0.851	0.428	0.009	0.001	0.308	0.536		0.371	0.589	0.043	0.000	0.111	0.593		0.073	0.129	0.495	0.332	0.422
Non-Native dominated board	Pearson Correlation	-0.073	-0.116	-.264**	-0.099	1	.261**	-.261**	-0.070	-0.132	-0.155	0.102	.321**	-0.073	.b	-0.015	-0.106	-.220*	-0.089	.348**	-0.140	.b	-.179*	0.113	.249**	0.026	-0.084
	Sig. (2-tailed)	0.412	0.190	0.003	0.263		0.003	0.003	0.432	0.135	0.079	0.250	0.000	0.412		0.868	0.233	0.012	0.318	0.000	0.113		0.043	0.202	0.005	0.771	0.346
Firms with dominant tribe board	Pearson Correlation	0.144	.230**	.515**	.197*	.261**	1	-1.000**	-0.155	-0.137	.235**	-0.037	-0.045	-0.110	.b	-0.036	-0.049	0.036	-0.008	-0.072	-0.137	.b	0.073	-.176*	-0.133	-0.077	-.227**
	Sig. (2-tailed)	0.102	0.009	0.000	0.025	0.003		0.000	0.080	0.122	0.007	0.677	0.612	0.216		0.685	0.579	0.683	0.928	0.418	0.123		0.411	0.046	0.142	0.384	0.010
Firms without dominant tribe board	Pearson Correlation	-0.144	-.230**	-.515**	-.197*	-.261**	-1.000**	1	0.155	0.137	-.235**	0.037	0.045	0.110	.b	0.036	0.049	-0.036	0.008	0.072	0.137	.b	-0.073	.176*	0.133	0.077	.227**
	Sig. (2-tailed)	0.102	0.009	0.000	0.025	0.003	0.000		0.080	0.122	0.007	0.677	0.612	0.216		0.685	0.579	0.683	0.928	0.418	0.123		0.411	0.046	0.142	0.384	0.010
Hausa/Fulani	Pearson	.397**	-0.046	-.224*	-0.017	-0.070	-0.155	0.155	1	-.205*	-.325**	-0.172	-0.070	0.040	.b	.230**	.178*	-0.110	-0.104	-0.031	0.079	.b	-0.038	-0.139	0.080	-0.097	-0.032
	Sig. (2-tailed)	0.000	0.606	0.011	0.851	0.432	0.080	0.080		0.020	0.000	0.052	0.432	0.649		0.009	0.044	0.214	0.243	0.724	0.374		0.669	0.116	0.378	0.273	0.718
Igbo chairmen	Pearson	-0.106	.285**	-0.144	-0.070	-0.132	-0.137	0.137	-.205*	1	-.363**	-.232**	-.191*	0.089	.b	-0.082	0.050	-0.006	-0.018	0.053	0.029	.b	0.148	0.098	-0.044	0.042	0.134
	Sig. (2-tailed)	0.233	0.001	0.104	0.428	0.135	0.122	0.122	0.020		0.000	0.008	0.030	0.315		0.354	0.577	0.947	0.842	0.553	0.745		0.095	0.269	0.629	0.638	0.130
Yoruba chairmen	Pearson	-0.086	-0.105	.560**	-.229**	-0.155	.235**	-.235**	-.325**	-.363**	1	-.368**	-.254**	0.077	.b	-0.065	-0.101	.254**	-0.140	-0.042	0.006	.b	0.012	-0.112	-0.152	0.011	-.185*
	Sig. (2-tailed)	0.332	0.238	0.000	0.009	0.079	0.007	0.007	0.000	0.000		0.000	0.004	0.385		0.462	0.256	0.004	0.113	0.634	0.944		0.895	0.205	0.092	0.906	0.036
Minority chairmen	Pearson	-0.089	-0.069	-.187*	.291**	0.102	-0.037	0.037	-0.172	-.232**	-.368**	1	-0.094	0.020	.b	0.029	-0.096	-0.090	.333**	-.175*	-0.077	.b	0.057	0.096	0.077	0.023	0.171
	Sig. (2-tailed)	0.318	0.438	0.034	0.001	0.250	0.677	0.677	0.052	0.008	0.000		0.287	0.820		0.742	0.281	0.312	0.000	0.047	0.389		0.523	0.280	0.393	0.795	0.053
Non-Native chairmen	Pearson	-0.073	-0.116	-.213*	0.091	.321**	-0.045	0.045	-0.070	-.191*	-.254**	-0.094	1	.303**	.b	-0.105	-0.043	-0.123	-0.089	.289**	-0.063	.b	-.247**	0.099	.231**	-0.007	-0.079
	Sig. (2-tailed)	0.412	0.190	0.016	0.308	0.000	0.612	0.612	0.432	0.030	0.004	0.287		0.000		0.236	0.632	0.167	0.318	0.001	0.479		0.005	0.267	0.010	0.934	0.373
Firms with dominant tribe Chairmen	Pearson Correlation	-0.040	-0.064	0.024	-0.055	-0.073	-0.110	0.110	0.040	0.089	0.077	0.020	.303**	1	.b	-0.058	-0.094	0.067	-0.086	0.094	-0.035	.b	-0.023	0.027	.184*	-0.022	-0.047
	Sig. (2-tailed)	0.650	0.469	0.789	0.536	0.412	0.216	0.216	0.649	0.315	0.385	0.820	0.000			0.512	0.292	0.449	0.332	0.289	0.695		0.796	0.764	0.041	0.802	0.599
Firms without dominant tribe Chairmen	Pearson Correlation	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b
	Sig. (2-tailed)																										
Hausa/Fulani CEOs	Pearson	.242**	-0.093	-0.027	-0.079	-0.015	-0.036	0.036	.230**	-0.082	-0.065	0.029	-0.105	-0.058	.b	1	0.016	-.195*	-0.124	-0.149	.228**	.b	0.049	-0.038	0.108	-0.110	0.018
	Sig. (2-tailed)	0.006	0.295	0.764	0.371	0.868	0.685	0.685	0.009	0.354	0.462	0.742	0.236	0.512			0.853	0.026	0.161	0.092	0.009		0.581	0.671	0.233	0.215	0.837
Igbo CEOs	Pearson	-0.094	.409**	-0.155	-0.048	-0.106	-0.049	0.049	.178*	0.050	-0.101	-0.096	-0.043	-0.094	.b	0.016	1	-.326**	-.200*	-.240**	.178*	.b	0.113	-0.051	0.077	0.116	.354**
	Sig. (2-tailed)	0.292	0.000	0.080	0.589	0.233	0.579	0.579	0.044	0.577	0.256	0.281	0.632	0.292		0.853		0.000	0.023	0.006	0.043		0.201	0.565	0.397	0.189	0.000
Yoruba CEOs	Pearson	-0.095	-0.173	.423**	-.178*	-.220*	0.036	-0.036	-0.110	-0.006	.254**	-0.090	-0.123	0.067	.b	-.195*	-.326**	1	-.332**	-.335**	.198*	.b	0.113	-0.069	-.212*	-0.037	-.192*
	Sig. (2-tailed)	0.285	0.050	0.000	0.043	0.012	0.683	0.683	0.214	0.947	0.004	0.312	0.167	0.449		0.026	0.000		0.000	0.000	0.024		0.203	0.438	0.018	0.675	0.030
Minority CEOs	Pearson	-0.086	-0.063	-0.130	.471**	-0.089	-0.008	0.008	-0.104	-0.018	-0.140	.333**	-0.089	-0.086	.b	-0.124	-.200*	-.332**	1	-0.168	0.063	.b	0.072	-0.162	-0.126	0.109	-0.113
	Sig. (2-tailed)	0.332	0.475	0.143	0.000	0.318	0.928	0.928	0.243	0.842	0.113	0.000	0.318	0.332		0.161	0.023	0.000		0.057	0.481		0.414	0.067	0.163	0.219	0.204
Non-Native CEOs	Pearson	0.094	-0.099	-.213*	-0.141	.348**	-0.072	0.072	-0.031	0.053	-0.042	-.175*	.289**	0.094	.b	-0.149	-.240**	-.335**	-0.168	1	0.154	.b	-.296**	.265**	0.158	-0.086	-0.060
	Sig. (2-tailed)	0.289	0.264	0.016	0.111	0.000	0.418	0.418	0.724	0.553	0.634	0.047	0.001	0.289		0.092	0.006	0.000	0.057		0.081		0.001	0.002	0.079	0.334	0.503
Firms with dominant tribe CEOs	Pearson Correlation	-0.035	-0.056	0.031	-0.048	-0.140	-0.137	0.137	0.079	0.029	0.006	-0.077	-0.063	-0.035	.b	.228**	.178*	.198*	0.063	0.154	1	.b	0.057	-0.046	-0.087	0.004	-0.063
	Sig. (2-tailed)	0.695	0.532	0.727	0.593	0.113	0.123	0.123	0.374	0.745	0.944	0.389	0.479	0.695		0.009	0.043	0.024	0.481	0.081			0.518	0.606	0.339	0.965	0.477
Firms without dominant tribe CEOs	Pearson Correlation	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b	.b
	Sig. (2-tailed)																										
Sector	Pearson	-0.023	0.009	0.117	0.158	-.179*	0.073	-0.073	-0.038	0.148	0.012	0.057	-.247**	-0.023	.b	0.049	0.113	0.113	0.072	-.296**	0.057	.b	1	-0.144	0.014	.364**	0.125
	Sig. (2-tailed)	0.796	0.921	0.188	0.073	0.043	0.411	0.411	0.669	0.095	0.895	0.523	0.005	0.796		0.581	0.201	0.203	0.414	0.001	0.518			0.105	0.875	0.000	0.159
Firm's age	Pearson	-0.105	0.005	-0.143	-0.134	0.113	-.176*	.176*	-0.139	0.098	-0.112	0.096	0.099	0.027	.b	-0.038	-0.051	-0.069	-0.162	.265**	-0.046	.b	-0.144	1	0.003	-0.055	0.013
	Sig. (2-tailed)	0.236	0.952	0.108	0.129	0.202	0.046	0.046	0.116	0.269	0.205	0.280	0.267	0.764		0.671	0.565	0.438	0.067	0.002	0.606		0.105		0.975	0.538	0.884
Firm's size	Pearson	0.036	-.200*	-0.169	-0.062	.249**	-0.133	0.133	0.080	-0.044	-0.152	0.077	.231**	.184*	.b	0.108	0.077	-.212*	-0.126	0.158	-0.087	.b	0.014	0.003	1	0.102	.393**
	Sig. (2-tailed)	0.690	0.026	0.062	0.495	0.005	0.142	0.142	0.378	0.629	0.092	0.393	0.010	0.041		0.233	0.397	0.018	0.163	0.079	0.339		0.875	0.975		0.260	0.000
Inverse Sales/asset turnover	Pearson Correlation	-0.014	-0.022	-0.120	0.086	0.026	-0.077	0.077	-0.097	0.042	0.011	0.023	-0.007	-0.022	.b	-0.110	0.116	-0.037	0.109	-0.086	0.004	.b	.364**	-0.055	0.102	1	0.135
	Sig. (2-tailed)	0.879	0.807	0.177	0.332	0.771	0.384	0.384	0.273	0.638	0.906	0.795	0.934	0.802		0.215	0.189	0.675	0.219	0.334	0.965		0.000	0.538	0.260		0.126
Free cashflow	Pearson	-0.009	0.026	-0.147	-0.071	-0.084	-.227**	.227**	-0.032	0.134	-.185*	0.171	-0.079	-0.047	.b	0.018	.354**	-.192*	-0.113	-0.060	-0.063	.b	0.125	0.013	.393**	0.135	1
	Sig. (2-tailed)	0.923	0.766	0.098	0.422	0.346	0.010	0.010	0.718	0.130	0.036	0.053	0.373	0.599		0.837	0.000	0.030	0.204	0.503	0.477		0.159	0.884	0.000	0.126	

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

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

Table 4b - full results

```
## Call:
## lm(formula = InverseAssetTurnover ~ factor(bDummyBoardHausa.Fulani) +
##     factor(bDummyBoardIgbo) + factor(bDummyBoardYoruba) + factor(bDummyBoardMinority) +
##     factor(bDummyBoardNonNative) + factor(Sector) + Years + EmployeesLog10,
##     data = subset_data)
##
## Residuals:
##     Min      1Q  Median      3Q     Max
## -6.2918 -0.2220  0.1069  0.3930  1.7937
##
## Coefficients:
##                                  Estimate Std. Error t value Pr(>|t|)
## (Intercept)                     -1.455579   0.418138  -3.481 0.000713 ***
## factor(bDummyBoardHausa.Fulani)1 -0.229793   0.427351  -0.538 0.591840
## factor(bDummyBoardIgbo)1        -0.156188   0.298546  -0.523 0.601896
## factor(bDummyBoardYoruba)1      -0.361794   0.202373  -1.788 0.076520 .
## factor(bDummyBoardMinority)1    -0.061968   0.350074  -0.177 0.859816
## factor(bDummyBoardNonNative)1    0.128162   0.271300   0.472 0.637561
## factor(Sector)2                  0.813017   0.285595   2.847 0.005255 **
## factor(Sector)3                  1.158468   0.254422   4.553 1.35e-05 ***
## Years                           -0.001292   0.004075  -0.317 0.751855
## EmployeesLog10                   0.026723   0.122039   0.219 0.827069
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 0.8795 on 112 degrees of freedom
## Multiple R-squared:  0.186,  Adjusted R-squared:  0.1206
## F-statistic: 2.843 on 9 and 112 DF,  p-value: 0.004714
```

Table 6b - full results

```
##
## Call:
## lm(formula = Cash ~ factor(bDummyBoardHausa.Fulani) + factor(bDummyBoardIgbo) +
##     factor(bDummyBoardYoruba) + factor(bDummyBoardMinority) +
##     factor(bDummyBoardNonNative) + factor(Sector) + Years + EmployeesLog10,
##     data = subset_data)
##
## Residuals:
##       Min        1Q    Median        3Q       Max
## -83572025 -22467357  -5728334  10612630 296471098
##
## Coefficients:
##                                  Estimate Std. Error t value Pr(>|t|)
## (Intercept)                     -69363126   26390428  -2.628  0.00978 **
## factor(bDummyBoardHausa.Fulani)1 -12463851   26971864  -0.462  0.64490
## factor(bDummyBoardIgbo)1           3356015   18842464   0.178  0.85896
## factor(bDummyBoardYoruba)1       -23398344   12772594  -1.832  0.06962 .
## factor(bDummyBoardMinority)1     -29443262   22094623  -1.333  0.18537
## factor(bDummyBoardNonNative)1    -47085345   17122880  -2.750  0.00695 **
## factor(Sector)2                  -23768292   18025094  -1.319  0.18999
## factor(Sector)3                    7980517   16057645   0.497  0.62017
## Years                               153594     257182   0.597  0.55157
## EmployeesLog10                    39459444    7702380   5.123 1.26e-06 ***
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 55510000 on 112 degrees of freedom
## Multiple R-squared:  0.262,  Adjusted R-squared:  0.2027
## F-statistic: 4.417 on 9 and 112 DF,  p-value: 5.837e-05
```

Table 8b - full results

```
##
## Call:
## lm(formula = InverseAssetTurnover ~ factor(bDummyCEOHausa.Fulani) +
##     factor(bDummyCEOIgbo) + factor(bDummyCEOYoruba) + factor(bDummyCEOMinority) +
##     factor(bDummyCEONonNative) + factor(Sector) + Years + EmployeesLog10,
##     data = subset_data)
##
## Residuals:
##     Min      1Q  Median      3Q     Max
## -6.0824 -0.2698  0.0680  0.3779  1.7127
##
## Coefficients:
##                               Estimate Std. Error t value Pr(>|t|)
## (Intercept)                  -1.757e+00  5.020e-01  -3.500 0.000669 ***
## factor(bDummyCEOHausa.Fulani)1 -4.597e-01  3.593e-01  -1.279 0.203405
## factor(bDummyCEOIgbo)1         2.559e-01  3.180e-01   0.805 0.422720
## factor(bDummyCEOYoruba)1       -4.728e-02  2.997e-01  -0.158 0.874910
## factor(bDummyCEOMinority)1      1.471e-01  3.527e-01   0.417 0.677456
## factor(bDummyCEONonNative)1    -6.332e-02  3.322e-01  -0.191 0.849165
## factor(Sector)2                7.751e-01  2.975e-01   2.605 0.010422 *
## factor(Sector)3                1.049e+00  2.519e-01   4.166 6.13e-05 ***
## Years                         5.534e-06  4.081e-03   0.001 0.998920
## EmployeesLog10                 1.063e-01  1.194e-01   0.890 0.375354
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 0.8795 on 112 degrees of freedom
## Multiple R-squared:  0.1861, Adjusted R-squared:  0.1207
## F-statistic: 2.846 on 9 and 112 DF,  p-value: 0.004686
```

Table 10b - full results

```
##
## Call:
## lm(formula = Cash ~ factor(bDummyCEOHausa.Fulani) + factor(bDummyCEOIgbo) +
##     factor(bDummyCEOYoruba) + factor(bDummyCEOMinority) + factor(bDummyCEONonNative) +
##     factor(Sector) + Years + EmployeesLog10, data = subset_data)
##
## Residuals:
##        Min         1Q     Median         3Q        Max
## -112669447  -22120862    -661815   13921108  273766611
##
## Coefficients:
##                                Estimate Std. Error t value Pr(>|t|)
## (Intercept)                   -61803477   30720573  -2.012   0.0466 *
## factor(bDummyCEOHausa.Fulani)1 -21086373   21990402  -0.959   0.3397
## factor(bDummyCEOIgbo)1         42741350   19463179   2.196   0.0302 *
## factor(bDummyCEOYoruba)1      -18019508   18340238  -0.983   0.3280
## factor(bDummyCEOMinority)1    -16984414   21588215  -0.787   0.4331
## factor(bDummyCEONonNative)1   -11933714   20328285  -0.587   0.5584
## factor(Sector)2                -7280514   18205667  -0.400   0.6900
## factor(Sector)3                13083068   15417336   0.849   0.3979
## Years                             92324     249743   0.370   0.7123
## EmployeesLog10                 31295169    7306725   4.283 3.91e-05 ***
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 53820000 on 112 degrees of freedom
## Multiple R-squared:  0.3062, Adjusted R-squared:  0.2504
## F-statistic: 5.491 on 9 and 112 DF,  p-value: 3.062e-06
```

Table 12b - full results

```
##
## Call:
## lm(formula = InverseAssetTurnover ~ factor(bDummyBoardHausa.Fulani) *
##     factor(bDummyCEOHausa.Fulani) + factor(bDummyBoardIgbo) *
##     factor(bDummyCEOIgbo) + factor(bDummyBoardYoruba) * factor(bDummyCEOYoruba) +
##     factor(bDummyBoardMinority) * factor(bDummyCEOMinority) +
##     factor(bDummyBoardNonNative) * factor(bDummyCEONonNative) +
##     factor(Sector) + Years + EmployeesLog10, data = subset_data)
##
## Residuals:
##     Min      1Q  Median      3Q     Max
## -5.2051 -0.3251  0.0103  0.3694  1.8530
##
## Coefficients:
##                                                          Estimate
## (Intercept)                                            -1.3188650
## factor(bDummyBoardHausa.Fulani)1                       -0.5492094
## factor(bDummyCEOHausa.Fulani)1                         -0.7114772
## factor(bDummyBoardIgbo)1                                0.2531755
## factor(bDummyCEOIgbo)1                                  0.6311276
## factor(bDummyBoardYoruba)1                             -0.7112315
## factor(bDummyCEOYoruba)1                               -0.2609297
## factor(bDummyBoardMinority)1                            0.2159818
## factor(bDummyCEOMinority)1                             -0.0884642
## factor(bDummyBoardNonNative)1                           0.6455833
## factor(bDummyCEONonNative)1                            -0.1003252
## factor(Sector)2                                         1.1234958
## factor(Sector)3                                         1.3156704
## Years                                                  -0.0005621
## EmployeesLog10                                         -0.0717377
## factor(bDummyBoardHausa.Fulani)1:factor(bDummyCEOHausa.Fulani)1  1.3649386
## factor(bDummyBoardIgbo)1:factor(bDummyCEOIgbo)1                 -1.3399027
## factor(bDummyBoardYoruba)1:factor(bDummyCEOYoruba)1              0.5952320
## factor(bDummyBoardMinority)1:factor(bDummyCEOMinority)1         -0.3178854
## factor(bDummyBoardNonNative)1:factor(bDummyCEONonNative)1       -0.7610015
##                                                         Std. Error
```

```
## (Intercept)                                                0.5660926
## factor(bDummyBoardHausa.Fulani)1                           0.5357076
## factor(bDummyCEOHausa.Fulani)1                             0.3921697
## factor(bDummyBoardIgbo)1                                   0.4738070
## factor(bDummyCEOIgbo)1                                     0.3518533
## factor(bDummyBoardYoruba)1                                 0.3494474
## factor(bDummyCEOYoruba)1                                   0.3434466
## factor(bDummyBoardMinority)1                               0.8896138
## factor(bDummyCEOMinority)1                                 0.3969530
## factor(bDummyBoardNonNative)1                              0.3994258
## factor(bDummyCEONonNative)1                                0.3653531
## factor(Sector)2                                            0.3239858
## factor(Sector)3                                            0.2621220
## Years                                                      0.0041617
## EmployeesLog10                                             0.1311315
## factor(bDummyBoardHausa.Fulani)1:factor(bDummyCEOHausa.Fulani)1  0.8757158
## factor(bDummyBoardIgbo)1:factor(bDummyCEOIgbo)1                  0.6408957
## factor(bDummyBoardYoruba)1:factor(bDummyCEOYoruba)1              0.4231411
## factor(bDummyBoardMinority)1:factor(bDummyCEOMinority)1          0.9783496
## factor(bDummyBoardNonNative)1:factor(bDummyCEONonNative)1        0.5207028
##                                                            t value
## (Intercept)                                                -2.330
## factor(bDummyBoardHausa.Fulani)1                           -1.025
## factor(bDummyCEOHausa.Fulani)1                             -1.814
## factor(bDummyBoardIgbo)1                                    0.534
## factor(bDummyCEOIgbo)1                                      1.794
## factor(bDummyBoardYoruba)1                                 -2.035
## factor(bDummyCEOYoruba)1                                   -0.760
## factor(bDummyBoardMinority)1                                0.243
## factor(bDummyCEOMinority)1                                 -0.223
## factor(bDummyBoardNonNative)1                               1.616
## factor(bDummyCEONonNative)1                                -0.275
## factor(Sector)2                                             3.468
## factor(Sector)3                                             5.019
## Years                                                      -0.135
## EmployeesLog10                                             -0.547
## factor(bDummyBoardHausa.Fulani)1:factor(bDummyCEOHausa.Fulani)1   1.559
```

```
## factor(bDummyBoardIgbo)1:factor(bDummyCEOIgbo)1                -2.091
## factor(bDummyBoardYoruba)1:factor(bDummyCEOYoruba)1             1.407
## factor(bDummyBoardMinority)1:factor(bDummyCEOMinority)1         -0.325
## factor(bDummyBoardNonNative)1:factor(bDummyCEONonNative)1       -1.461
##                                                        Pr(>|t|)
## (Intercept)                                            0.02179 *
## factor(bDummyBoardHausa.Fulani)1                       0.30769
## factor(bDummyCEOHausa.Fulani)1                         0.07259 .
## factor(bDummyBoardIgbo)1                               0.59427
## factor(bDummyCEOIgbo)1                                 0.07582 .
## factor(bDummyBoardYoruba)1                             0.04441 *
## factor(bDummyCEOYoruba)1                               0.44916
## factor(bDummyBoardMinority)1                           0.80866
## factor(bDummyCEOMinority)1                             0.82409
## factor(bDummyBoardNonNative)1                          0.10912
## factor(bDummyCEONonNative)1                            0.78418
## factor(Sector)2                                        0.00077 ***
## factor(Sector)3                                        2.21e-06 ***
## Years                                                  0.89283
## EmployeesLog10                                         0.58553
## factor(bDummyBoardHausa.Fulani)1:factor(bDummyCEOHausa.Fulani)1  0.12218
## factor(bDummyBoardIgbo)1:factor(bDummyCEOIgbo)1                0.03904 *
## factor(bDummyBoardYoruba)1:factor(bDummyCEOYoruba)1            0.16256
## factor(bDummyBoardMinority)1:factor(bDummyCEOMinority)1        0.74591
## factor(bDummyBoardNonNative)1:factor(bDummyCEONonNative)1      0.14696
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 0.8596 on 102 degrees of freedom
## Multiple R-squared:  0.292,  Adjusted R-squared:  0.1601
## F-statistic: 2.214 on 19 and 102 DF,  p-value: 0.005897

## Warning: not plotting observations with leverage one:
##   89
```

Table 14b - full results

```
##
## Call:
## lm(formula = Cash ~ factor(bDummyBoardHausa.Fulani) * factor(bDummyCEOHausa.Fulani) +
##     factor(bDummyBoardIgbo) * factor(bDummyCEOIgbo) + factor(bDummyBoardYoruba) *
##     factor(bDummyCEOYoruba) + factor(bDummyBoardMinority) * factor(bDummyCEOMinority) +
##     factor(bDummyBoardNonNative) * factor(bDummyCEONonNative) +
##     factor(Sector) + Years + EmployeesLog10, data = subset_data)
##
## Residuals:
##       Min        1Q    Median        3Q       Max
## -122364117  -18367159   -5891571   16907386  231799425
##
## Coefficients:
##                                                              Estimate
## (Intercept)                                                 -22225670
## factor(bDummyBoardHausa.Fulani)1                            -17068965
## factor(bDummyCEOHausa.Fulani)1                              -36861181
## factor(bDummyBoardIgbo)1                                      2749337
## factor(bDummyCEOIgbo)1                                       50507155
## factor(bDummyBoardYoruba)1                                  -40057131
## factor(bDummyCEOYoruba)1                                    -48290697
## factor(bDummyBoardMinority)1                                 -9071750
## factor(bDummyCEOMinority)1                                  -36996837
## factor(bDummyBoardNonNative)1                               -61850395
## factor(bDummyCEONonNative)1                                 -24841179
## factor(Sector)2                                              -2415759
## factor(Sector)3                                              19824286
## Years                                                           52427
## EmployeesLog10                                               28406086
## factor(bDummyBoardHausa.Fulani)1:factor(bDummyCEOHausa.Fulani)1  15203230
## factor(bDummyBoardIgbo)1:factor(bDummyCEOIgbo)1             -77625099
## factor(bDummyBoardYoruba)1:factor(bDummyCEOYoruba)1          34984548
## factor(bDummyBoardMinority)1:factor(bDummyCEOMinority)1     -15038461
## factor(bDummyBoardNonNative)1:factor(bDummyCEONonNative)1    27147615
##                                                            Std. Error
## (Intercept)                                                  34559075
```

```
## factor(bDummyBoardHausa.Fulani)1                            32704116
## factor(bDummyCEOHausa.Fulani)1                              23941354
## factor(bDummyBoardIgbo)1                                    28925180
## factor(bDummyCEOIgbo)1                                      21480097
## factor(bDummyBoardYoruba)1                                  21333221
## factor(bDummyCEOYoruba)1                                    20966879
## factor(bDummyBoardMinority)1                                54309541
## factor(bDummyCEOMinority)1                                  24233364
## factor(bDummyBoardNonNative)1                               24384325
## factor(bDummyCEONonNative)1                                 22304240
## factor(Sector)2                                             19778830
## factor(Sector)3                                             16002144
## Years                                                         254064
## EmployeesLog10                                               8005377
## factor(bDummyBoardHausa.Fulani)1:factor(bDummyCEOHausa.Fulani)1   53461092
## factor(bDummyBoardIgbo)1:factor(bDummyCEOIgbo)1                   39125689
## factor(bDummyBoardYoruba)1:factor(bDummyCEOYoruba)1               25832108
## factor(bDummyBoardMinority)1:factor(bDummyCEOMinority)1           59726729
## factor(bDummyBoardNonNative)1:factor(bDummyCEONonNative)1         31788096
##                                                              t value
## (Intercept)                                                   -0.643
## factor(bDummyBoardHausa.Fulani)1                              -0.522
## factor(bDummyCEOHausa.Fulani)1                                -1.540
## factor(bDummyBoardIgbo)1                                       0.095
## factor(bDummyCEOIgbo)1                                         2.351
## factor(bDummyBoardYoruba)1                                    -1.878
## factor(bDummyCEOYoruba)1                                      -2.303
## factor(bDummyBoardMinority)1                                  -0.167
## factor(bDummyCEOMinority)1                                    -1.527
## factor(bDummyBoardNonNative)1                                 -2.536
## factor(bDummyCEONonNative)1                                   -1.114
## factor(Sector)2                                               -0.122
## factor(Sector)3                                                1.239
## Years                                                          0.206
## EmployeesLog10                                                 3.548
## factor(bDummyBoardHausa.Fulani)1:factor(bDummyCEOHausa.Fulani)1    0.284
## factor(bDummyBoardIgbo)1:factor(bDummyCEOIgbo)1                   -1.984
```

```
## factor(bDummyBoardYoruba)1:factor(bDummyCEOYoruba)1              1.354
## factor(bDummyBoardMinority)1:factor(bDummyCEOMinority)1         -0.252
## factor(bDummyBoardNonNative)1:factor(bDummyCEONonNative)1        0.854
##                                                           Pr(>|t|)
## (Intercept)                                               0.521589
## factor(bDummyBoardHausa.Fulani)1                          0.602857
## factor(bDummyCEOHausa.Fulani)1                            0.126744
## factor(bDummyBoardIgbo)1                                  0.924462
## factor(bDummyCEOIgbo)1                                    0.020628 *
## factor(bDummyBoardYoruba)1                                0.063281 .
## factor(bDummyCEOYoruba)1                                  0.023298 *
## factor(bDummyBoardMinority)1                              0.867671
## factor(bDummyCEOMinority)1                                0.129933
## factor(bDummyBoardNonNative)1                             0.012713 *
## factor(bDummyCEONonNative)1                               0.268007
## factor(Sector)2                                           0.903030
## factor(Sector)3                                           0.218244
## Years                                                     0.836927
## EmployeesLog10                                            0.000588 ***
## factor(bDummyBoardHausa.Fulani)1:factor(bDummyCEOHausa.Fulani)1 0.776696
## factor(bDummyBoardIgbo)1:factor(bDummyCEOIgbo)1           0.049944 *
## factor(bDummyBoardYoruba)1:factor(bDummyCEOYoruba)1       0.178632
## factor(bDummyBoardMinority)1:factor(bDummyCEOMinority)1   0.801712
## factor(bDummyBoardNonNative)1:factor(bDummyCEONonNative)1 0.395096
## ---
## Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1
##
## Residual standard error: 52470000 on 102 degrees of freedom
## Multiple R-squared:  0.3994, Adjusted R-squared:  0.2875
## F-statistic:  3.57 on 19 and 102 DF,  p-value: 1.585e-05

## Warning: not plotting observations with leverage one:
##   89
```