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Monday Nweke IGWE

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Unité de recherche : TBS Education Research Centre

Directeur/trice(s) de Thèse :

Wafa KHLIF (Professor, TBS Education)

Sami EL OMARI (Associate Professor, TBS Education)

Jury:

Teerooven SOOBAROYEN (Professor, University of Essex, UK, Examiner)

Nourhene BEN YOUSSEF (Professor, Université de Sherbrooke, Canada, Examiner)

Martinez ISABELLE (Professor, Toulouse School of Management, France)

Konan Anderson SENY KAN (Associate Professor, Grenoble Ecole de Management, France)

*« L'université n'entend ni approuver ni désapprouver les
opinions particulières du candidat »*

Dedication

This thesis is dedicated to my mother, Mrs. Ugo NWEKE,

To my foster parents, Mr & Mrs Joseph Eme CHUKWU.

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List of abbreviations

Abbreviation	Full meaning
ABDC:	Australian Business Deans Council
AUDITQUAL:	Audit Quality
AT:	Agency Theory
CABS:	Chartered Association of Business Schools
CalPERS:	California Public Employees' Retirement System
CEO:	Chief Executive Officer
CG:	Corporate Governance
COVID-19:	Coronavirus 2019
CSR:	Corporate Social Responsibility
BEE:	Black Economic Empowerment
BED:	Board ethnic diversity
BDSIZE:	Board Size
BDINDEP:	Board Independence
BDMEET:	Board Meeting
FD:	Foreign directors
FT:	Financial Times
FTSE:	Financial Times Stock Exchange
DUAL:	Duality
IMF:	International Monetary Fund
M&A:	Merger and Acquisition
MTB:	Market-to-book Value
RDT:	Resource Dependence Theory
ROA:	Return on Assets
SEC:	Security and Exchange Commission
SLR:	Systematic literature review
SSA:	Sub-Saharan Africa
STPRICE:	Stock Price
TIAA-CREF:	Teachers Insurance and Annuity Association of America-College Retirement Equities Fund
UK:	United Kingdom

US:	United States
UTD:	University of Texas Dallas
WB:	World Bank
WoS:	Web of Science

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Chapter 1: Introduction

1.1 Research Motivation

Board diversity has in recent decades attracted significant academic, practitioner, political, and media attention in both national and global arenas (Baker et al., 2020; Khatib et al., 2021; Lee et al., 2022; Muniandy, 2022; Nguyen et al., 2020), especially since after the global financial crisis, which was partially attributed to poor corporate governance practices, resulting from lack of diversity, independence and transparency in the boardrooms (see Guest, 2019; Nguyen et al., 2020). In the aftermath of the financial crisis, scholars, practitioners, and regulators have emphasized the need for more diversity on corporate boards because of its purported benefits. Researchers for example argued that diverse boards are more likely to discuss tougher issues and make more informed decisions (Baker et al., 2020; Srinidhi et al., 2011). Board diversity equally enables directors to be better monitors which enhances corporate governance practices (Baker et al., 2020; Upadhyay & Zeng, 2014). Moreover, diverse boards tend to be more knowledgeable about the marketplace (Baker et al., 2020), leading to better firm performance (Carter et al., 2003; Erhardt et al., 2003a; Gul et al., 2016; Gyapong et al., 2016; Salloum et al., 2019). Scholars equally contend that diversity brings greater benefits to the boardroom by enhancing connections and networks that could create value for firms and their shareholders (Khatib et al., 2021). It has equally been documented in the literature that boardroom diversity can help firms gain access to information from various sources and wider exposure to the environment from customers, suppliers, policymakers, social groups, and competitors (Khatib et al., 2021; Williams & O'Reilly, 1998). The literature likewise suggests that having a more diverse board serves as an antidote to fighting corporate corruption and groupthink (Ramirez, 2003). Corporate board diversity also ensures that firms do not forego opportunities by excluding certain qualified societal groups from key

decision-making roles (Brammer et al., 2007; Weerasinghe et al., 2023). However, some scholars argue that diversity can be detrimental to organizational performance. Research from a social psychological standpoint, for instance, indicates that greater diversity within the boardrooms can give rise to more conflicts among board members, thereby causing delays in decision-making processes (Triana et al., 2014). Furthermore, an increase in boardroom diversity can also lead to the formation of in-group and out-group, potentially diminishing effective communication, complicating decision-making, and undermining group cohesion (Eulerich et al., 2014).

Nevertheless, given the numerous benefits of boardroom diversity, various stakeholders have advocated and called for different types of diversity on corporate boards including, but not limited to gender, ethnicity, age, culture, tenure, religion, sexual orientation, nationality, technical skills, and expertise (Baker et al., 2020; Khatib et al., 2023; Walt & Ingley, 2003; Weerasinghe et al., 2023). However, much of the existing regulatory reforms and extensive research have focused mainly on board gender diversity to the relative neglect of other aspects of boardroom diversity¹. This has been highlighted as one of the major factors that could hinder further development of the board diversity research stream (see Baker et al., 2020). Consequently, there have been several calls for scholars to explore other demographic diversity attributes such as ethnicity (see e.g., Baker et al., 2020; Khatib et al., 2021, 2023) to help build a comprehensive framework for boardroom diversity (Baker et al., 2020). Motivated by these calls, this thesis focuses on board ethnic diversity (BED). Researching

¹ Board gender studies dominate other aspects of corporate board diversity research in two main ways. First, several countries have pursued affirmative action/positive reforms towards increasing the presence of women on corporate boards. This has been done by either setting hard board gender quotas through legislation (e.g., Norway, Germany, California, Finland and France etc.) or soft quotas, usually via a corporate governance code (e.g., UK). Second, existing board diversity research has focused extensively on board gender diversity (Baker et al., 2020; Guest, 2019; Khatib et al., 2023), including examining its effect on firm performance (Marinova et al., 2016; Perryman et al., 2016), earnings management (Arun et al., 2015; Srinidhi et al., 2011), disclosure (Ben-Amar et al., 2017; Manita et al., 2018), CSR (Amorelli & García-Sánchez, 2021; Yarram & Adapa, 2021), executive compensation (Bugeja et al., 2016; Usman et al., 2018), and stock price informativeness (Gul et al., 2011), resulting in several systematic literature reviews (Gabaldon et al., 2016; Kirsch, 2018; Laique et al., 2023; Nguyen et al., 2020 etc...). This is not the case for other aspects of corporate board diversity like ethnicity.

ethnic diversity on corporate boards is relevant because it has in recent decades gained recognition as one of the prominent governance issues of global significance (Ntim & Soobaroyen, 2013b; Reguera-Alvarado & Bravo-Urquiza, 2020).

1.2 Research problem

BED defined here as the degree of heterogeneity of board members in terms of ethnicity, race, tribe, ancestry, language, religion, and cultural backgrounds, has gradually started attracting attention in recent years due to the increasing global concerns over racial inequality in the workplace particularly at the upper echelon of firms (Reguera-Alvarado & Bravo-Urquiza, 2020; Rose & Bielby, 2011). Consequently, the government, regulators, policymakers, and industry practitioners, in countries where ethnic diversity is a social reality, have lately started expanding their focus to the ethnic and racial composition of the boardrooms. For example, the Malaysian government implemented a 30% affirmative quota to encourage ethnic diversity on boards after the racial riots in response to the marginalization of indigenous Malays in economic activities (Mohamad-Yusof et al., 2018; Tee & Rassiah, 2020). Likewise, the South African government enacted the Black Economic Empowerment (BEE) legislation that provided for about 40-50% black ethnic representation on boards to cushion the long effect of apartheid policy in the country (Nguyen & Muniandy, 2020; Ntim & Soobaroyen, 2013). Furthermore, the US Government enacted the Equal Employment Opportunity Laws to enhance the recruitment of ethnic minorities into board positions (Rose & Bielby, 2011). Additionally, the US Security and Exchange Commission (SEC) adopted rules demanding ethnic diversity on corporate boards (Reguera-Alvarado & Bravo-Urquiza, 2020; Rose & Bielby, 2011). The Parker Review in the UK recommended a minimum of one ethnic minority director in each FTSE 100 company as a way to improve the low level of BED among UK corporations (Guest, 2019; Parker, 2017). Large institutional investors such as CalPERS, TIAA-CREF, BlackRock, and Vanguard, have sponsored numerous proposals

requesting companies to report and enhance the ethnic and racial composition of their boards (Carter et al., 2003; Guest, 2019; Milo, 2021; Tee & Rassiah, 2020).

In addition to the issue of representation and equity, the growing interest in BED is also motivated by its economic benefits. Proponents of greater board heterogeneity, for instance, claimed that a board with a mixture of people from diverse ethnic backgrounds brings different expertise, cultural values, innovative ideas, talents, skills, and experiences to the boardroom which results in better governance and enhanced decision making (Carter et al., 2003, 2010; Salloum et al., 2019; Sarhan et al., 2019), which in turn improve firm performance (Carter et al., 2003; Miller & Triana, 2009; Tee & Rassiah, 2020). Researchers have equally argued that BED strengthens board effectiveness, independence, and monitoring roles (Guest, 2019; Gul et al., 2016; Sarhan et al., 2019) because directors from diverse ethnicities tend to ask more probing questions, which ensures greater accountability and increased disclosures by senior management (Carter et al., 2003; Erhardt et al., 2003a; Nel et al., 2020). Empirical evidence has also confirmed that BED assists firms in gaining easy access to critical resources such as contracts, business contacts, and finance (Badru et al., 2017; Miller & Triana, 2009; Ntim, 2015). Ethnically diversified boards have likewise been associated with a greater commitment to socially responsible practices (Harjoto et al., 2015a), and better management of stakeholder interests (Fernandez & Thams, 2019). BED equally signals firms' commitments to an inclusive corporate culture (Guest, 2019), greater transparency (Glass and Cook, 2017; Miller and Triana, 2009), and good governance practices (Amin and Nor, 2019; Salloum et al., 2019). Nevertheless, some scholars have argued that firms can incur costs associated with greater ethnic diversity on corporate boards (Elmagrhi et al., 2016; Hewa Wellalage et al., 2012; Scholtz & Kieviet, 2018), while, some other researchers contend that ethnic diversity on boards have no effect on corporate outcomes (see e.g. Carter et al., 2010; Guest, 2019). Consequently, there is an ongoing debate regarding

whether legislation aimed at promoting ethnic diversity on corporate boards should be enacted (see Muniandy, 2022).

Given the growing demands for greater representation of ethnic directors in boardrooms around the world based on its social and economic rationales, it has triggered increasing research interest among academics. Specifically, scholars have over the years sought to understand the antecedents of BED (Brammer et al., 2007; Mohamad-Yusof et al., 2018; Singh, 2007; Upadhyay & Triana, 2021), its barriers (Chidambaran et al., 2022; Guest, 2017; Jiraporn et al., 2009; Tuggle et al., 2021) and its implications on a wide range of corporate financial (Carter et al., 2003, 2010; Guest, 2019; Gul et al., 2016; Gyapong et al., 2016; Harjoto et al., 2018; Salloum et al., 2019; Tee & Rassiah, 2020) and non-financial outcomes (Abebe & Dadanlar, 2021; Azmat & Rentschler, 2017; Bravo, 2018; Cook & Glass, 2015b; Hafsi & Turgut, 2013; Harjoto et al., 2015a; Ntim et al., 2017). However, despite this increasing scholarly attention on BED, no study has sought to offer a comprehensive understanding by providing a systematic synthesis of this literature. Thus, BED research is still scattered in journals belonging to different disciplines. Therefore, there is still a lack of holistic understanding of the implications of BED on corporate outcomes, and the factors that facilitate or impede BED in different countries. This is problematic because it could prevent the generation of useful insight to guide policymakers, managers, and practitioners, especially given the ongoing public policy debate regarding whether or not to implement ethnic diversity on corporate boards. Moreover, the existing literature is also fragmented in terms of the theoretical perspectives, geographical focus, methodological and conceptual approaches, and the research themes explored. This can make it difficult for researchers to ascertain what has been done and what needs to be done to move the BED research stream forward. Hence, we believe that there is a need to take stock of the BED literature to provide a novel perspective on this important topic to allow managers, policymakers, and practitioners to better

understand the intricacies of ethnic diversity on corporate boards and its impacts on firm outcomes. This could also help to delineate new research directions that can advance the BED research field.

Furthermore, another important gap we discovered in the literature is that despite the growing research interest in BED, most of the previous studies tend to focus primarily on developed countries with relatively similar institutional contexts (Ntim, 2015; Sarhan et al., 2019) and greater ethnic homogeneity (Cheong & Sinnakkannu, 2014; Gul et al., 2016). This could be due to the stakeholders' pressures for the inclusion of ethnic minorities on corporate boards in these countries (Carter et al., 2003; Rose & Bielby, 2011; Upadhyay & Zeng, 2014). However, little scholarly attention has been devoted to the African emerging countries which are said to be more ethnically diverse (see Archibong, 2018; Awaworyi Churchill & Danquah, 2022; Madison, 2019). Thus, the impact of BED on firms in Africa is still less well understood. This is problematic because it could deprive the scientific community of a unique insight into the implications of BED on corporate outcomes from multi-ethnic, multi-linguistic, and multi-cultural societies. Therefore, there is a need for more studies from the African socio-political context to provide the scientific community with a more nuanced and complete understanding of the relationship between BED and corporate outcomes.

Moreover, studying the impact of BED on corporate outcomes in Africa emerging countries can also be interesting for several reasons. First, African nations have a long history of colonialism and social stratification, which has resulted in systemic inequalities and under-representation of some ethnic groups in political and socio-economic activities (Attah, 2011; Bumakor, 2023). Consequently, many African societies often grapple with issues linked to equality, social inclusion, and representation (Bumakor, 2023; Uche, 2020a). Therefore, conducting BED research in the continent can help to shed light on how tackling historical

disparities through diverse representation at the upper echelon of firms could lead to better corporate outcomes and more equitable economic opportunities. This can also provide policy recommendations on how to improve ethnic diversity on corporate boards in multi-ethnic countries in Africa. Second, evidence indicates that Africa has the majority of the ethnically diverse countries in the world (see Awaworyi Churchill, 2019), given its unique characteristics of complex history of ethnic and tribal tensions (Ahunwan, 2002; Deng, 1997; Jacob, 2012; Ojie & Ewghrudjakpor, 2009; Williams, 2011), it's worth investigating if the high level of ethnic diversity in the continent has any value relevance for firms. This can contribute to building a strong business case for ethnic diversity on corporate boards in the African context, thus, encouraging firms to embrace diversity as a strategy to gain competitive advantage in complex and turbulent business environment. Furthermore, many Africa emerging countries have been developing and implementing corporate governance regulations geared towards enhancing transparency, accountability, and corporate performance (Adegbite et al., 2018; Areneke et al., 2022), yet African nations are still perceived as having one of the worst corporate governance structures and business cultures (Ahunwan, 2002; Areneke et al., 2022; Danson Kimani et al., 2021; Munisi et al., 2014; Nakpodia et al., 2018; Nakpodia & Adegbite, 2018; Ujunwa, 2012). BED research can provide evidence-based insights that could inform policy recommendations for improving corporate governance practices and corporate accountability in the continent.

1.3 Research Questions

Based on the issues highlighted in the preceding sub-sections, this study seeks to address the following research questions: (i) What do we know about the BED research stream? (ii) What can be the effect of BED on firms in Africa emerging countries? In line with these questions, the objective of this thesis is twofold. The first is to take stock of the existing literature on

BED and the second is to investigate the impact of BED on corporate outcomes and governance practices in Africa emerging countries.

To answer the above research questions, this thesis is structured into three articles: The first paper (chapter 2) addresses the first research question: *What do we know about the BED research stream?* To this end, the paper offers a comprehensive systematic review of the existing literature on BED. The study adopted a three-stage systematic literature review approach synthesizing 113 peer-reviewed articles published in ABDC journals between 1992-2022 collected from Web of Science (WoS), Scopus, and EBSCOhost databases. This chapter highlights the positive effect of BED on corporate outcomes. This finding indicates that greater ethnic diversity on corporate boards may generally bring more benefits to firms than yield more negative consequences as often suggested by opponents of BED. Thus, this chapter advises managers to leverage BED to generate a better outcome for their firms and their stakeholders. Finally, the chapter proposes a novel integrative framework that could help managers, policymakers, and practitioners to better understand BED and its implications on corporate outcomes and the channels through which it influences the outcomes. It also identified four main areas of amelioration in the BED research field and delineated multiple areas of future research.

The second paper (chapter 3) addresses the second research question: *what can be the effect of BED on firms in Africa emerging countries?* This chapter investigates the impact of BED on information asymmetry in emerging African countries and the moderating effect of foreign directors. This is driven by the fact that information asymmetry is perceived to be very high in the African emerging countries which affects the ability of firms in the continent to raise funds from the equity market (Asongu et al., 2018; Ibrahim & Alagidede, 2017). Given that prior studies have suggested numerous benefits of ethnic directors to firms (see e.g, Carter et al., 2003; Do, 2023; Ntim, 2015; Ntim & Soobaroyen, 2013a; Tee & Rassiah, 2020), this

chapter seeks to examine whether ethnic diversity on corporate boards can serve as an internal governance mechanism that could help to reduce the high level of information asymmetry in the equity market of Africa emerging countries and if this can be facilitated by foreign directors. The chapter adopts a quantitative research approach utilizing a balanced panel of 2040 firm-year observations collected from 204 firms from four Sub-Saharan African emerging countries (Nigeria, Kenya, Ghana, and Mauritius), for the period 2012-2021. The sample was analyzed using fixed effect regression that mitigates the endogeneity concerns arising from omitted variables bias. The findings indicate that BED significantly constrains information asymmetry in the stock market of Africa emerging countries, however, the presence of foreign directors in the boardroom does not enhance the effectiveness of ethnic directors in checkmating information asymmetry. The study highlights the importance of ethnically diverse directors in improving firm transparency of information and maintaining investors' confidence in weak regulatory contexts. Thus, this study helps to inform the debate on the need for greater ethnic diversity on corporate boards in Africa emerging countries. Therefore, it stresses the need for policymakers to enforce ethnic quotas on corporate boards in multi-ethnic countries in Africa to ensure that no single ethnicity dominates the boardrooms resulting in detrimental outcomes for firms and their stakeholders.

The third paper (chapter 4) also addresses the second research question. It examines the impact of ethnicity and inherent loopholes of Western CG codes on the efficiency of CG codes in Africa emerging countries using Nigeria as a case study. This is motivated by the recent call for understanding the reasons for the inefficiency of Western CG codes in Africa emerging countries (see Areneke et al., 2022). This study fills this important gap in the literature by exploring the factors that impede the effectiveness of these codes in the Nigerian context. The study utilized a qualitative research approach analyzing data obtained from newspapers, annual reports, press releases, archival documents, code contents, and

government publications, over a period of 59 years. This chapter concludes that the loopholes of Western CG codes and ethnic concentration on boards affect the effectiveness of the Nigerian multiple CG codes in checkmating deviant corporate behaviors. Therefore, this chapter highlights the need for ethnic diversity on corporate boards in multi-ethnic countries like Nigeria as well as the introduction of CG codes that align with the Nigerian cultural values.

1.4 Thesis positioning

This thesis is positioned in the ongoing international academic debate on board diversity triggered by the growing social and economic demands for corporate board diversity, particularly following the recent global financial crisis, which was partly attributed to poor corporate governance resulting from the lack of diversity in the boardrooms (Guest, 2019; Nguyen et al., 2020). In the wake of the crisis, various stakeholders have advocated for different types of diversity on corporate boards (see Baker et al., 2020; Khatib et al., 2021). However, regulatory reforms and previous research efforts have primarily focused on gender diversity (Baker et al., 2020; Khatib et al., 2021; Nguyen et al., 2020), while often neglecting other dimensions of corporate board diversity such as ethnicity. Therefore, this thesis seeks to add to the ongoing debate by focusing on BED which has received less scholarly attention in the board diversity literature when compared to gender diversity (Baker et al., 2020; Guest, 2019). Thus, this thesis fills what we consider an important gap in the board diversity literature which has been mainly dominated by gender issues.

The thesis comprises three essays that center around the topic of ethnic diversity within corporate boards. The first paper of the thesis sheds light on the scattered literature on BED and provides a state-of-the-art snapshot of the domain to help managers, governments, policymakers, and practitioners better understand BED and its implications on corporate outcomes. This is important, especially given the ongoing public policy debate concerning the

implementation of ethnic diversity on corporate boards. Considering the limited body of research available from emerging countries in Africa, the second paper contributes to the understanding of the impact of BED in improving firm information environment in the weak institutional context of African emerging economies characterized by high levels of uncertainty and information asymmetry. The third article explores the factors that affect the effectiveness of Western CG codes implemented in Africa emerging countries using Nigeria as a case study. Overall, the studies highlight the relevance of BED in fostering improved corporate outcomes. Consequently, this thesis contributes to the value-in-diversity debate which suggests that a diverse workforce, relative to a homogeneous workforce, is generally beneficial for business, including but not limited to corporate profitability and earnings (Herring, 2009). This is contrary to other schools of thought that view diversity as non-consequential to firm success or harmful by causing conflict, undermining cohesion, and hence reducing productivity (Rothman et al., 2003). This thesis also adds to the ongoing debate in the BED literature regarding the economic relevance of ethnic diversity on corporate boards (Carter et al., 2003; Guest, 2019; Gyapong et al., 2016; Muniandy, 2022; Tee & Rassiah, 2020; Vairavan & Zhang, 2020). Finally, the findings from this thesis equally contribute to the debate regarding the need for greater ethnic diversity on corporate boards, both in emerging African countries and on a global scale.

1.5 Thesis papers and declaration of contributions

This thesis adopted the *thesis by publication format*. It is made up of three research articles with an introductory and a concluding segment. I did the conceptualization, design, data collection, analysis, interpretation, and writing of all the articles related to this thesis. The co-authors played a supervisory and mentorship role during the article's writing.

The first article (Chapter 2): Ethnic Diversity on Corporate Boards: A Systematic Literature Review and Agenda for Future Research, has been co-authored with my supervisors

(Professor Wafa KHLIF and Associate Professor Sami EL OMARI), and Professor Collins G. NTIM. I am the first author of this paper. The paper has been submitted to *Corporate Governance: An International Review* in July 2023.

The second article (Chapter 3): Board ethnic diversity and Information Asymmetry in Emerging Countries: The Moderating Role of Foreign Directors, is my sole author paper in line with the requirement of the doctoral school and it's still a working paper. This article would be submitted to Accounting & Finance to contribute to the ongoing debate in the journal regarding the impact of BED on firm stock market performance.

The third article (Chapter 4): International corporate governance codes in emerging countries: More than unfit, ineffective, has been co-authored with my supervisors Professor Wafa KHLIF and Associate Professor Sami EL OMARI. I am the first author of this paper. The paper was published in *Revue Francaise de Governance d'Entreprise* in 2021. The earlier version of this paper has been presented at an international conference titled: Interroger l'histoire du management: ce que le Sud nous apprend, organized by Université PSL-Paris Dauphine, France in December 2020.

Chapter 2: Ethnic Diversity on Corporate Boards: A Systematic Literature Review and Agenda for Future Research

Abstract

Research Question/Issue: Corporate board diversity has gained attention from academics and policymakers worldwide. However, existing research predominantly focuses on gender diversity, neglecting other aspects like ethnic and neuro diversity. Although policy reforms and research on board ethnic diversity (BED) have increased recently, studies in this area remain fragmented, limiting the generation of valuable insights. Hence, our study aims to synthesize and expand the current understanding of BED by comprehensively reviewing the literature, integrating theoretical and empirical evidence, identifying limitations, and proposing an agenda for future research.

Research Findings/Insights: Employing a three-step systematic literature review (SLR) technique to sample, review, and analyze 113 studies drawn from different business and management disciplines across the globe and published over the 1992–2022 period, our findings are as follows. First, we find that current studies lack theoretical support and predominantly adopt a descriptive approach. Second, research in this field primarily concentrates on developed nations, with limited representation of emerging economies, and often overlooks institutional disparities and relies too heavily on Western theories. Third, there is a predominance of quantitative research methods, which provide limited contextual details and produce inconclusive findings due to methodological challenges, such as omitted variable bias, endogeneity, and measurement errors.

Theoretical/Academic Implications: To the best of our knowledge and following an extensive literature search, this is one of the first SLR studies to focus on BED literature, thereby synthesizing, integrating, and extending existing theoretical, methodological, and empirical insights. We also shed light on critical gaps in the literature and outline an agenda for future research.

Practitioner/Policy Implications: This SLR highlights a positive effect of BED on corporate outcomes, suggesting that the benefits of BED may outweigh its costs. Hence, our study supports the value-in-diversity debate and the recent calls from governments, business communities, and large institutional investors for more ethnically diverse boards. In particular, our SLR offers direct evidence to support the need for corporate, national, and global policy and regulations to foster more ethnically diverse boards, akin to those that have been advocated for, and pursued, around the world in relation to gender diversity.

Keywords: Corporate Governance, Board Diversity, Board Ethnic Diversity, Antecedents, Outcomes, Systematic Literature Review

1. Introduction

The past decades have witnessed an increasing focus on corporate board diversity (Baker et al., 2020; Khatib et al., 2021; Nguyen et al., 2020). However, whilst there are many aspects of corporate board diversity (e.g., age, class, cognitive/neuro, disability, ethnicity/race, expertise/education/qualification, and professional/experience/skills), existing corporate, national and global public policy reforms and academic research have focused heavily on board gender diversity (e.g., Gabaldon et al., 2016; Nguyen et al., 2020) to the relative neglect of others, such as board ethnic or neuro diversity. Nevertheless, board ethnic diversity (BED), has in recent decades become a major topical corporate governance issue of worldwide concern (Ntim & Soobaroyen, 2013b; Reguera-Alvarado & Bravo-Urquiza, 2020). On the practice side, it has attracted growing interest among governments and regulators (see Parker review in the UK (Parker, 2017)). One can cite Black Economic Empowerment (BEE) South African legislation (Nguyen & Muniandy, 2020; Ntim & Soobaroyen, 2013a), 30% affirmative quota in Malaysia (Mohamad-Yusof et al., 2018; Tee & Rassiah, 2020), California State (2020, Bill 979) and American Security and Exchange Commission (SEC) rules on racial diversity on corporate boards (Reguera-Alvarado & Bravo-Urquiza, 2020; Rose & Bielby, 2011)), and certain major institutional investors (see, CalPERS, TIAA-CREF, and BlackRock (Carter et al., 2003; Tee & Rassiah, 2020)).

Although the value and importance of ethnic diversity on boards are becoming quasi-imperatives in the social arena, the relationship between BED and corporate outcomes is still controversial with three different positions. The first group of researchers argues that BED can be beneficial to firms and their shareholders (e.g., Carter et al., 2003; Gyapong et al., 2016; Ntim, 2015; Tee & Rassiah, 2020). This is because BED can enhance the quality of board decision-making by offering insights that might have otherwise been missed by a homogenous board. In opposition, others are of the opinion that BED can produce undesirable

consequences (e.g., Elmagrhi et al., 2016; Hewa Wellalage et al., 2012; Kolev & McNamara, 2020). This is due to the communication and coordination problems between directors from dissimilar ethnic backgrounds (Gyapong et al., 2016; Nguyen & Muniandy, 2020). Finally, a third group claims that BED does not affect firm value (e.g., Carter et al., 2010; Hartmann & Carmenate, 2020; Vairavan & Zhang, 2020). This is because the conflicts usually associated with ethnic diversity could neutralize its value effects (Carter et al., 2010). Given the intricacies of BED and the ongoing public policy debate regarding whether or not to enact legislations aimed at promoting ethnic diversity on corporate boards (see Muniandy, 2022), the purpose of this study is to offer an up-to-date systematic literature review (SLR) of the BED literature to enable researchers, policymakers, and practitioners to better understand the implications of ethnic diversity on corporate boards.

The growing academic interest in BED focuses mostly on its implications on corporate financial outcomes, such as accounting performance (Carter et al., 2003, 2010; Reguera-Alvarado & Bravo-Urquiza, 2020), innovation (Cao et al., 2021; Cook & Glass, 2015b), risk-taking (Bernile et al., 2018; Harjoto et al., 2018), earnings quality and management (Tee & Rassiah, 2020; Waweru, 2018), and stock market performance (Nguyen & Muniandy, 2020; Ntim, 2015). The implications are also studied on non-financial outcomes, such as corporate social responsibility (Harjoto et al., 2015a; Hartmann & Carmenate, 2020), board diversity policy and inclusion behaviors (Cook & Glass, 2015b; Li et al., 2018) and corporate governance practices (Buse et al., 2016; Cook & Glass, 2015a), to mention just a few. However, there is still a lack of synthesis of the existing literature to provide useful and integrated insights to academics, policymakers, and practitioners.

Furthermore, given the argument that the relationship between BED and corporate outcomes may be complex and indirect (Miller & Triana, 2009), more recent studies have shifted the focus to exploring non-linear relationships (e.g., Fredette & Sessler Bernstein, 2019; Gyapong

et al., 2016), interactions (e.g., Buse et al., 2016; Hartmann & Carmenate, 2020; Kolev & McNamara, 2020), and moderating and mediating variables (e.g., Miller & Triana, 2009; Reguera-Alvarado & Bravo-Urquiza, 2020; Vairavan & Zhang, 2020). However, integrative knowledge of these indirect channels does not exist.

More recently, there has been an increase in the number of studies investigating the antecedents of BED (e.g., Gyapong et al., 2016; Hillman et al., 2002; Mohamad-Yusof et al., 2018; Upadhyay & Triana, 2021). Unlike other aspects of board diversity for which a number of SLR studies have been published, yet and to the best of our knowledge and extensive literature search, there is no comprehensive SLR study providing insights into the factors that drive or impede BED in different countries, even though this can be extremely crucial for understanding the complex relationships between BED and corporate behaviors and outcomes.

According to several researchers (e.g., Paul et al., 2021; Shree et al., 2021; Snyder, 2019), the most rigorous and reliable scientific approach to integrating the accumulated body of knowledge in a fragmented field, such as BED is an SLR. Thus, we adopted a structured theme-based domain review approach to integrate the current understanding across multiple theoretical and methodological perspectives, contexts, constructs, and research themes (see Paul et al., 2021). Such synthesis is relevant when the topic of interest is scattered across different bodies of literature (Paul et al., 2021). Following a three-step SLR approach, we synthesized 113 peer-reviewed articles published in ABDC journals between 1992 and 2022. We analyzed the articles, mapping their results in an integrative framework (see Fig. 4).

The result shows that BED research has grown gradually since the global financial crisis, but there is still a lack of studies from Europe, Africa, and cross-country levels. This could be due to sensitive issues like ethnicity in Europe, lack of data in African countries, and preference

for single-country research to avoid institutional differences between countries that may affect the generalizability of the results. We also find that the field is dominated by quantitative studies with limited contextual information. Likewise, most prior studies are descriptive and lack theoretical background, while studies from emerging economies often rely on Western theories, ignoring institutional differences. Furthermore, researchers mainly explored the outcomes of BED, while studies on its antecedents are scarce and have tended to focus on firm-level determinants rather than individual, social, and country-level factors. Finally, the review indicates that the relationship between BED and corporate outcomes whether financial or non-financial is inconclusive. We argue that this can be attributed to methodological issues, such as omitted variable bias, reversed causality, endogeneity, and measurement errors.

Consequently, this article contributes to the extant literature in several ways. First, most previous SLR studies on board diversity have often considered it as a single construct (see e.g., Khatib et al., 2021; Lu et al., 2022; Zattoni et al., 2022) or mainly concentrated on the gender aspect (e.g., Kirsch, 2018; Nguyen et al., 2020). To the best of our knowledge, this is the first review with a specific focus on BED. Thus, we contribute to the board diversity literature by shedding light on the scattered research on BED, providing a state-of-the-art snapshot of the domain. Second, the study synthesizes multiple literature streams to provide an integrative framework that organizes previous empirical research in the form of a field map. This will not only enhance the current understanding of BED research but also serve as a guide for future researchers. Third, we identified a wide variety of antecedents of BED (i.e., individual, social, firm, country, and global level) and the factors underlying the underrepresentation of ethnic minorities in the boardrooms of different countries. Fourth, we uncovered inconsistencies in the existing literature regarding the relationship between BED and corporate outcomes. We also provided a holistic overview of the channels through which BED influences these outcomes. Furthermore, our study highlighted the interactive effect of

BED with other board attributes and their joint impact on corporate outcomes. Likewise, we identified several theoretical, methodological, analytical, and conceptual limitations that future research agendas would need to resolve in order to further enhance our understanding of BED research.

The remainder of this article proceeds as follows. The next section presents the methodology and then the review findings. This is followed by a discussion and future research agenda. Thereafter, we present the theoretical and practical implications and the limitations of the review. Finally, we present the conclusion.

2. Methodology

The study adopted an SLR to survey studies on BED, leveraging the benefits of this approach over traditional narrative reviews. First, the SLR methodology is the most informative scientific approach for rigorously and transparently identifying, selecting, and critically analyzing the relevant literature in a research domain (Paul et al., 2021; Shree et al., 2021; Snyder, 2019). Second, SLR follows a predetermined, reliable method for searching the literature and assessing the extant knowledge using a rigorous multi-level review strategy (Shree et al., 2021), hence eliminating bias and enhancing the quality and replicability of the review processes. Furthermore, SLR allows researchers to reconcile contradictory findings in previous research, identify research gaps, and develop a new and novel research agenda for a given field (Paul et al., 2021).

SLR can take several forms (see Paul et al., 2021 for a review). However, since we aim to develop themes and analyze theories, methods, constructs, and contexts to offer a more detailed understanding of the research within a particular field, we adopted a structured theme-based domain approach, as has also been applied by previous studies (see e.g., Shree et al., 2021). Our study observed the SLR procedures proposed by Tranfield et al. (2003) to

provide a rigorous assessment of the literature on BED. Following Nguyen et al. (2020), we applied a three-step approach to sampling, reviewing, and analyzing the studies. The first step involved the identification of the databases used to gather the relevant studies for the review. We eventually selected three reputable databases: Web of Science (WoS); Scopus; and Business Source Complete (EBSCOhost), which are frequently used for SLR studies (e.g., Banerjee et al., 2020; Bezemer et al., 2023) due to their broad coverage of high-quality scientific publications from different research areas. By combining these three databases, we were able to compare, contrast, and complement what was missing from each of the others (Nguyen et al., 2020).

We started the second step by identifying and building a pool of keywords and phrases following the best practices proposed by Bodolica and Spraggon (2018). The blocs of search strings identified include "board ethnic diversity" OR ("board ethnicity" and "corporate governance") OR "board ethnic minorities" OR ("ethnicity" and "board diversity") OR "board racial diversity" OR "race" OR "minority leaders" OR "board ethno-racial diversity" OR ("ethnicity" and "corporate board diversity") OR "board demographic diversity" OR "board characteristics" OR "board composition" OR "underrepresented directors" OR "racial minority directors". Consistent with previous systematic reviews (e.g., Banerjee et al., 2020; Bezemer et al., 2023), we used the identified pool of keywords and phrases to run our search in each of the databases in December 2020 and February 2022 to look for only articles published in English to avoid language barriers. However, following the recommendations of Snyder (2019), we did not limit our search to any specific research areas, journal outlets, or years to avoid missing relevant studies. Instead, we explored the general development of the field to incorporate a wide range of articles. As suggested by Paul et al. (2021), we restricted our search to only academic journals because they usually undergo rigorous peer review processes before publication. These initial search criteria yielded a total of 6,667 articles.

Following the SLR conducted by Banerjee et al. (2020) and Bezemer et al. (2023), we screened the titles, keywords, and abstracts of the articles to identify and eliminate duplicate studies (n=32). To further ensure objectivity in article inclusion and exclusion, three of the co-authors independently analyzed the articles, thereby revealing areas where there were minor discrepancies, which were subsequently resolved. We then eliminated studies on board diversity that did not primarily include BED as a variable (n=6,443). We also excluded articles on ethnic diversity that were not focused on boards of directors (n=51), that treated BED as moderating variables (n=5), and those that could not be accessed (n=3). Finally, we excluded working papers (n=2) and studies that utilized BED alongside other board attributes to construct a composite diversity index without disentangling the effect of BED in their analysis (n=6). This screening process resulted in (n=125) relevant studies. Following Bodolica and Ponomareva (2020), we applied the ancestry approach from bibliometric analysis to complement the database search. This involves tracking down and screening the references cited by the relevant studies identified in the database to find the initial sources and then continuing searching for these sources until there are no further references (Bodolica & Spraggon, 2018). This process resulted in the identification of 22 additional articles that were included in the review. Finally, we subjected the 147 articles identified in the two last stages to quality assessment using the Australian Business Deans Council (ABDC) 2022 journals rank list². The aim is to generate reliable and high-quality evidence that policymakers and practitioners can rely upon. This resulted in the elimination of 34 articles that were not on the ABDC list. Thus, our final sample consists of 113 articles. Figure 1 shows a summary of the data collection phase.

²We employed the ABDC journal rankings as a means of assessing the quality of journal outlets in our study. This choice was made due to its suitability for evaluating the quality of publications in an emerging research field like BED (see, Paul et al., 2021). This is because unlike alternative academic journal rankings (e.g., CABS, FT and UTD rankings) that are often elitist and exclusive in their approach, the ABDC is able to set a minimum quality threshold that peer reviewed academic journals need to meet in order to be ranked, whilst being inclusive and interdisciplinary in its orientation. This ensured that we were able to sample a larger number of relevant quality peer reviewed studies than would not have been possible if we were to apply any of the exclusive alternative academic journal rankings lists.

The third step involved the analysis of the samples. From each of the studies, we extracted and coded the following: (i) description information (i.e., year of publication, discipline, geographical focus (single country or cross-country), sample size, type of firm studied, and sector); (ii) type of research approach used (i.e., qualitative, quantitative or mixed approach) and whether there was any consideration of moderating and mediating variables, interaction or non-linear relationships; (iii) theoretical perspectives; and (iv) themes covered by the study (i.e., antecedents, barriers or outcomes). This analysis provided the background for categorizing and mapping the studies into a multi-dimensional integrative framework as will be discussed in the latter part of the study.

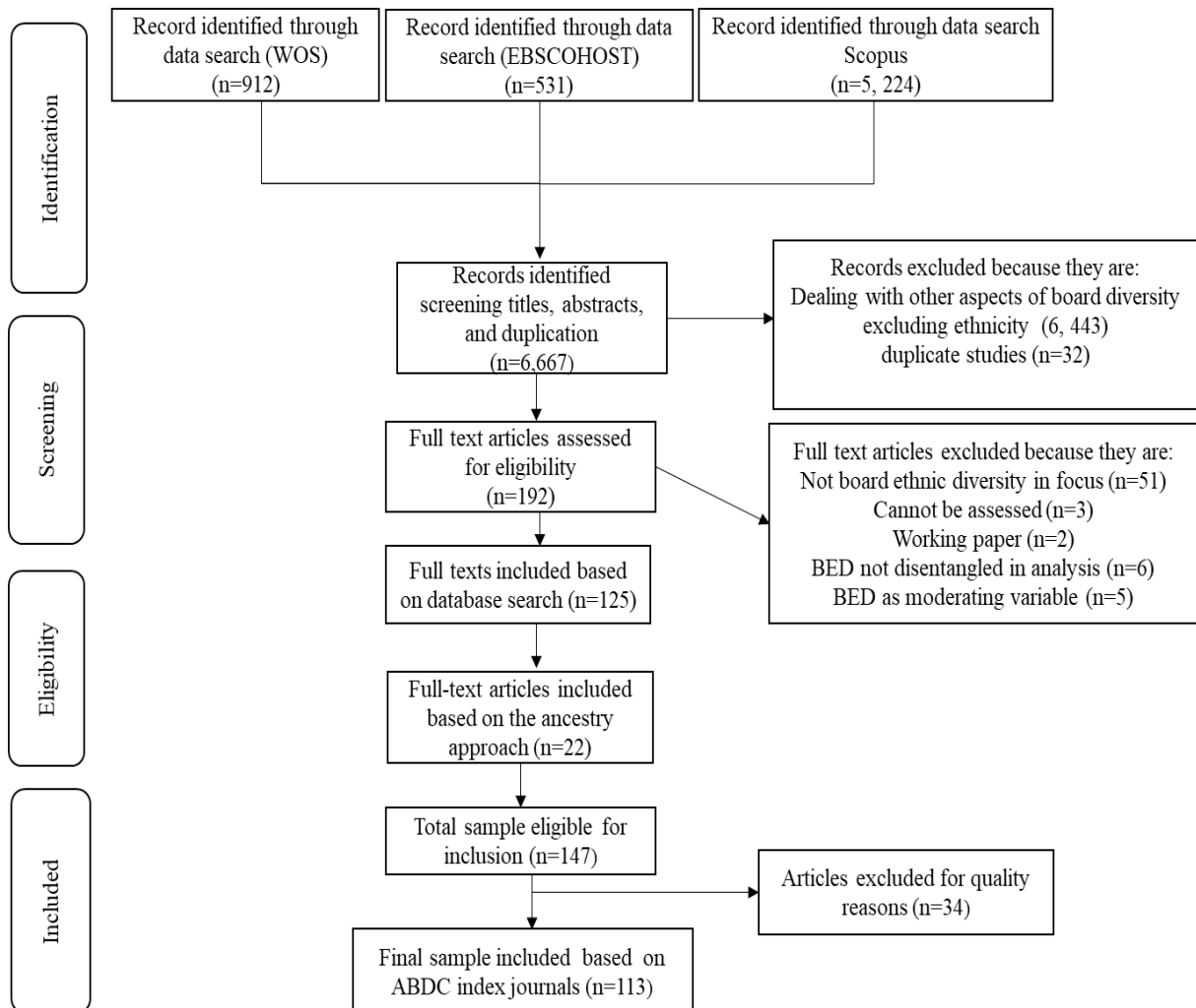


Figure 1. Prisma flowchart

3. Results

3.1 Summary descriptive statistics

Figure 2 presents the annual distribution of the studies included in the review. The articles were published from 1992 to 2022 but yielded significant growth in the number of articles (80.53%) after the global financial crisis.

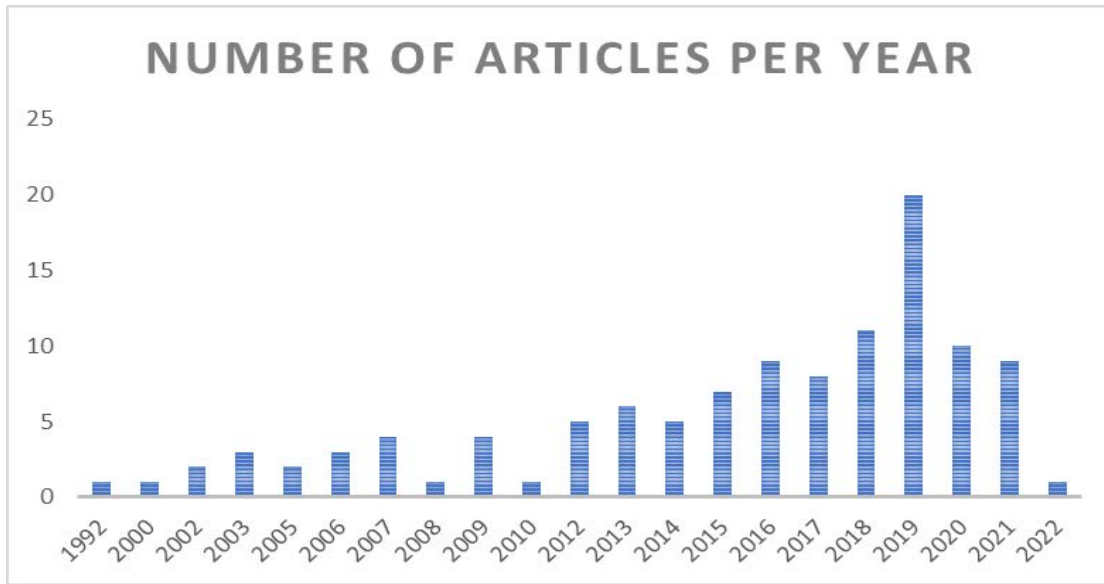


Figure 2. Number of articles by year of publication

The result shows that the studies were published in 68 journals across six disciplines (see Table 1). The vast majority appeared in the management (51.33%), accounting (23.89%) and finance (15.93%) domains (see Panel A of Table 2). In terms of the distribution of articles by journal outlets, the journals with the highest interest in BED research are *Corporate Governance (Bingley)* (n=12, 10.62%), *Journal of Business Ethics* (n=7, 6.19%), and *Corporate Governance: An International Review* (n=5, 4.42%) (see Panel B of Table 2).

Table 1. Classification of studies by Journal and subject area.

Discipline	Journal outlets	ABDC RANKING	No. of studies	(%)
Accounting	<i>Accounting & Finance</i>	A	2	1.77
	<i>Australasian Accounting, Business and Finance Journal</i>	B	1	0.88

	<i>Accounting Research Journal</i>	B	1	0.88
	<i>Asian Journal of Accounting and Governance</i>	C	1	0.88
	<i>Critical Perspectives on Accounting</i>	A	2	1.77
	<i>International Journal of Disclosure and Governance</i>	B	2	1.77
	<i>International Journal of Accounting & Finance</i>	C	1	0.88
	<i>Journal of Accounting in Emerging Economies</i>	B	2	1.77
	<i>Journal of Business Finance and Accounting</i>	A*	2	1.77
	<i>Managerial Auditing Journal</i>	A	3	2.65
	<i>Asian Review of Accounting</i>	B	3	2.65
	<i>Pacific Accounting Review</i>	B	2	1.77
	<i>Journal of Islamic Accounting and Business Research</i>	C	1	0.88
	<i>Accounting, auditing & accountability journal</i>	A*	1	0.88
	<i>Corporate Ownership and Control</i>	B	1	0.88
	<i>International Journal of Accounting</i>	A	1	0.88
	<i>Meditari Accountancy Research</i>	A	1	0.88
Finance	<i>Managerial Finance</i>	B	1	0.88
	<i>International Journal of Finance & Economics</i>	B	1	0.88
	<i>Journal of Multinational Financial Management</i>	B	1	0.88
	<i>International Journal of Financial Studies</i>	B	1	0.88
	<i>Pacific-Basin Finance Journal</i>	A	2	1.77
	<i>Financial Review</i>	A	1	0.88
	<i>Journal of Empirical Finance</i>	A	1	0.88
	<i>International Journal of Managerial Finance</i>	A	1	0.88
	<i>Financial Management</i>	A	1	0.88
	<i>Journal of Financial Economics</i>	A*	2	1.77
	<i>International Journal of Finance & Economics</i>	B	1	0.88
	<i>Applied Finance Letters</i>	B	1	0.88
	<i>Asia-Pacific Journal of Financial Studies</i>	B	1	0.88
	<i>International Review of Financial Analysis</i>	A	2	1.77
	<i>Journal of Banking & Finance</i>	A*	1	0.88
Business and tax	<i>International Journal of Corporate Governance</i>	B	3	2.65
	<i>Canadian Business Law Journal</i>	A	1	0.88
Marketing/Tourism/Logistics	<i>Journal of Business Research</i>	A	2	1.77
Management	<i>Social Responsibility Journal</i>	B	1	0.88
	<i>Journal of African Business</i>	C	2	1.77
	<i>Corporate Governance (Bingley)</i>	C	12	10.62
	<i>Long Range Planning</i>	A	1	0.88
	<i>Journal of Business Ethics</i>	A	7	6.19
	<i>Corporate Social Responsibility and Environmental Management</i>	C	1	0.88
	<i>Asia-Pacific Journal of Business Administration</i>	C	1	0.88
	<i>British Journal of Management</i>	A	1	0.88
	<i>Learning Organization</i>	C	1	0.88
	<i>Journal of Small Business Management</i>	A	1	0.88
	<i>International Journal of Business and Society</i>	C	1	0.88
	<i>Non-profit and Voluntary Sector Quarterly</i>	A	3	2.65
	<i>Journal of Management & Organization</i>	B	1	0.88
	<i>Strategic Organization</i>	A	1	0.88
	<i>Journal of Management and Governance</i>	C	1	0.88
	<i>Journal of Asia-Pacific Business</i>	C	1	0.88

	<i>Administrative Science Quarterly</i>	A*	2	1.77
	<i>Journal of Management Studies</i>	A*	2	1.77
	<i>International Journal of Human Resource Management</i>	A	1	0.88
	<i>Corporate Governance: An International Review</i>	A	5	4.42
	<i>Academy of Management Journal</i>	A*	3	2.65
	<i>Journal of management</i>	A*	1	0.88
	<i>Human Resource Management</i>	A*	1	0.88
	<i>Human Relations</i>	A*	1	0.88
	<i>Employee Relations: The International Journal</i>	B	1	0.88
	<i>Industrial Relations: A Journal of Economy and Society</i>	A*	2	1.77
	<i>Work and Occupations</i>	A	1	0.88
	<i>Nonprofit Management and Leadership</i>	B	1	0.88
	<i>Journal of Applied Management and Entrepreneurship</i>	C	1	0.88
Economics	<i>Gender in Management</i>	C	1	0.88
	<i>Economics Bulletin</i>	C	1	0.88
	<i>International Journal of Monetary Economics and Finance</i>	C	1	0.88
	<i>The Indian Economic Journal</i>	B	1	0.88
Total			113	100

Table 2. Number of studies by discipline and journal outlets with the highest publications

Panel A: Number of studies by discipline			Panel B: Journals with highest number of studies		
Discipline	No. of studies	(%)	Name of Journal	No. of studies	(%)
Management	58	51.33	Corporate Governance (Bingley)	12	10.62
Accounting	27	23.89	Journal of Business Ethics	7	6.19
Finance	18	15.93	Corporate Governance: An International Review (Wiley)	5	4.4
Economics	4	3.54			
Business and tax	4	3.54			
Marketing/tourism/logistics	2	1.77			
Total	113	100			

The vast majority of the studies explored single-country data (94.69%), mainly focusing on the US (n=44) and Malaysia (n=27), possibly due to the high level of political interest in BED in these countries. In contrast, although Africa³ is often regarded as one of the most ethnically

³The exception is South Africa, where there is a relatively high number of studies (12 studies), apparently reflecting historical racial challenges in the form of Apartheid and the subsequent high political interests

diversified continents in the world, emerging African economies and the European context accounted for fewer studies. We observed a clear scarcity of cross-country studies (5.31%) (see Panel A of Table 3). In terms of sampling, the studies mainly collected data from large firms listed in various sectors of national stock exchanges or top S&P 500, Fortune 500, and Forbes 500 firms while ignoring smaller firms. About 43.36% of the articles analyzed samples of fewer than 200 firms, while only 14.16% reported samples of 1,000 or more firms (see Panel B of Table 3). Panel D of Table 3 shows a clear dominance of quantitative studies (n=109, 96.46%) over the qualitative (n=2, 1.77%), mixed-method (n=1, 0.88%), and conceptual (n=1, 0.88%) approaches. The studies mainly analyzed data from existing surveys, questionnaires, annual reports, and commercial archival databases. Only two studies collected data using semi-structured interviews.

Table 3. Number of studies by country, sample size, theories applied, and research approach.

Panel A: Countries			Panel B: Sample Size			Panel C: No. of theories applied		
Country	No. of studies	(%)	Ranges	No. of studies	(%)	No. of theories	No. of studies	(%)
US	44	38.94	15-19 firms	49	43.36	Single theory	44	38.94
Malaysia	27	20.30	200-499 firms	25	22.12	2-6 theories	36	31.86
South Africa	12	10.62	500-999 firms	22	19.47	No theory specified	33	29.20
Nigeria	4	3.54	1000 firms+	16	14.16	Total	113	100
UK	5	4.42	No sample (conceptual)	1	0.88			
Canada	4	3.54	Total	113	100			
Pakistan	3	2.65	Panel D: Research approach					
Sri Lanka	3	2.65	Empirical	112	99.12			
Indonesia	2	1.77	Conceptual	1	0.88			
Australia	2	1.77	Total	113	100			

following the collapse of Apartheid in 1994 in the form of the introduction of affirmative action policies, such as the black economic empowerment.

New Zealand	1	0.88	Quantitative	109	97.32			
Cross-country	6	5.31	Qualitative	2	1.79			
Total	113	100	Mixed method	1	0.89			
			Conceptual	1	0.89			
			Total	113	100			

In terms of modeling, ordinary least square (OLS) regression is the most widely used modeling approach (42.18%), while complex analytical methods, such as structural equation modeling (SEM) only appear in a marginal proportion (3.40%) (see Figure 3).

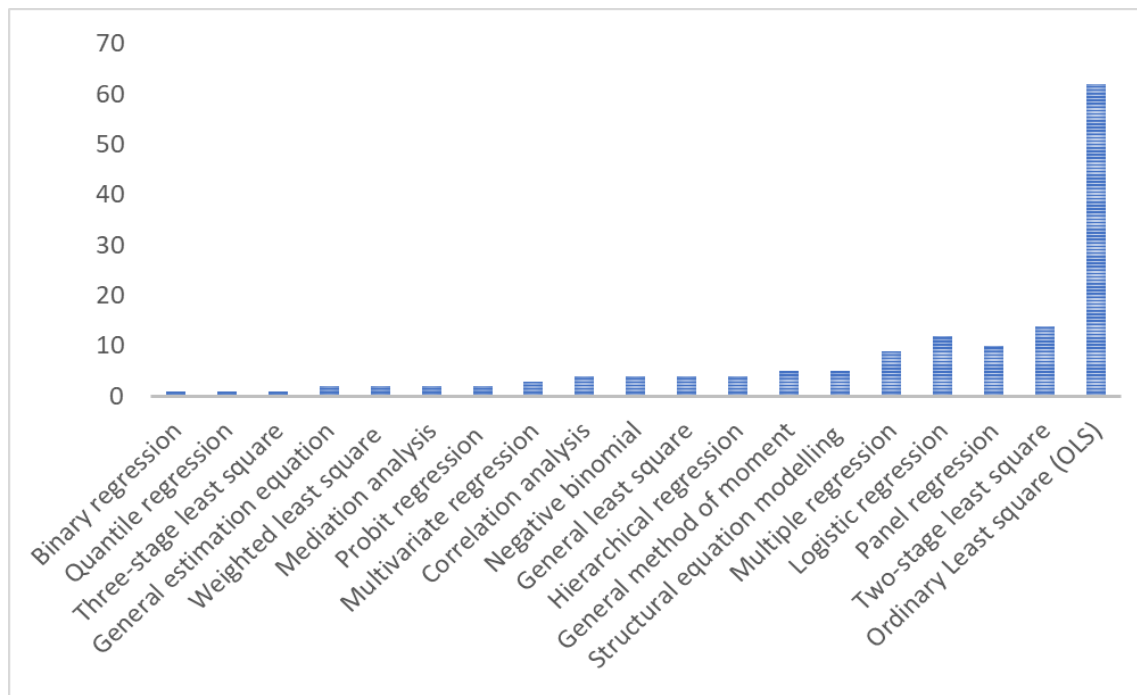


Figure 3. Number of studies by the modelling approach

The studies analyzed indicate that BED can be conceptualized in terms of ethnic, racial, and ethno-racial characteristics. However, most prior research mainly focused on analyzing the ethnic characteristics of directors (n=83, 73.45%). Twenty-five studies conceptualized BED from a racial lens, while far fewer studies (n=5) utilized ethno-racial characteristics (see Panel A of Table 4). According to Panel B of Table 4, out of the quantitative studies that

operationalized BED, 81(71.68%) measured it using fractions, percentages, and dummy variables, whilst despite the fact that the BLAU index has been suggested as one of the most suitable measures to capture heterogeneity among diverse groups (Miller & Triana, 2009; Tee & Rassiah, 2020), only 25.67% of the studies in our sample measured BED using this index.

Table 4. Conceptualization and operationalization of BED

Panel A: Conceptualization			Panel B: Operationalization		
Concept	No. of studies	(%)	Measure designation	No. of studies	(%)
Ethnic characteristics	83	73.45	% of ethnic directors	58	51.33
Racial characteristics	25	22.12	Blau index	29	25.67
Ethno-racial	5	4.43	Dummy	23	20.35
Total	113	100	No measures	3	2.65
			Total	113	100

Note: Those without measures are qualitative and conceptual studies

3.2 Theoretical findings

According to our sample, 44 articles (38.94%) adopted single-theory perspectives (see Panel C of Table 3). However, a considerable number (n=36, 31.86%) combined between 2-6 theories, while about 33 (29.20%) did not refer to any theory (see Panel C of Table 3). We observed no significant difference between the theories applied by studies from developed and developing countries, as researchers from both contexts have adopted similar theoretical lenses. Through the analyses of the sampled literature, we find that the studies have used a wide range of theories (n=37) to inform BED research (see Table 5). We categorized these theories into economic and corporate governance theories and, social and psychological theories. Next, we present the review findings for the different theoretical perspectives.

Table 5. Classification of the theories applied and frequency of use

Discipline	Theory	No. of studies
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Economics and corporate governance theories	Agency theory	55
	Resource dependence theory	31
	Stakeholder theory	15
	Upper Echelon	11
	Resource-based view	5
	Signaling theory	4
	Legitimacy theory	4
	Critical mass theory	4
	Tokenism theory	4
	Behavioral theory of the firm	2
	Managerial hegemony theory	2
	Crony capitalism theory	1
	Human capital theory	1
	Geographical proximity theory	1
	Pecking order theory	1
	Managerial power theory	1
	Entrenchment effect theory	1
	Social capital theory	1
	Contingency theory	1
	Team learning theory	1
Sociology and psychology	Social identity theory	5
	Social categorization theory	4
	Similarity attraction theory	3
	Social psychology theory	2
	Self-categorization theory	2
	Inter-group relation theory	2
	Neo-institutional theory	2
	Institutional theory	2

Note: Other sociology and psychology theories such as social interaction theory, visibility threat theory, cultural trait theory, ethnic matching theory, status characteristics theory, social theory of decision-making, information processing theory, rational demography theory, and political economy theory were applied in one study each.

3.2.1 Economic and corporate governance theories

Agency (n=55) and resource dependency (n=31) theories are by far the most widely used theoretical perspectives. This could stem from the fact that ethnic directors are often viewed from their monitoring and resource provision roles (Gyapong et al., 2016). Agency theory (AT) describes the conflicts between principals (shareholders) and agents (managers) (Wang & Coffey, 1992), from the viewpoint that ethnic directors could help to mitigate these conflicts through their stronger monitoring functions (Guest, 2019). Resource dependency theory (RDT), on the other hand, suggests that BED can assist firms in gaining easy access to

critical resources in their operating environments (Ntim, 2015). While AT has been the most widely used theory in BED research, it does not provide a clear-cut prediction of the relationship between BED and corporate outcomes (Carter et al., 2003, 2010). RDT appears to offer a more direct link between the two (Carter et al., 2010), but the literature highlights the limitations of both AT and RDT. For instance, AT focuses excessively on distrust and abuse of executive powers (Sarhan et al., 2019) and ignores the institutional context and social relationships that might affect human behaviors (Filatotchev & Wright, 2017). The RDT, on the other hand, focuses majorly on financial stakeholders (Sarhan et al., 2019). This may be one of the main reasons why recent studies have often combined AT with RDT or other theories to overcome these limitations to provide a better understanding of the impact of BED on corporate outcomes (e.g., Mudiyansele, 2018; Tee & Rassiah, 2020).

The stakeholder theory (n=15) is the next most commonly used theory in BED research. The stakeholder theory holds that firms are social institutions whose obligations exceed their fiduciary duties to their shareholders. As such, firms have to balance the needs of other stakeholder groups to survive (Fernandez & Thams, 2019). Based on this argument, the studies in our sample majorly used it to examine the relationship between BED and corporate non-financial outcomes, such as CSR performance (Harjoto et al., 2015a), corporate transparency disclosure (Nel et al., 2020) and stakeholders management (Fernandez & Thams, 2019). The review shows that the findings from most of these studies support this theory. Other commonly used theories include the upper echelon theory (11), the resource-based view (n=5), and the critical mass theory (n=4). According to the upper-echelon theory, the demographic composition of the board plays a vital role in predicting the strategic action of the firms (Vairavan & Zhang, 2020). Based on this theoretical perspective, recruiting ethnic directors into boards can enhance information access due to their broader perspectives and network ties (Vairavan & Zhang, 2020). Consequently, this theory has been applied mostly by

the studies in our sample to investigate the impact of BED on financial performance. However, the findings remained mixed. The resource-based view was mostly used to investigate the impact of BED on firms' non-financial performance, such as CSR disclosures. Nonetheless, none of the studies supported this theory (e.g., Katmon et al., 2019), but it seems to be supported by studies that explored corporate financial outcomes (e.g., Ghazali et al., 2019). The critical mass theory holds that increasing the number of ethnic directors on boards could enable them to engender better corporate performance. Interestingly, the studies that applied this theory in our sample yielded contradictory findings.

3.2.2 Social and psychological theories

We note that sociology and psychology theories are still under-utilized in the BED research field. These theories were mainly used to explore the antecedents and barriers to BED. For example, Westphal and Stern (2007) applied self-categorization and social categorization to show how the similarities of ethnic minorities with the incumbent directors can increase their chances of being appointed to board positions. Cook and Glass (2017) utilized ethnic matching and visibility threat theories to examine how industry and community-level factors hinder or lead to the emergence of ethnic directors whereas Mohamad-Yusof (2018) applied historical institutionalism theory to explain how ethnic politics can lead to an increase in ownership structure and greater representations of ethnic directors on boards. Only a few studies have used these theories to question how behavioral dynamics and social interactions among directors of diverse ethnic backgrounds impact corporate outcomes (e.g., Abebe & Dadanlar, 2021; Cao et al., 2021; Harjoto et al., 2018).

3.3 Empirical findings

We synthesized the studied articles into a multi-dimensional integrative framework (see Figure 4). The aim is to enhance the understanding of BED research. Specifically, we broadly classified the studies into three categories. The first category analyses the findings on the

antecedents and barriers to BED. The second category contains studies that synthesize its outcomes. The last part of the integrative framework presents results from studies that analyzed BED-firm outcomes moderating and mediating variables and the interaction between BED and other board attributes.

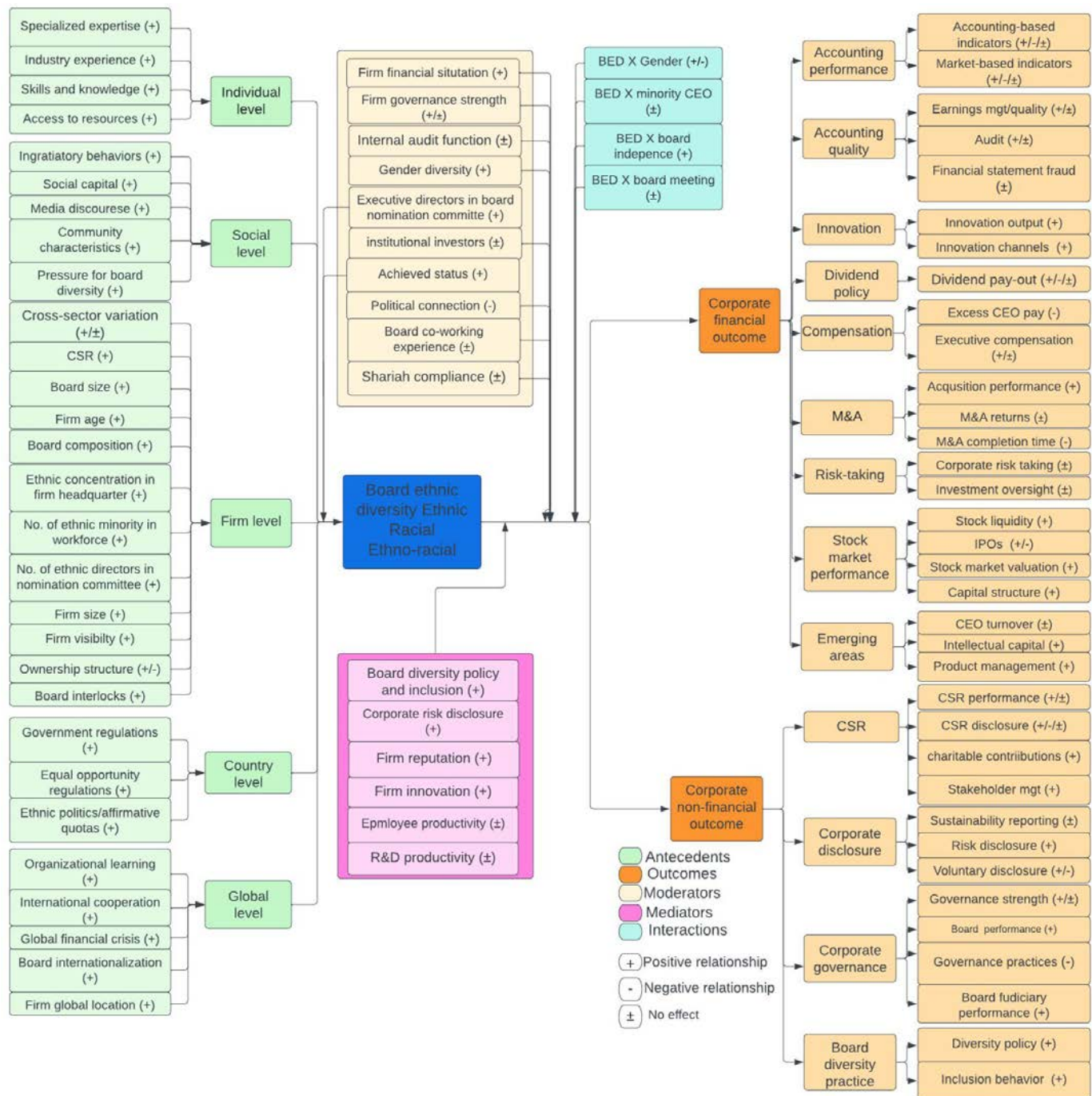


Figure 4. Integrative framework

3.3.1 Antecedents of BED

The analyzed studies highlight a wide variety of antecedents that facilitate the recruitment of ethnic directors into the boardrooms of different countries. We categorized these antecedents into five levels (i.e., firm, social, country, individual, and global). It should be noted that only very few studies examined the antecedents, but some explored more than one level (see Table 6).

Table 6. Classification of BED antecedents

Category	Articles	Geographical focus	No. of studies
Firm-level	Glass & Cook, 2017; Rose & Bielby, 2011; Brammer et al., 2007; Singh, 2007; Walt & Ingley, 2003, Mans-Kemp & Viviers, 2019; Carter et al., 2003; Wang & Clift, 2009; Bernadi et al., 2005; Gyapong et al., 2016.	Malaysia (n=1). US (n=3). UK (2). New Zealand (n=1). South Africa (n=1) Australia (n=1) Cross-country (n=1)	10
Social-level	Walt & Ingley, 2003; Westphal & Stern, 2007; Zhu et al., 2014; Hillman et al., 2002; Singh, 2007; Walt & Ingley, 2003; Bradshaw & Fredette, 2013.	US (n=3). New Zealand (n=1). UK (n=1) New Zealand (n=1) Canada (n=1)	7
Country-level	Mohamad-Yusof et al., 2018; Walt & Ingley, 2003; Rose & Bielby, 2011; Singh, 2007; Upadhyay et al., 2021.	Malaysia (n=1). New Zealand (n=1). US (n=2), UK (n=1).	5
Individual-level	Hillman et al., 2002; Singh, 2007; Walt and Ingley, 2003; Westphal & Stern, 2007.	US (n=2). New Zealand (n=1). UK (n=1).	4
Global-level	Singh, 2007; Gyapong et al., 2016;		2

Firm-level antecedents (n = 10)

The articles reveal several firm-level factors that can influence the emergence of ethnic directors. First, the presence of a greater number of ethnic directors on board nomination committees can increase the likelihood of appointing directors from broad ethnic backgrounds (Mans-Kemp & Viviers, 2019). Furthermore, board size and composition (Brammer et al., 2007), firm size, age, and visibility have also been associated with the emergence of ethnic

directors (Bradshaw & Fredette, 2013; Rose & Bielby, 2011; Wang & Clift, 2009). Cross-sector variations among firms (Rose & Bielby, 2011) and the need to attract legitimacy through CSR can also facilitate the emergence of ethnic directors (Bernardi et al., 2005; Singh, 2007; Walt & Ingley, 2003). Additionally, board interlocks (Rose & Bielby, 2011) and ownership structure, especially government ownership equally influence the appointment of ethnic directors (Gyapong et al., 2016). However, executive and foreign ownership attenuate it (Gyapong et al., 2016). Additional factors comprise the overall ethnic minority workforce size and the concentration of ethnic minorities in the geographic area, where the firm's headquarters are situated (Glass & Cook, 2017). Nevertheless, the number of ethnic minority CEOs in a firm's workforce does not affect the recruitment of ethnic minority directors (Glass & Cook, 2017).

Social-level antecedents (n = 7)

The social-level antecedent is another most (25%) explored factor that can influence the appointment of ethnic directors. First, socially shared characteristics with incumbent directors such as elite educational backgrounds, work experience, membership in the same prestigious clubs, functional areas of expertise, and top executive experience may lead to the emergence of ethnic directors (Hillman et al., 2002; Westphal & Stern, 2007; Zhu et al., 2014). Furthermore, ethnic minorities who lack elite credentials can secure board appointments through ingratiation behaviors towards their peer directors who control access to board appointments (Westphal & Stern, 2007). Ethnic minorities can also secure board appointments based on their social capital, such as network ties and linkages to external constituencies, such as government, community, public, charity, and educational institutions (Hillman et al., 2002; Singh, 2007; Walt & Ingley, 2003). In addition, media discourse and scrutiny can also lead to the recruitment of ethnic directors (Rose & Bielby, 2011), as can

community characteristics and socio-economic pressures for board diversity (Bradshaw & Fredette, 2013; Rose & Bielby, 2011; Walt & Ingley, 2003).

Country-level antecedents (n = 5)

Few studies investigated the country-level antecedents (17.87%). Politics and affirmative post-colonial actions have been identified as important country-level factors that can lead to the appointment of ethnic directors (Mohamad-Yusof et al., 2018; Upadhyay & Triana, 2021). The intensity of government regulation is another country-level factor that can result in the emergence of ethnic directors (Rose & Bielby, 2011). Government regulations intended to promote good governance practices (Upadhyay & Triana, 2021) and equal opportunity regulations also increase the likelihood of hiring ethnic minority directors (Rose & Bielby, 2011).

Individual-level antecedents (n = 4)

Much fewer studies examined the individual level antecedents (14.29%). The analyzed studies show that people from diverse ethnicities can become directors based on their expertise, educational qualifications, and competence (Singh, 2007; Walt & Ingley, 2003; Westphal & Stern, 2007), industry experience, and access to strategic resources (Singh, 2007; Walt & Ingley, 2003).

Global-level antecedents (n = 2)

The global-level antecedents are the least explored (7.14%). Some of the factors highlighted by the literature include board internationalization, global location of firms, organizational learning, especially cross-cultural and cross-sector, the need for international cooperation (Singh, 2007), and the global financial crisis (Gyapong et al., 2016).

3.3.2 Barriers to BED (n = 12)

There is a general paucity of studies on the barriers to BED. A few studies suggested that the longstanding discrimination and social biases against ethnic minorities may have been attenuated in the director labor market due to the growing social pressure for board diversity (e.g., Jiraporn et al., 2009; Peterson et al., 2007). However, the greater majority of the articles denied this evidence but rather argued that ethnic minorities still face some social barriers and subtle discriminations that reduce their chances of securing board appointments (e.g., McDonald & Westphal, 2013; Westphal & Stern, 2007), and even when they successfully enter boardrooms, it is usually difficult for them to be appointed to positions in senior board leadership no matter how advanced their educational qualifications are (e.g., Field et al., 2020; Tuggle et al., 2021; Westphal & Milton, 2000). Previous empirical finding also shows that ethnic minorities perceive less influence on board decision-making processes and strategic actions of their firms, especially when they lack third-party network ties or common membership with majority directors (Westphal & Milton, 2000). They also claim not to participate actively in board meetings due to their lower ascribed status (Tuggle et al., 2021). Moreover, they stand fewer chances of being retained or promoted to key boardroom positions (Chidambaran et al., 2022), or holding multiple seats on the board (McDonald & Westphal, 2013). Additionally, some ethnic minority directors receive lower compensation (Guest, 2017), less promotion, and a higher likelihood of demotion and turnover (Guest, 2016). The literature attributed these findings to several factors, including glass ceiling, competency gap, in-group bias, inability to obtain referrals from incumbent directors, lack of sufficient mentoring by experienced directors (especially on all-white boards), and heavy reliance on social networks for recruiting new directors (Gyapong et al., 2016; McDonald & Westphal, 2013; Westphal & Stern, 2007; Zhu et al., 2014).

3.3.3. Outcomes (n = 104)

Most of the studies in our sample focused on the outcomes of BED. For review purposes, we classified them into financial and non-financial.

Financial outcomes (n = 75)

The vast majority of the studies in our sample focused on this category. To analyze them, we included articles on accounting performance, stock market performance, accounting quality, merger and acquisition (M&A), compensation, dividend policy, corporate risk-taking, firm innovation, CEO turnover, intellectual capital performance, and product management.

The impact of BED on accounting performance is the most examined of the financial outcomes (n = 39/75). Studies in this category mostly explored direct linear relationships, only a few of them provided evidence of non-linear links (e.g., Gyapong et al., 2016) and critical mass logic (e.g., Salloum et al., 2019). Accounting and market-based indicators (ROA, ROE, Tobin's Q) were mainly used to measure firms' accounting performance. However, irrespective of the measures adopted, the studies yielded inconclusive findings. The review suggests that this could be partly attributed to methodological limitations, such as endogeneity, the use of limited samples, and differences in how BED is measured and conceptualized. The vast majority of the studies (n = 22) recorded a positive effect of BED on accounting performance (e.g., Carter et al., 2003; Erhardt et al., 2003; Gyapong et al., 2016). By contrast, a considerable number of studies (n = 14) also reported no effect (e.g., Carter et al., 2010; Guest, 2019). One reason for this could be that the conflicts usually associated with BED may have neutralized its positive impacts (Carter et al., 2010). Interestingly, it appears that BED only has a negative impact on the accounting performance of firms in developing countries (Garba & Abubakar, 2013; Rachagan et al., 2015; Scholtz & Kieviet, 2018).

We noticed a growing number of studies that investigated the impact of BED on financial accounting reporting quality; however, the findings are equally mixed. For instance, Al-Absy et al. (2019), and Waweru (2018) reported that BED significantly constrains earnings management because ethnic directors are often associated with greater accounting conservatism (Yunos et al., 2012). The studies also reveal that BED significantly improves earnings quality (Hashim & Ahmed, 2019; Tee & Rassiah, 2020) by promoting stronger internal monitoring mechanisms (Tee & Rassiah, 2020). In contrast, Wan Mohammad and Wasiuzzaman (2020) and Abdul Rahman and Haneem (2006) found no significant impact of BED on the mitigation of earnings management. BED improves audit quality and reduces audit delay (Harjoto et al., 2015b) and external audit fees (Yatim et al., 2006). It also has a positive influence on auditors' choices, but only between switches from non-Big 4 to Big 4 firms (Nazri et al., 2012). Contrarily, Johl et al. (2012) denied the significant effect of BED on audit fees. Only Guest (2019) examined the association between BED and financial statement fraud and found that it does not reduce the likelihood of financial accounting irregularities among US firms.

A number of studies offered evidence on the relationship between BED and firms' stock market performance and most of them found a positive link. Specifically, BED has a positive non-linear association with higher stock liquidity (Nguyen & Muniandy, 2020), and also lowers the cost of debt in politically connected firms (Tee, 2019). It is also positively associated with the amount of capital raised during IPOs (Badru et al., 2017). After finding no evidence of a significant non-linear relationship, Ntim (2015) concluded that BED has direct positive effects on stock market valuation. This author also claims that BED is more value-relevant in the stock market than gender. Likewise, BED has a positive effect on trustees' short and long-term debts (Elmagrhi et al., 2018). It seems that BED has a negative impact on new firms trying to raise equity capital from the stock market of emerging countries.

Specifically, Hearn (2012) utilized a cross-country sample from 14 Sub-Saharan African countries and found that BED is associated with higher under-pricing of IPOs.

Regarding the impact of BED on dividend policy, the studies are limited, though they yielded mixed evidence that is explained by factors, such as varying proxies for BED and dividend policy. Particularly, some studies found that companies facing free-cash agency problems are more likely to pay a higher dividend when they have a greater number of ethnic directors (Ahmed AL-Dhamari et al., 2016; Byoun et al., 2016), and this is more pronounced for firms with high concentrations of ownership (Ahmed AL-Dhamari et al., 2016), entrenched management, free cash flow, and low CEO ownership (Byoun et al., 2016). However, a few other studies found a negative effect (Subramaniam & Sakthi, 2021) or insignificant impact (Ahmed AL-Dhamari et al., 2016), when dividend policy is measured using dividend yield.

Fewer studies examined the relationship between BED and compensation, and these produced different findings. For instance, Abdul et al. (2018) found a positive effect of BED on monitoring the total remuneration of directors. Similarly, Enos and Gyapong (2017) found that BED checkmates excess CEO pay in poorly governed firms. Contrarily, Guest (2019) and Sarhan et al. (2019) found an insignificant monitoring effect of BED on executive pay.

It seems that the few studies on the relationship between BED and corporate innovation only focus on the US context. Interestingly, these studies reported that BED has a positive effect on firm innovation (e.g., Cook & Glass, 2015b; Miller & Triana, 2009). One study from the same context explored the channels through which BED influences corporate innovation. Specifically, Cao et al. (2021) found that the main channel through which BED can foster innovation is the creation of a collaborative and inclusive work environment for ethnic minority directors.

Studies that analyzed the impact of BED on M&A are extremely scarce, and they have generated a variety of results. In particular, Ibrahim et al. (2019) documented a positive effect of BED on firms' cross-border acquisition performance. In contrast, Guest (2019) reported that BED does not improve M&A returns. Kolev and McNamara (2020), on the other hand, found a negative effect. Also, very little empirical evidence exists regarding the relationship between BED and corporate risk-taking and investment oversight, and the few studies that did cover this issue yielded insignificant effects. Specifically, Bernile et al. (2018) found an insignificant impact of BED on corporate risk-taking using data drawn from US firms, as did Harjoto et al. (2018), who explored data from the same context and found the same result for corporate investment oversight, and particularly suboptimal investment. This may be explained by the fact that these studies mainly explored direct linear associations without incorporating contextual factors that could foster this relationship.

Finally, we observed some emerging areas of corporate financial outcomes in the BED research stream. However, these are still underexplored, one study each has examined these areas. For instance, Cook and Glass (2015b) explored the impact of BED on product management and found a positive influence on firms' product strength. Swartz and Firer (2005) documented a positive association between BED and firms' intellectual capital performance. On the other hand, Guest (2019) examined the impact of BED on CEO turnover and found an insignificant effect.

Non-financial outcomes (n = 29)

Fewer studies in our sample explored corporate non-financial outcomes as opposed to financial ones. In reviewing these studies, we incorporated those on CSR, firm corporate governance practices, corporate disclosures, and diversity policy and practices, including inclusion behaviors.

Most of the studies in this area focus on CSR. However, just like those on financial outcomes, researchers were mainly interested in exploring direct linear relationships. Only very few of them explored the critical mass logic and non-linear links (e.g., Abebe & Dadanlar, 2021; Fredette & Sessler Bernstein, 2019). Specifically, Fredette and Sessler Bernstein (2019) provided evidence of a cubic (S-shaped) pattern, as well as second-order quadratic (U- or inverted U-shaped) patterns in the relationship with periods of accelerating and decelerating effects. Overall, the studies yielded inconclusive findings, but the majority of them especially those from developed countries like the US, Australia, and Canada reported positive effects. Specifically, BED significantly improves CSR performance and ameliorates stakeholder CSR concerns for US firms engaged in manufacturing activities (Harjoto et al., 2015a). It also has a positive impact on CSR disclosure (Osemeke & Osemeke, 2017), stakeholder management (e.g., Fredette & Sessler Bernstein, 2019), and charitable contributions of firms (Wang & Coffey, 1992). BED likewise makes firms more responsive to CSR issues in their host communities (Azmat & Rentschler, 2017). A smaller number of studies, however, reported insignificant effects of BED on certain aspects of CSR, such as performance (Hafsi & Turgut, 2013), and disclosure practices (Hartmann & Carmenate, 2020; Katmon et al., 2019). Only one study from an emerging country found a negative impact of BED on CSR activities (Azam et al., 2019).

Fewer studies explored the impact of BED on firms' corporate disclosure practices, and the findings equally vary. For example, BED has a positive effect on firms' corporate risk (Bravo, 2018; Ntim et al., 2013) and voluntary disclosure practices (Gyapong & Afrifa, 2019; Ntim et al., 2017; Sarhan & Ntim, 2019). Contrarily, it has an insignificant effect on firms' sustainability reporting practices (Mudiyanselage, 2018; Shamil et al., 2014), and a negative impact on voluntary disclosure (Elmagrhi et al., 2016).

Studies that analyzed the impact of BED on firms' corporate governance practices are also few and mainly focused on developed countries, however, the empirical evidence they offer varies. For example, Cook and Glass (2015b) found a positive effect of BED on firm governance strength, as did Fredette and Sessler (2019) and Brown (2002) for the relationship between BED and board (fiduciary) performance, especially with regard to political aspects. Contrarily, Fredette and Sessler Bernstein (2021) neither found a direct nor an indirect link between BED and firm governance effectiveness. Buse et al. (2016), on the other hand, reported a negative impact of BED on firms' internal and external governance practices. Finally, only one study explored the impact of BED on firms' reputations and found a positive effect (Miller & Triana, 2009).

Much fewer studies mainly from the Western context examined the impact of BED on diversity policies and practices and inclusion behaviors. Interestingly, all the studies found a positive effect. Particularly, Cook and Glass (2015a) found that BED is significantly associated with equitable policies and practices, such as the hiring of people with disabilities, promotion of diverse individuals, supplier diversity, offering work-life balance benefits, and LGBT policies. BED also improves employer/employee relationships (Li et al., 2018), as well as prevents corporate lawsuits against workplace discrimination (Abebe & Dadanlar, 2021). Specifically, the likelihood of a corporate lawsuit is lower when there are three or more ethnic minority directors on the board.

In summary, the review shows that the impact of BED on corporate outcomes whether financial or non-financial is inconclusive. However, the vast majority of the studies in our sample reported positive effects (see Table 7). This finding supports the call for more ethnically diversified boards as advocated by the governments, business communities, and large institutional investors, such as TIAA-CREF, CalPERS, and BlackRock, which is more

the consequence of the social demand for equality and integrity in general and especially in society's decision-making bodies.

Table 7. Results of the outcomes of BED

Category	Positive (+)	Negative (-)	Insignificant ($\pm$)
<i>Corporate financial outcomes:</i>			
Accounting performance	22	3	14
Stock market performance	5	1	0
Earnings management	0	3	2
Earnings quality	2	0	0
Firm audit	4	0	2
M&A	1	1	1
Compensation	2	0	2
Firm innovation	5	0	0
Financial statement fraud	0	0	1
Dividend policy	2	1	1
Risk-taking	0	0	2
Product management	1	0	0
Intellectual capital performance	1	0	0
CEO turnover	0	0	1
<i>Corporate non-financial outcomes:</i>			
CSR	8	1	3
Corporate disclosure	5	1	2
Board diversity policy and inclusion	3	0	0
Firm corporate governance practices	3	1	1
Firm reputation	1	0	0
Total	66	15	34

Note: The number of articles reported is more than the sample size because some studies explored more than one category of outcomes.

3.3.4. Moderations, mediations, and interactions

Given the mixed findings from previous studies, researchers have been encouraged to incorporate moderators and mediators in their models to discover how they strengthen or weaken BED and its relationship with the outcomes (Miller & Triana, 2009; Vairavan & Zhang, 2020). However, only a few studies ($n = 9$) included moderators in their research models. Some of the moderators explored include institutional investors (Tee & Rassiah, 2020), firm governance strength (e.g., Guest, 2019; Gyapong et al., 2016), political

connection (e.g., Tee & Rassiah, 2020), and Sharia compliance (Azam et al., 2019), etc. Interestingly, the review shows that most of the studies documented a positive association with some of the key moderators of the BED-firm performance relationship (e.g., Abebe & Dadanlar, 2021; Li et al., 2018; Tee & Rassiah, 2020). We noticed only five studies that included mediators to explore the outcomes of BED. The few mediators explored include corporate risk disclosure (Reguera-Alvarado & Bravo-Urquiza, 2020), firm reputation and innovation (Miller & Triana, 2009), employee and R&D productivity (Vairavan & Zhang, 2020), and board diversity policy and inclusion (e.g., Buse et al., 2016). Although the result is mixed, the majority of the studies reported positive mediating effects.

Furthermore, recent studies have started shifting the emphasis to exploring the interactions between BED and other board attributes based on the argument that the effects of different diversity dimensions may not be independent of each other (Nguyen & Muniandy, 2020). However, it's worth noting that the majority of the studies focused on analyzing the interactions between BED and gender neglecting other board characteristics. Although limited (n =16), most of them revealed that BED does not work in isolation but interacts with other board attributes to influence corporate outcomes (e.g., Abebe & Dadanlar, 2021; Tuggle et al., 2021). Only a few studies documented a negative interactive effect. Specifically, Kolev and McNamara (2020) find that the interaction between BED and gender leads to longer divestiture completion times and lower divestiture returns. This is because the diverse knowledge, experiences, and perspectives that ethnic directors and women bring into boardrooms make it more difficult and time-consuming for the board to reach a consensus to pursue a common course of action.

4. Discussion and future research directions

The analysis of the literature on BED has revealed several notable gaps across various dimensions, including contextual, methodological, theoretical, conceptual, and empirical aspects. Firstly, contextual gaps exist in terms of the limited attention paid to specific geographical regions and organizational contexts. Secondly, methodological gaps arise from a predominance of quantitative research methods, often overlooking qualitative and mixed-methods approaches that could provide deeper insights. Thirdly, theoretical and conceptual gaps persist due to a heavy reliance on economic and financial theories and frameworks, which may not adequately capture the complexities of BED dynamics. Lastly, empirical gaps emerge from fragmented and inconsistent findings, highlighting the need for more robust empirical studies. Addressing these gaps opens up promising avenues for future research in the field of BED and corporate governance.

4.1 Contextual gaps

Although the review indicates that BED research has been growing gradually since after the global financial crisis, however, these studies focus mainly on the US and Malaysia contexts whilst there is still a lack of studies from the European contexts, Africa, and at the cross-country level. This can be attributed to several factors. Firstly, in several European countries, ethnicity is viewed as a sensitive matter (Gilbert & Keane, 2016; Singh, 2007), which reflects a reluctance to acknowledge ethno-racial diversity and its historical significance, often leading to a "statistical blindness" (Simon, 2017).

Secondly, in emerging African countries, conducting research on board ethnic diversity (BED) can pose challenges due to limited access to corporate governance data on boards of directors (Osemeke & Osemeke, 2017). However, there have been recent developments in

some African countries, where such data is gradually becoming available⁴. Therefore, we expect to see more studies from Africa in the future. Researchers can also explore other jurisdictions such as Asian, Middle Eastern, Caribbean, and South American countries so that our understanding of BED would not be limited geographically to certain areas.

Thirdly, most scholars could have chosen to conduct single-country research to mitigate the endogeneity issues associated with cross-country samples (Tee & Rassiah, 2020) or avoid language barriers, and cultural, legal, political, and socio-economic differences between countries that might question the generalizability of their findings (Nguyen et al., 2020). However, this can cause major issues in the field. For instance, it could hamper the building of a comprehensive framework for implementing (or not) BED across countries, due to our limited understanding of it as a multilayer concept. Therefore, we call for more cross-country studies within each socio-political context to provide the scientific community with a more nuanced and complex understanding of ethnicity and its relationship with board dynamics. Comparative studies between developed and developing countries could also help in developing suitable theories for each context and create opportunities for greater collaboration between researchers from both environments. Moreover, the review finds that researchers are too quick to generalize their results based on data from multiple sectors even though BED may vary across industries and sectors (Brammer et al., 2007). Hence, research on specific industries or cross-industry variations, SMEs, and not-for-profit organizations remains a fruitful research avenue.

4.2 Methodological gaps

There are several methodological limitations in the BED research stream. First, the field is overly dominated by quantitative studies at the expense of qualitative, conceptual, and mixed-method approaches. This is possibly due to the availability of secondary archival data and the

⁴African Financials database host financial reports containing information on board of director of firms from 12 African countries (see <https://africanfinancials.com>).

ease of applying economic and corporate governance theories to establish cause-effect relationships using secondary data analysis. While the quantitative approach could generate a more uniform interpretation of findings (Bodolica & Ponomareva, 2020), it has some major drawbacks. For example, quantitative data lacks rich contextual information that can enhance the understanding of the characteristics and behaviors of ethnic directors (Vairavan & Zhang, 2020). Hence, we recommend that researchers adopt more qualitative research approaches such as interviews, case studies, shadowing, and direct observations that could play a key role in revealing board dynamics and opening the black box on how ethnic directors influence board decision-making processes (Kolev & McNamara, 2020; Vairavan & Zhang, 2020). Conceptual studies are also needed to enhance the development of robust conceptual frameworks that can expand the theoretical boundaries of BED research. Future research might use a mixed-method approach, as supporting secondary data with primary data sources could enhance academic rigor as well as allow researchers to provide a better explanation of the impact of BED on corporate outcomes.

Second, a vast majority of studies utilized relatively small samples in OLS estimation. On one hand, small samples could lead to low statistical power, low degree of freedom, and misinterpretations of results (Guest, 2019), OLS on the other hand, could suffer from omitted variable bias, functional form misspecification, and measurement errors. Besides, one of the major challenges in estimating the relationship between BED and corporate outcomes lies in dealing with endogeneity issues (Cao et al., 2021). Notwithstanding, several of the studies do not control for these problems. Also, some of the studies are observational and merely measure correlations rather than causality (e.g., Erhardt et al., 2003). Thus, quantitative research should improve by testing causality rather than correlation to disentangle causal effects. Likewise, there is a need for researchers to rely on more sophisticated analytical approaches, such as SEM and 3SLS which can sufficiently address potential endogeneity and

unobserved heterogeneity. Moreover, Previous research predominantly measured BED by quantifying the proportion and count of ethnic minorities on boards. However, this approach overlooks the influence of ethnic majorities on board decision-making processes, leading to a distorted perception of diversity (Cheong & Sinnakkannu, 2014). Future research can address this issue by using the Blau index or Shannon index which measure BED collectively rather than focusing only on the presence of ethnic minorities in the boardrooms.

Finally, ethnicity is one element in the complex universe of diversity and could strongly interact with less visible deep-level forms of diversity such as religion, sexual orientation, culture, class, and political orientation. However, few studies that explored the interaction approach mainly concentrated on gender (e.g., Buse et al., 2016; Tuggle et al., 2021). Thus, future research could consider other board attributes to fully unpack the impact of BED on corporate outcomes. Similarly, as noted earlier, only very few studies explored non-linear associations or incorporated moderators and mediators in their research models. So, there are still substantial gaps in our understanding of the actual processes through which BED affects organizational performance (Vairavan & Zhang, 2020). Therefore, we call for more studies exploring non-linear relationships, moderators, and mediators to offer a better view of the precise mechanisms through which BED could alter corporate outcomes (Miller & Triana, 2009). There is also the need for greater exploration of the complex relationship between BED and corporate outcomes through the lens of critical mass thinking. We need to better understand the mechanisms underlying change in the effect of BED as a function of critical mass or is it simply a number game?

4.3 Theoretical and conceptual gaps

A considerable number of the studies in our sample were descriptive and lacked theoretical background. Although some researchers avoided the above limitation by combining multiple

theories to provide a broader view of BED, a greater proportion still relies on single-theoretical perspectives. This is despite the arguments that no single theory can sufficiently explain the complex relationship between BED and its outcomes because every theory has its limitations (see, Carter et al., 2003, 2010; Sarhan et al., 2019). Ntim and Soobaroyen (2013a), for example, highlighted the limitations of resource dependency, agency, legitimacy, and stakeholder theories in explaining the relationship between BED and corporate outcomes. Hence, knowing that BED is more of a sociological and anthropological concept, it may be beneficial for future research to utilize more bundles of theories from sociology and psychology that have been under-utilized. Researchers, for example, could combine theories such as intergroup contact theory, similarity attraction, social categorization, and social identity theory to better understand how behavioral dynamics among ethnic directors can impact corporate outcomes. Furthermore, political theories, and especially post-colonial theories, could be combined to enrich our knowledge of how colonial heritages persist and impact the ethnic make-up of boards in Africa and Latin America. Additionally, we also noticed that studies from emerging economies mainly refer to Western-built theories despite the convincing evidence suggesting that institutions differ significantly between developed and developing countries (Filatotchev & Wright, 2017). Thus, the mimetic generalization of Western theories to emerging countries without considering their institutional complexity and uniqueness constitutes another major weakness in the field. Therefore, we encourage researchers from emerging countries to consider the appropriateness of a particular theory before applying it to their context.

Furthermore, researchers mainly conceptualized BED using ethnic, racial, and ethno-racial characteristics. This is very important as diversity itself is multifaced and polymorphic. However, conceptually, ethnicity still refers heavily to minority groups linked by a westerly-designated “collective identity”. Following this ideology, researchers in non-western contexts

such as Malaysia and Nigeria most often describe ethnic diversity as the presence of minorities on boards even though this is not the case in these countries. This involves fundamental dilemmas and increases the systemic incoherence and fragmentation of research. Thus, conceptually, ethnicity should be decolonized in the meaning of moving BED research beyond the boundaries of Anglo-American ethnicity theorizing. This, therefore, requires a shift from conventional approaches to conceptualizing BED. Research would benefit from a ‘neutral’ definition that does not use the concept of ethnicity as a sociological class marker or a social divider. If CG research agrees on a definition that only refers to a collective identity, ethnicity would be more creative in operationalizing, building new types of relationships, and generating original findings.

4.4 Empirical gaps

There is a noticeable gap in the literature concerning the antecedents of and barriers to board BED. Most studies have predominantly focused on examining the relationship between BED and corporate outcomes, neglecting the need to identify the factors that drive or hinder BED in various contexts. This can be due to the difficulties in data collection and measurement of variables. However, understanding these factors is crucial as they can significantly influence the nature and extent of the relationship between BED and its outcomes. Furthermore, existing studies investigating BED determinants have primarily concentrated on Western contexts with similar institutional settings, leaving the factors driving BED in emerging economies largely unexplored. This represents a significant weakness in the field, as the antecedents of BED in developing countries may differ considerably from those in developed countries due to colonial legacies, varying national regulations, institutional features, and the political interests of post-colonial elites. Therefore, studies exploring emerging countries' contexts are needed to help build a comprehensive theory on BED and its outcomes. Besides, the studies also tended to explore mainly firm-level antecedents, but future research should

focus more on other levels, such as global, country, social, and individual. For example, researchers could explore whether the use of hard diversity quotas is effective for recruiting ethnic directors in the long-run or whether they are merely symbolic. Future research can also explore how cultural differences may affect the recruitment of ethnic directors especially in multi-cultural societies of emerging countries. Additionally, while previous research has shed light on the challenges ethnic minorities face in securing board appointments (e.g., Field et al., 2020; Westphal & Stern, 2007), limited attention has been given to understanding their trajectory after obtaining a seat at the table (Glass & Cook, 2017). As noted by Chidambaram et al. (2022, p. 2), gaining a seat is the first step, and the next is “being in the game”. So, it might be interesting for researchers to investigate whether ethnic directors influence and shape important decisions on their boards or whether they merely assume a token status. In addition, McDonald and Westphal (2013) pointed out that incumbent white directors are less likely to offer new ethnic minority directors mentoring on how to conform to prevailing standards with regard to participation in board proceedings, which deny them the opportunity of securing multiple board positions. Future research could use qualitative approaches such as interviews to examine whether they also experience different access to other forms of help, including advice on issues related to policy and strategy (McDonald & Westphal, 2013).

Although the existing literature often discusses the relationship between BED and corporate financial outcomes, particularly in terms of accounting performance, there are significant gaps in our understanding of non-financial outcomes. For instance, there is a need to theoretically develop a model that can distinguish the effect of BED from CEO decisions, on issues concerning employer/employee relations (Li et al., 2018). It is unclear whether BED and CEO decisions can influence each other, and it is not clear which of the two has the more powerful influence on the management of employer/employee relations. Therefore, research geared

toward building a more comprehensive theoretical framework to disentangle these effects would be very useful. Moreover, studies investigating how BED might influence the disclosure of both financial and non-financial risk information are still rare in general, particularly in emerging African countries (Ntim et al., 2013). This limits our understanding of how and why BED could promote or impede firm disclosure practices. Thus, a multi-theoretical cross-country study focusing on emerging African economies could be insightful as it could help to reveal the extent and quality of risk disclosure by firms operating in this unique context. Besides, some of the previous studies (e.g., Ntim et al., 2013) used sentence counts and disclosure indices as a proxy for corporate risk disclosure, which has many limitations. Hence, future research could employ other measures such as page and word count to test whether the same results are obtained. Likewise, studies comparing the impact of BED on the extent and quality of sustainability and SDGs disclosures between developed and developing countries could also contribute greatly to the literature. In addition, given the growing interest in the role non-profit art organizations recently play in raising awareness about sustainability and other broader societal issues (see Kim & Mason, 2018), it might also be valuable to examine whether their level of advocacy for public policy issues depends on the racial composition of their boards.

Lastly, the current body of research has predominantly focused on the association between BED and accounting-based financial outcomes, neglecting other important aspects. For instance, the relationship between BED and corporate risk-taking has received limited attention, with only two studies reporting insignificant effects. However, it is arguable that BED may be more relevant in influencing firm behavior, particularly in times of crisis (Gyapong et al., 2016). Hence, researchers could integrate data from the COVID-19 period to determine if its impact on corporate risk-taking was more pronounced during the pandemic. Researchers could likewise explore the impact of BED on M&A, especially acquisition bids,

the number and size of bid premiums, and the level of acquisitiveness of firms in different contexts. Other areas that deserve attention include but are not limited to agency cost, dividend payout, earnings management, tax, investment, ethnic pay gaps, product development, CEO turnover, goodwill impairment, channels of innovation, stock price crash risk, corporate information environment (e.g., information asymmetry) and firm internationalization.

4.5 Theoretical contributions

The study presented in this research paper carries significant implications for the field of BED research. Firstly, it contributes a novel integrative research framework that serves as a theoretical model for future advancements in this area. Other scholars can utilize and build upon this framework to expand the knowledge base on BED. Secondly, the study addresses the fragmented literature on BED and provides clarity on the areas that have been examined in previous research as well as highlighting the aspects that require further attention. Moreover, the study identifies limitations in prior studies, which may explain the inconsistencies observed in the relationship between BED and corporate outcomes. By identifying critical gaps in the existing literature, this study offers valuable insights and suggests numerous avenues for future research that would be beneficial to researchers seeking new directions in this field. Additionally, this research contributes to the critical discourse surrounding the ambiguous effects of board composition variables. By elucidating the equivocal relationship between BED and corporate outcomes, this study adds weight to the ongoing debate surrounding the value-in-diversity perspective, which often posits a positive association between diversity and firm performance (see e.g., Herring, 2009).

4.6 Practical implications

The findings also hold practical implications for organizations. The results indicate that the advantages of BED outweigh the associated costs. Therefore, when selecting board members, it is advisable for managers to establish formal criteria that facilitate the recruitment of qualified candidates from diverse ethnic and racial backgrounds. This is particularly important considering that stakeholders often perceive board diversity as indicative of good governance and accountability (Ntim, 2015; Wang & Clift, 2009).

However, it is worth noting that critics of the diversity model express skepticism regarding the business value it brings (e.g., Rothman et al., 2003). In contrast, Herring (2009, p. 219) presents a paradoxical perspective that suggests greater diversity is associated with increased group conflict and improved business performance. Companies can benefit from bringing in “excluded” talents with the double idea of increasing “thinking outside the box” as well as “ticking the boxes” of social demands. Besides, the creation of an inclusive work environment could promote a positive image of the firm, which can lead to favorable corporate outcomes. Moreover, a well-diversified board with many ethnic directors can be instrumental in a firm’s success in financially difficult times (Hewa Wellalage et al., 2012), in the stock markets of emerging countries (Ntim, 2015) and in curbing the misconduct and discrimination that is still an issue of concern in the context of organizational diversity (Guest, 2017).

This study’s findings also have significant policy implications for governments, regulators, and policymakers. The reviewed studies, such as Gyapong et al. (2016) and Ntim (2015), reveal a relatively low level of BED in countries that have implemented affirmative quotas. This finding prompts significant inquiries concerning the efficacy of quotas and the external influences compelling firms to act in the pursuit of social well-being. Emphasis on the importance of policy and regulatory reforms at the corporate, national, and global scales is essential, encompassing regulations that extend beyond ethnic representation

quotas alone. Measures such as ethnic pay gap regulations (e.g., UK) and diverse reporting requirements, for instance, would yield more favorable business and societal outcomes. Consequently, these findings can serve as valuable insights for countries contemplating affirmative policies to enhance the representation of ethnic minorities in their boardrooms, particularly in Western countries. Lastly, the limited availability of data can be mitigated through the implementation of policy and regulatory reforms focused on ethnicity, akin to those applied to gender. Such reforms would aim to enhance measurement and reporting mechanisms, resulting in improved data availability and consequently enhancing both the scope and quality of research findings.

4.7 Limitations

While our study has important implications, it is important to acknowledge its limitations. First, we employed three main scholarly databases to ensure comprehensive coverage of relevant articles. However, additional databases not included in our search might contain other relevant studies. Second, our search was limited to articles published in English, which may introduce language bias and exclude potentially valuable research published in other languages. Lastly, for quality reasons, we focused solely on journal articles, overlooking potential insights from other academic sources, such as books, editorials, book chapters, and conference proceedings.

5. Conclusion

BED has witnessed a gradual increase in policy reforms and research over the recent decades, however, the studies exploring this research stream are still too fragmented to provide useful insight to policymakers and practitioners. To address this issue, our study provides a comprehensive review of the BED literature. Following a three-step SLR approach, we identified and synthesized 113 articles published in ABDC journals between 1992 to 2022. The review shows that the existing studies have made valuable contributions, however, this

SLR also identified some major limitations that need to be resolved to advance the BED research field. In particular, a critical analysis of the results suggests that there may be biases in the geographical focus, sample size, theories applied, research approach, conceptualization, and operationalization of BED. Taken together, these factors have resulted in inconsistent findings from the existing studies. In view of the foregoing, we have identified and highlighted four main areas of amelioration that could help to better question and understand BED and its effect on corporate governance and firms' performance. The first area is contextual and the research backgrounds, the second is a theoretical and conceptual improvement, the third research development is methodological, and the fourth area is linked to the research themes. We believe that this could help resolve some of the critical issues identified in the existing literature and open up new research opportunities.

Chapter 3: Board Ethnic Diversity and Information Asymmetry: The Moderating Role of Foreign Directors

Abstract

Given the mixed evidence regarding the economic benefit of board ethnic diversity (BED), this study seeks to contribute to this debate by examining the impact of BED on information asymmetry in the stock market of emerging countries and the moderating role of foreign directors. Using a sample of listed firms from Sub-Saharan African (SSA) countries and employing fixed effect regression estimation that mitigates endogeneity concerns arising from omitted variables bias, I find that boards with a higher number of ethnic directors are negatively associated with the level of information asymmetry in the equity market. This finding highlights the importance of ethnic directors in improving firm transparency of information and maintaining investors' confidence in weak regulatory environments. Furthermore, I find that the presence of foreign directors on boards does not enhance the effectiveness of ethnic directors in mitigating information asymmetry. These findings have implications for researchers, managers, and policymakers in SSA countries.

Keywords: Board diversity, ethnicity, corporate governance, information asymmetry, emerging countries, Africa

1. Introduction

The past decades have witnessed a growing number of research conducted to examine the complex relationship between board ethnic diversity (BED) and corporate financial (e.g., Bernile et al., 2018; Carter et al., 2003, 2010; Gul et al., 2016; Gyapong et al., 2016; Harjoto et al., 2018; Salloum et al., 2019) and non-financial outcomes (e.g., Harjoto et al., 2015a; Ntim et al., 2017; Ntim & Soobaroyen, 2013a). However, the empirical evidence is still mixed, with some researchers finding a positive link (e.g., Carter et al., 2003; Gyapong et al., 2016; Nguyen & Muniandy, 2020; Ntim, 2015; Tee & Rassiah, 2020), others reporting either a negative association (e.g., Elmagrhi et al., 2016; Hewa Wellalage et al., 2012; Kolev & McNamara, 2020) or no relationship (e.g., Carter et al., 2010; Guest, 2019; Hartmann & Carmenate, 2020; Vairavan & Zhang, 2020). Therefore, the question of whether or not BED influences corporate outcomes is still an unresolved issue that requires further investigation. One critical question that has been overlooked is whether an association exists between BED and the level of information asymmetry in the equity market, particularly in emerging economies with high levels of uncertainty and information asymmetry (Tahir et al., 2021; Yildiz, 2021). This research question is important to investigate because information asymmetry has been identified in the financial literature as one of the critical issues that affect the ability of firms to raise funds from the equity market due to the loss of investors' confidence (Harakeh et al., 2022). It also affects firms' stock liquidity (Abad et al., 2017), asset pricing (Chan et al., 2008), and the cost of capital (Armstrong et al., 2011).

Given the mixed findings regarding the economic benefit of BED, this study seeks to add to this debate by examining the impact of BED on information asymmetry in the under-researched context of Sub-Saharan African (SSA) countries. The SSA context offers a unique institutional setting for this study for several reasons. First, SSA countries are characterized by underdeveloped capital markets with high levels of information asymmetry (Afego, 2015;

Ahunwan, 2002; Hearn, 2012; Soumaré et al., 2021; Yartey & Komla, 2007). As a result, firms in the region face severe financial access constraints due to the higher information asymmetry between borrowers and lenders in the financial market (Asongu et al., 2018; Ibrahim & Alagidede, 2017). Second, firms in SSA exhibit a low level of compliance with corporate governance regulations and disclosure requirements due to weak regulatory environments and poor corporate governance practices (Adegbite et al., 2018; Agyei-Mensah, 2016; Danson Kimani et al., 2021; Nakpodia & Adegbite, 2018; Okpara, 2010; Osemeke & Osemeke, 2017), which promotes opportunistic behaviors among managers, resulting to high agency conflicts (Ahunwan, 2002). Thus, information asymmetry is believed to be severe in the SSA context. Consequently, prior research has examined the role of information sharing offices (e.g., Asongu & Odhiambo, 2021; Boateng et al., 2018), internet investor relations (Nel et al., 2018), and legal origin (Ibrahim & Alagidede, 2017) in mitigating the high level of information asymmetry in SSA capital markets. However, researchers have largely ignored the role of corporate governance mechanisms, particularly the ethnic composition of the board of directors. SSA is often regarded as one of the most ethnically diverse regions in the world (see Archibong, 2018; Awaworyi Churchill & Danquah, 2022; Madison, 2019). Therefore, given that prior research has highlighted numerous benefits of ethnic directors to firms (Carter et al., 2003; Nguyen & Muniandy, 2020; Tee & Rassiah, 2020), this study seeks to examine whether BED could be one of the solutions for the high level of information in the stock market of SSA countries.

Additionally, this study investigates the moderating role of foreign directors on the association between BED and information asymmetry. A previous study argued that in emerging countries characterized by inefficient stock markets and weak corporate governance practices, foreign directors are more likely to exercise stronger monitoring to reduce information asymmetry between firms and foreign investors (Yildiz, 2021). However, it's

unclear if they work jointly with other governance mechanisms to enhance firms' information environment. Hence, this study addresses this gap in the literature by exploring whether foreign directors can work together with ethnic directors to reduce the high level of information asymmetry in SSA markets.

The agency theory literature argues that ethnically diverse boards provide better monitoring, thereby reducing agency costs (Gul et al., 2016). This is because directors from diverse ethnic and cultural backgrounds tend to be more independent and, thus, ask more probing questions that ensure transparency and greater accountability by top management during the process of financial reporting (Carter et al., 2003; Erhardt et al., 2003; Nel et al., 2020; Tee & Rassiah, 2020). Empirical findings show that the effective monitoring provided by ethnic directors enhances disclosures to firms' stakeholders (Bravo, 2018; Gyapong & Afrifa, 2019; Ntim et al., 2013; Ntim & Soobaroyen, 2013a). Prior research indicates that increased disclosure reduces information asymmetry between the board, managers, and shareholders (Brown & Hillegeist, 2007; Hamrouni et al., 2022). Moreover, the resource dependence theory suggests that diverse boards could provide firms access to a large pool of skilled and talented human capital with a wide range of experiences, networks, and varied perspectives (Carter et al., 2010; Nguyen & Muniandy, 2020; Ntim et al., 2013). Board diversity in terms of ethnicity can offer firms access to information from different sources (Carter et al., 2010), potentially reducing information gaps. Besides, given their varied backgrounds, ethnically diverse directors are more likely to communicate effectively with external stakeholders such as investors, analysts, suppliers, bankers, and regulators, thereby lowering the level of information asymmetry between the firm and outsiders (Upadhyay & Zeng, 2014). Consequently, I expect that ethnically diverse boards can contribute to better the information flow and make the stock market of SSA countries more reliable.

Furthermore, I predict that the presence of foreign directors on boards would moderate the impact of ethnic directors on information asymmetry. This is based on the agency theory literature assumption that the presence of foreign directors in the boardrooms of emerging economies increases board monitoring efficacy (Almutairi & Quttainah, 2020; Ashraf & Qian, 2021; Du et al., 2017), and creates room for directors to ask tougher questions which influences managers to disclose more information (Hooghiemstra et al., 2016). Moreover, prior research has shown that foreign directors are agents of spillover of international good governance practices, particularly in countries with weak governance structures (Miletkov et al., 2017). Hence, given the weak corporate governance systems in SSA countries, foreign directors are more likely to support and collaborate with ethnic directors to enhance governance practices and disclosures of corporate information. Therefore, I hypothesize that the presence of foreign directors in the boardrooms of SSA would strengthen the effectiveness of ethnic directors in mitigating information asymmetry in the stock market.

To estimate the relationship between BED and the level of information asymmetry in the stock market, and the moderating impact of foreign directors, I utilized a balanced panel of 2040 firm-year observations from listed firms in SSA for the period 2012-2021. The study quantified BED using the Blau index of heterogeneity which measures BED collectively rather than focusing on one specific ethnic group (Cheong & Sinnakkannu, 2014). I measured information asymmetry using the bid-ask spread in order to capture the adverse selection between informed and uninformed market participants (Lu et al., 2010), foreign directors were measured as the proportion of foreigners on board.

Following prior research (Upadhyay & Zeng, 2014), I analyzed the sample using fixed effect regression estimation that mitigates the endogeneity concerns arising from omitted variables bias. The study finds that boards with a higher number of ethnic diverse directors are negatively associated with the level of information asymmetry in the equity market. This

finding shows that ethnically diverse boards have beneficial effects on the stock market. Therefore, this study provides evidence in support of the recent calls by institutional investors for firms to have more ethnically diverse boards. Furthermore, I find that the presence of foreign directors in the boardrooms does not moderate the association between ethnically diverse boards and information asymmetry in the stock market of SSA countries. This finding suggests that the efficient monitoring provided by ethnic directors could substitute for the monitoring functions of foreign directors.

Consequently, this study contributes to knowledge in several ways. First, while prior research on BED tends to focus mainly on western contexts with similar ethnic backgrounds (Cheong & Sinnakkannu, 2014; Ntim, 2015), this study utilized data from the relatively under-explored context of SSA often regarded as one of the most ethnically diverse regions in the world. Hence, the study offers a more complete understanding of the impact of ethnic diversity on corporate outcomes. Second, previous studies predominantly examined the relationship between BED and firm accounting-based performance (see e.g., Carter et al., 2003, 2010; Cheong & Sinnakkannu, 2014; Gul et al., 2016; Gyapong et al., 2016; Salloum et al., 2019), ignoring the impact of BED on the corporate information environment. This study breaches this important gap in the literature by investigating the impact of BED on information asymmetry, highlighting the importance of ethnic directors in improving firms' information environment, especially in the weak institutional contexts of Africa emerging countries. Thus, this study contributes towards building a strong business case for BED in the African context, encouraging firms to adopt diversity as a strategy to navigate complex and turbulent business environments. Third, the extensive research on the relationship between corporate board diversity and the level of information asymmetry in the stock has mainly focused on gender diversity using data from developed countries (e.g., Abad et al., 2017; Loukil et al., 2020). This study differs from the existing studies by providing one of the first cross-country

evidence on the association between BED and information asymmetry from emerging countries' contexts. Thus, I extend the board diversity literature by documenting a new board attribute that influences the level of information asymmetry in the stock market, particularly in the weak institutional contexts of Africa emerging countries. Fourth, to the best of my knowledge, this study is the first to examine the moderating impact of foreign directors on the relationship between BED and information asymmetry. By finding an insignificant effect, the study contributes to the emerging corporate governance literature suggesting that the internationalization of the boardrooms may not necessarily translate to better governance practices (Hahn & Lasfer, 2016; Hooghiemstra et al., 2016; Masulis et al., 2012). Finally, the study has implications for researchers, managers, and policymakers in SSA countries.

The rest of this paper is structured as follows. Section two presents the theory, literature review, and hypothesis development. Section three outlines the methodology. Section four presents the empirical analysis and discussion of the results. Section five concludes the study.

2. Theory, literature review, and hypothesis development

2.1 BED and information asymmetry

It has been argued that no single theory can directly predict the complex relationship between BED and corporate outcomes (Carter et al., 2010; Gul et al., 2016; Sarhan et al., 2019), and many theories from different disciplines offer insight into this issue. Consequently, this study adopts different perspectives and draws from agency and resource dependence theories to provide a theoretical basis for the hypothesis tested.

The agency theory argues that diverse boards enhance managerial monitoring (Carter et al., 2003; Gul et al., 2016; Ntim, 2015; Ntim & Soobaroyen, 2013a), thereby reducing agency conflicts. The agency theory literature suggests that ethnically diverse boards are better coordinated and more efficient in discharging their fiduciary duties and monitoring roles

(Carter et al., 2003; Sarhan et al., 2019; Tee & Rassiah, 2020) because such boards are more independent and less subservient to management (Carter et al., 2010; Tee, 2019). As opposed to boards made up of people from the same ethnic group, boards composed of directors from diverse cultural and ethnic backgrounds are more motivated to question top management decision-making (Carter et al., 2010; Tee, 2019). Hence, ethnically diverse boards are more likely to hold managers accountable to firms by compelling them to enhance corporate disclosures to the board and other stakeholders (Bravo, 2018). Prior studies documented that such disclosures reduce information asymmetry between the top management, the board, shareholders, and market participants (Brown & Hillegeist, 2007; Hamrouni et al., 2022).

Resource dependency theory (Pfeffer & Salancik, 1978), on the other hand, posits that the board of directors serves to connect firms to other external organizations to address environmental dependencies. According to Pfeffer and Salancik (1978), directors can bring four primary benefits to firms; provision of resources such as information and expertise; creation of channels of communication with constituents of importance to the corporation; provision of commitments of support from important organizations or groups in the external environment; and creation of legitimacy for the firm in the external environment. Hillman et al. (2000) note that different kinds of directors provide different beneficial resources to firms. Given that ethnic directors are from varied ethnic and cultural backgrounds, they are expected to provide legitimacy to firms as well as bring in a wider range of experiences, networks, and perspectives (Carter et al., 2010; Nguyen & Muniandy, 2020). They are also likely to provide the board access to external information from wider sources (Carter et al., 2010; Guest, 2019), leading to a better understanding of the business environment and the free flow of information between market participants, potentially reducing information gaps. Furthermore, group diversity research predicts that ethnic diversity can affect the level of trust between people from dissimilar ethnic backgrounds (Dincer, 2011), resulting in cognitive conflicts among

directors (Forbes & Milliken, 1999). I contend that such conflicts are more likely to enhance directors' scrutiny of one another to ensure that board members do not hoard sensitive information or take advantage of market information for personal gain. This can also lead to greater monitoring and control of managerial actions which could discourage managers from disclosing limited or distorted information (Upadhyay & Zeng, 2014).

Empirically, ethnic diversity within corporate boards has been associated with better audit quality (Harjoto et al., 2015b) and the hiring of reputable auditors to enhance transparency during financial reporting (Nazri et al., 2012). Through effective monitoring, ethnically diverse boards constrain earnings management (Al-Absy et al., 2019; Waweru, 2018) and promote greater accounting conservatism (Yunos et al., 2012). Ethnically diverse directors have also been linked with increase disclosure to firm stakeholders (Gyapong & Afrifa, 2019; Ntim et al., 2017; Ntim & Soobaroyen, 2013a; Sarhan & Ntim, 2019). Therefore, if BED improves the disclosure of corporate information, it may also lead to an increase in the flow of information between market participants in SSA countries, thereby leading to a reduction in the level of information asymmetry in the stock market. Thus, I hypothesize that:

H1: BED would be negatively associated with information asymmetry in the SSA equity markets.

2.2 Foreign directors, BED, and information asymmetry

There are ample reasons to suggest that the presence of foreign directors in the boardrooms of emerging countries could enhance the effectiveness of ethnic diverse directors in monitoring managers to ensure greater disclosure of corporate information. First, based on the agency theory, researchers argued that foreign directors increase board independence and consequently provide more effective monitoring of corporate activities (Du et al., 2017; Hooghiemstra et al., 2019). Empirical evidence from emerging countries also supports this

theoretical prediction. For example, Ramaswamy and Li (2001) find that foreigners on boards in India constrain managers from embarking on unrelated diversification aimed at serving managerial interests. Almutairi and Quttainah (2020) report that the presence of foreign directors on boards in the Middle East and North Africa increases the effectiveness of the boards in mitigating unethical behaviors among managers. Recently, Ashraf and Qian (2021) and Du et al. (2017) provided evidence that the board monitoring effectiveness of foreign directors reduces earnings management among Chinese firms. Moreover, foreign directors appear to influence the board's decisions toward increasing disclosures to internal and external stakeholders. Prior study shows that boards with foreign directors are associated with greater transparency and higher corporate disclosures which reduces information asymmetry problems (Mardini & Elleuch Lahyani, 2021). Thus, foreign directors can help ethnic directors manage the firm internal and external information environment, which in turn could reduce the uncertainty related to the equity market (Mardini & Elleuch Lahyani, 2021). Furthermore, the inclusion of foreign directors on boards can offer firms in emerging countries an opportunity to import good corporate governance practices from other jurisdictions (Areneke et al., 2023; Miletkov et al., 2017). This can help ethnic directors to improve governance practices and address monitoring issues which could enhance the quality of disclosures to firms' external stakeholders. Moreover, foreign directors have good knowledge of the functioning of the international capital markets (Ashraf & Qian, 2021; Miletkov et al., 2017). Therefore, they can use their expertise and skills to assist ethnic directors to increase the free flow of information between market participants, thereby reducing information asymmetry. Consequently, I hypothesize that:

H2: The presence of foreign directors on boards would negatively moderate (strengthen) the impact of BED on information asymmetry.

3. Research method

3.1 Sample selection and data collection

The sample for this study consists of all listed firms in the stock exchange of four SSA countries made up of Nigeria, Kenya, Mauritius, and Ghana for the period 2012-2021⁵. Following Areneke et al. (2023), I included financial service firms because they constitute a significant percentage of the firms listed in SSA countries. Moreover, financial services firms operate with a high level of information uncertainty (Khatib et al., 2021; Tessema, 2019), hence should constitute an important part of the study sample. I excluded delisted, merged, and newly listed companies and firms with insufficient data to compute the variables of interest. The above selection criteria yielded a final sample consisting of a balanced panel of 2040 firm-year observations from 204 unique firms. Appendix 1 shows a detailed breakdown of the sample according to country and sector. Firm financial and market data were obtained from DataStream. The data on directors' characteristics and corporate governance variables were manually collected from firms' annual reports⁶ due to the non-availability of country-level corporate governance data in most databases, particularly for firms in emerging countries (see Areneke et al., 2023).

3.2 Variables measurement

3.2.1. Dependent variable

The dependent variable for the study is information asymmetry defined as a trading situation whereby some stock market participants have more information about market conditions than others (Lu et al., 2010). Given that the level of information asymmetry in the market is not directly observable (Lu et al., 2010), different models and measures have been proposed to capture the perception in the markets of the adverse selection that exists between informed

⁵The 2012-2021 period was chosen because it's the period the firms have complete data to build a balanced panel.

⁶Firms' annual reports were obtained from African Financials database <https://africanfinancials.com> and the firms' online archives. In situations where some annual reports were missing from these sources, I contacted the companies directly through their email and social media handles to request the missing annual report.

and uninformed traders (see Lu et al., 2010; Menshawy et al., 2021). However, following prior research (Abad et al., 2017; Menshawy et al., 2021; Upadhyay, 2014; Upadhyay & Zeng, 2014), this study adopted the bid-ask spread as the proxy for information asymmetry because it's one of the most explicit measures to capture the adverse selection between informed and non-informed traders (Leuz & Verrecchia, 2000). Following other market microstructure literature (Upadhyay & Zeng, 2014), I calculated the bid-ask spread as the ask price less the bid price divided by the average of the bid and ask price. I first obtained the daily mean bid-ask spreads by averaging the bid-ask spreads for all the trade during the day for each firm, thereafter, the daily mean bid-ask spread was averaged during the month. Finally, the annual bid-ask spread was measured as the average of the monthly bid-ask spread for the financial year.

3.2.2. Independent and moderating variable

The independent variable for the study is BED while the moderating variable is foreign directors. Prior research mainly measured BED using the proportion of minorities and frequency count of minorities on boards which does not consider the impact of ethnic majorities on board decision-making processes (Cheong & Sinnakkannu, 2014). This has been partly attributed as one of the major reasons for the inconsistent findings from the existing studies. To address this issue, this study proxied BED using the BLAU Index of heterogeneity which measures BED collectively rather than focusing only on the presence of ethnic minorities in the boardrooms (Cheong & Sinnakkannu, 2014). The BLAU index was calculated following Rassiah and Tee (2020):

$$\text{BLAU Index} = (1 - \sum \rho_i^2) \quad (1)$$

Where ρ_i represents the proportion of ethnic composition of board members for each i observation. Based on the firms' annual reports, I grouped the board members in each of the

countries into four main ethnic categories⁷. Following Gul et al. (2016) and Salloum et al. (2019), the ethnicities of the directors were identified based on their names. This approach was adopted because the surnames of the various ethnicities in most SSA countries are very distinctive and can be easily identified. To ensure the accuracy of the data, two highly qualified independent research assistants from each of the countries coded the ethnic diversity data. I calculated the Blau index based on the four main categories of ethnic groups identified in each country. The values of BED in the Blau index range from 0 to 0.75. When the value of BED is 0, it indicates that all members of the board are from the same ethnicity whilst an index value of 0.75 signifies that all four ethnic groups have an equal number of representations in the boardroom. Finally, I measured foreign directors (FD) as the proportion of foreign board members to total board size. Following prior research (Gul et al., 2016), I identified foreign directors based on their nationality's information disclosed in the director's section of the annual reports.

3.2.3. Control variables

Consistent with previous studies, I incorporated several control variables that potentially affect information asymmetry. Following Kanagaretnam et al. (2007), Tessema (2019), and Upadhyay and Zeng (2014), I control for leverage, profitability, and stock price. Leverage (LEVERAGE) is measured as total debt scaled by total assets. Profitability (ROA) is measured as the ratio of operating income to total assets while stock price (STPRICE) is calculated as the average of the annual stock price. Furthermore, I control for growth opportunities proxied using market-to-book value since firms with higher growth opportunities tend to disclose greater information than those with lower growth opportunities

⁷ In Nigeria, the board members ethnicities were classified into Igbo, Hausa, Yoruba and others. In Mauritius, the ethnicities were categorized into Franco-Mauritan, Indo-Mauritan, Sino-Mauritan and others. In Ghana, the directors' ethnicities are classified into Akan, Ewe, Ga and others. Finally, in Kenya I grouped the ethnicities into Kikuyu, Luo, Luhya and others. Others refers to a collection of numerous ethnic groups with negligible representation on the board.

(Tessema, 2019). Market-to-book value (MTB) is measured as the market value of equity scaled by the book value of equity. Finally, I added board size as a control variable because prior research suggests that the size of the board affects information production (see Harakeh et al., 2022; Tessema, 2019). Board size (BDSIZE) is measured as the natural log of the total number of directors on the board. The measurement and definition of all variables are shown in Appendix 2.

3.3 Regression model

To investigate the relationship between BED and information asymmetry, I estimate the following regression model:

$$Bid - askSpread_{it} = \alpha_{it} + \beta_{1it} \times BED_BLAU + \beta_{2it} \times STprice + \beta_{3it} \times LnBDsize + \beta_{4it} \times ROA + \beta_{5it} \times Leverage + \beta_{6it} \times MTB + \epsilon_{it} \quad (2)$$

Where i and t index firm and year respectively, β s are parameters to be estimated and ϵ_{it} is the stochastic error term assumed to be independently and identically distributed (IID). BED_BLAU represents board ethnic diversity measured using the Blau index of heterogeneity, STprice is the stock price, LnBDsize is the natural logarithm of board size, ROA represents profitability, and MTB is market-to-book value.

To test the moderating effect of foreign directors on the association between BED and information asymmetry, the following regression model was estimated:

$$Bid - askspead_{it} = \alpha_{it} + \beta_{1it} \times BED_BLAU + \beta_{2it} \times STprice + \beta_{3it} \times LnBDsize + \beta_{4it} \times ROA + \beta_{5it} \times Leverage + \beta_{6it} \times MTB + \beta_{7it} \times FD + \beta_{8it} \times (FD * BED_BLAU) + \epsilon_{it} \quad (3)$$

Where FD represents foreign directors. Other variables and parameters are as defined above.

4. Empirical results and discussion

4.1 Descriptive Statistics

Table 8 provides the summary statistics for the full sample utilized for the study. I present the means, minimums, maximums, and number of observations for the key variables. The bid-ask spread has a mean of 0.1189168, suggesting that, on average, the gap between the bid and ask prices is approximately 11.89%. The min value of 0 implies instances where the spread is zero, which indicates a high level of liquidity. The maximum value of 1.997396 shows cases where the spread is relatively wide indicating a high level of information asymmetry. BED_BLAU has a mean value of 0.519165. This suggests that about 51.97% of the firms in our sample have ethnically diverse boards. The minimum value of 0 represents a situation where the boards are ethnically homogenous while the maximum value of 0.7455621 represents the highest level of diversity on boards. The mean value of FD1 is 0.19173. Regarding the control variables, the mean values of STPRICE, BDSIZE, ROA, leverage, and MTB are 0.854187, 2.214033, 0.0393103, 0.1487555, and 0.318686, respectively.

Table 8. Descriptive statistics

Variable	Obs.	Mean	Std. dev.	Min	Max
BIDASKSPREAD	2,040	0.1189168	0.3091384	0	1.997396
BED_BLAU	2,040	0.519165	0.1620609	0	0.7455621
STPRICE	2,040	0.854187	2.745075	0	38.13776
BDSIZE	2,040	2.214033	0.410071	0	3.295837
ROA	2,040	0.0393103	0.0989648	-0.716838	0.9288706
LEVERAGE	2,040	0.1487555	0.2013032	0	1.921116
MTB	2,040	0.3186863	8.123147	-331.5117	11.77875
FD1	2,040	0.19173	0.20879	0	0.909091

The dependent, experimental, and control variables are defined in the Appendix.

The Pearson correlations among the variables of interest and the control variables are presented in Table 9. Consistent with the earlier expectation, BED-BLAU is negatively correlated with BID-ASKSPREAD, suggesting that firms with more ethnic directors exhibit lower levels of information asymmetry. There is also a negative correlation between ROA and

BDSIZE with BID-ASKSPREAD, indicating that profitable firms with large boards are more likely to disclose greater information, leading to a reduction in information asymmetry. Similarly, the negative association between MTB and BID-ASKSPREAD implies that firms with more growth opportunities disclose more information than those with fewer growth opportunities. Furthermore, STPRICE is positively correlated with BID-ASKSPREAD, implying that firms with higher stock prices are associated with more information asymmetry.

Although the correlation result above shows that ethnically diverse boards are negatively correlated with information asymmetry, the direction of the relationship is still not clear. Besides, factors such as STPRICE, BDSIZE, ROA, MTB, and leverage affect both ethnically diverse boards and information asymmetry. Therefore, in the next section, I utilized multivariate regression analysis to examine the hypothesis further.

Table 9. Correlation matrix

	1	2	3	4	5	6	7	8
1 BIDASKSPREAD	1							
2 BED_BLAU	-0.0757	1						
3 STPRICE	-0.0382	-0.048	1					
4 BDSIZE	-0.0884	0.4039	0.0737	1				
5 ROA	-0.1173	0.0311	0.2198	0.0377	1			
6 LEVERAGE	0.0493	-0.0395	-0.0957	0.0545	-0.1349	1		
7 MTB	-0.015	-0.0065	-0.2448	0.003	0.0942	0.0258	1	
8 FD1	-0.067	0.0699	0.1604	0.1733	0.083	-0.0657	0.0319	1

The dependent, experimental, and control variables are defined in the Appendix.

4.2 Multivariate regression analysis

4.2.1 Hypothesis 1

The result of the multivariate regression analysis for the first hypothesis is discussed below. The coefficients of the interest variables from the OLS and fixed effects regressions are presented in Table 10. Column (2) of Table 10 shows that the coefficient of BED_BLAU in

the OLS regression is negative (-0.142) and significant at 5% level. Specifically, on average, a ten percent increase in the index of ethnic diversity reduces the bid-ask spread by 1.42%. However, this estimation is based on OLS which may be subject to endogeneity biases arising from omitted variables that raise concerns about causality (Carter et al., 2010; Upadhyay & Zeng, 2014). To mitigate some of these biases, especially those arising from time-invariant unobserved heterogeneities, I include the fixed effects regression in the estimation and report the result in column (4) of Table 10. The coefficient estimate of the BED-BLAU index remains negative (-0.194) and significant at the 5% level, which is significantly different from the estimates in column (2) based on the OLS. Overall, these results confirm the first hypothesis (*H1*) that BED is negatively linked with information asymmetry, leading to a better external corporate information environment. Intuitively, the results suggest that as the board is more ethnically diverse, information asymmetry is expected to decrease. This implies that ethnically diverse boards can serve as a deterrent to adverse selection, which is undoubtedly an offshoot of information asymmetry, amongst market participants. This is essentially due to the fact ethnically diverse boards can enhance trust and confidence among market participants. Investors who value diversity and inclusion may view firms with ethnically diverse boards as more favorable. This positive perception can give rise to a lower perception of information asymmetry, thereby leading to narrower bid-ask spreads as investors feel more confident about the firms' governance and decision-making processes.

The agency theory may be particularly powerful in explaining our evidence of a negative association between BED and information asymmetry. Consistent with the agency theory postulations, the additional analysis reported in Table 11⁸ shows that firms with more ethnic

⁸ To determine the association between BED, foreign directors and corporate governance I used four corporate governance mechanisms which include board independence, frequency of board meeting, audit quality and duality. To measure board effectiveness, I use five individual measures of board effectiveness (board size, board meeting, board independence, duality and audit quality). Following previous study (Gul et al., 2013), I employed factor analysis to identify the commonalities between the individual measures. Consistent with Nguyen and

directors are associated with higher board independence and more frequency of board meetings that enable them to exercise their oversight functions. Moreover, the result equally indicates that ethnically diverse boards increase the overall strength of the board to monitor managers. This enhanced monitoring compels managers to disclose more information, thereby reducing information asymmetry problems. The resource dependence theory also provides a valuable framework to understand why ethnic diversity on boards helps to reduce information asymmetry. In a highly ethnically diverse region such as SSA, ethnic diversity within boards brings together talented individuals with diverse backgrounds, cultures, skills, expertise, and experiences (Carter et al., 2010; Nguyen & Muniandy, 2020; Tee & Rassiah, 2020). These diverse perspectives might result in a more holistic consideration of information and a wider range of viewpoints during board discussions (Carter et al., 2010). In addition, ethnic diversity on corporate boards can provide firms with access to external networks (Carter et al., 2010). Board members from highly diverse ethnic backgrounds such as SSA may provide links to important stakeholders from their ethnic networks. This enhances access to information from the external environment and reduces information asymmetry between the firm and market participants. Moreover, informal institutions significantly influence business activities and market development in SSA countries. Through ethnic directors, firms can have access to information from these informal channels, thereby increasing the ability of firms to meet the information needs of various market participants. Additionally, having directors on boards from different ethnic groups in SSA can help build trust between the firm and local investors, leading to a narrower bid-ask spread.

Table 10. Main analyses

BED, foreign directors, and information asymmetry				
VARIABLES	(1) BIDASKSPREAD	(2) BIDASKSPREAD	(3) BIDASKSPREAD	(4) BIDASKSPREAD

Muniandy (2020), I construct a single factor (board strength) from the factor scores to represent board effectiveness.

	OLS		Fixed effects	
BED_BLAU	-0.118** (0.058)	-0.142** (0.071)	-0.175** (0.078)	-0.194** (0.094)
STPRICE	0.000 (0.004)	-0.000 (0.004)	0.017* (0.009)	0.017* (0.010)
BDSIZE	-0.023 (0.021)	-0.018 (0.022)	0.010 (0.026)	0.014 (0.027)
ROA	-0.285*** (0.082)	-0.279*** (0.082)	-0.247** (0.097)	-0.247** (0.097)
LEVERAGE	0.045 (0.042)	0.041 (0.042)	0.028 (0.056)	0.028 (0.056)
MTB	-0.000 (0.001)	-0.000 (0.001)	0.000 (0.001)	0.000 (0.001)
FD1		-0.107 (0.124)		-0.063 (0.070)
FD1#c.BED_BLAU		0.092 (0.252)		0.127 (0.135)
Constant	0.237*** (0.044)	0.248*** (0.045)	0.177*** (0.050)	0.180*** (0.051)
Observations	2,040	2,040	2,040	2,040
R-squared	0.024	0.028	0.008	0.008
Number of firms	204	204	204	204

Standard errors are in parentheses.

*Indicate statistical significance at 10% level.

**Indicate statistical significance at 5% level.

***Indicate statistical significance at 1% level.

Table 11. Additional analysis

BED, foreign directors, corporate governance, and board effectiveness					
VARIABLES	(1) BDINDEP	(2) BDMEET	(3) AUDITQUAL	(4) DUAL	(5) Board strength
BED_BLAU	0.160*** (0.034)	1.471*** (0.112)	0.085 (0.061)	0.075*** (0.025)	0.509*** (0.021)
ROA	-0.106** (0.043)	-0.455*** (0.142)	-0.190** (0.077)	0.055 (0.034)	-0.101*** (0.026)
LEVERAGE	0.008 (0.025)	0.065 (0.083)	-0.004 (0.045)	0.086*** (0.017)	0.002 (0.015)
MTB	0.000 (0.000)	0.001 (0.001)	0.000 (0.001)	-0.000 (0.000)	0.000 (0.000)
FD1	-0.098 (0.073)	1.069*** (0.237)	0.038 (0.129)	-0.386*** (0.047)	0.420*** (0.044)
FD1#c. BED_BLAU	-0.187 (0.153)	-2.548*** (0.497)	0.034 (0.270)	0.665*** (0.097)	-0.844*** (0.092)
Constant	0.127*** (0.018)	0.603*** (0.060)	0.680*** (0.033)	0.932*** (0.014)	0.329*** (0.011)

Observations	2,040	2,040	2,040	2,040	2,040
R-squared	0.026	0.095	0.005	0.086	0.263
Number of firms	204	204	204	204	204

Standard errors are in parentheses.

*Indicate statistical significance at 10% level.

**Indicate statistical significance at 5% level.

***Indicate statistical significance at 1% level.

4.2.2 Hypothesis 2

The moderating impact of foreign directors on the relationship between BED and information is estimated in Eq. (3). The result of the moderation effect is reported in Table 10 above. The result shows that the coefficient of the interaction between BED and foreign directors in both the OLS and the fixed effect regressions in columns (2) and (4) respectively are positive but statistically insignificant. These findings suggest that foreign directors in the boardrooms of SSA do not enhance the effectiveness of ethnic directors in checking information asymmetry. Hence, (H2) is rejected. I offer two main explanations for this result. First, it could be that foreign directors lack good knowledge of the local business environment and cultural practices, which reduces their ability to secure information from external sources to enable them to assist ethnic directors in mitigating information asymmetry. The second reason could be that the extra monitoring provided by the foreign directors' results in excessive monitoring which makes the monitoring ability of the board counter-productive, diminishing the effectiveness of the board to checkmate information asymmetry. The additional analysis presented in Table 11 provides some evidence in support of this. The fixed effect regression results show that the interaction between ethnic and foreign directors leads to lower board independence, poor board meeting attendance, more possibility of duality, and less likelihood of hiring reputable auditors to enhance transparency in financial reporting. Moreover, the interaction between BED and foreign directors destroys the overall monitoring strength of the

board, thereby diminishing the effectiveness of the board to checkmate CEOs to enhance the disclosure of corporate information.

Regarding the control variables, only a few of the coefficients are significant in the fixed effect regression (see Table 10, Column 4). For example, the coefficient of ROA is negative and significant, signifying that larger firms with high profitability disclose more information, leading to a reduction in information asymmetry. This finding is consistent with the one documented by Hamrouni et al. (2022). The coefficient of STPRICE is also significant but positive. This finding suggests that firms with higher stock prices are associated with more information asymmetry. This result is contrary to the finding reported by Kanagaretnam et al. (2007) for the US market. This could possibly be due to the differences in corporate landscapes between the US and SSA countries. Finally, the coefficients of BDSIZE, Leverage, and MTB are insignificant. This suggests that these variables do not influence the level of information asymmetry in the stock market of SSA countries.

4.3 Robustness test

To further check the robustness of the findings in the main analysis, I replicate eq. (2) and (3) with alternative measures of BED, foreign directors, and information asymmetry. Following Lee et al. (2022), I used the number of ethnic diverse directors on the board as the alternative measure for BED. Foreign directors were measured using a dummy variable that takes the value of 1 if a firm has foreign directors in their boardroom, otherwise 0. I used share price volatility as the alternative proxy for information asymmetry. Volatility is calculated as the annual standard deviation of the percentage changes in daily stock prices (Hamrouni et al., 2022). The tabulated result in Table 12 is consistent with the main analysis and confirms the earlier finding that a higher number of ethnic diverse directors on the board is negatively associated with information asymmetry in the stock market of SSA countries whilst the presence of foreign directors in the boardrooms of SSA has no moderating effect on the

relationship between ethnically diverse directors and information asymmetry. These results show that the findings in the main analyses are robust with alternative measures of BED, foreign directors, and information asymmetry.

Table 12. Alternative measurement of BED, foreign directors, and information asymmetry

VARIABLES	(1)	(2)	(3)	(4)
	VOLATILITY	VOLATILITY	VOLATILITY	VOLATILITY
	OLS		Fixed effects	
BED2	-0.008*	-0.011**	-0.012***	-0.017***
	(0.004)	(0.005)	(0.004)	(0.006)
STPRICE	-0.013***	-0.012***	-0.009**	0.000
	(0.002)	(0.002)	(0.004)	(0.006)
BDSIZE	0.018	0.033	0.060**	0.086***
	(0.030)	(0.033)	(0.026)	(0.031)
ROA	0.100*	0.097*	0.037	0.010
	(0.054)	(0.054)	(0.056)	(0.059)
LEVERAGE	0.088***	0.084***	-0.018	-0.063*
	(0.026)	(0.026)	(0.031)	(0.034)
MTB	-0.001	-0.001	-0.000	0.000
	(0.001)	(0.001)	(0.001)	(0.001)
FD2		-0.046		-0.044
		(0.037)		(0.042)
BED2_#c.FD2		0.003		0.005
		(0.004)		(0.004)
Constant	0.350***	0.357***	0.307***	0.301***
	(0.036)	(0.037)	(0.033)	(0.032)
Observations	2,040	2,040	2,040	2,040
R-squared	0.034	0.035	0.008	0.008
Number of firms	204	204	204	204

Standard errors are in parentheses.

*Indicate statistical significance at 10% level.

**Indicate statistical significance at 5% level.

***Indicate statistical significance at 1% level.

5. Conclusion

While studies investigating the impact of BED on corporate outcomes have been growing in recent decades, the theoretical predictions and empirical evidence are mixed. Given the non-convergence of findings and the lack of research on the association between BED and the

level of information asymmetry in the equity market, this study contributes to the debate by exploring the impact of BED on information asymmetry in the under-researched context of SSA characterized by a high level of information asymmetry. Additionally, the study explores the moderating effect of foreign directors on the association between BED and information asymmetry.

The study finds that higher number of ethnically diverse directors on boards are negatively associated with information asymmetry in the stock market. To provide further explanations for this finding, I conducted a supplementary analysis to understand the potential channels through which ethnically diverse boards could impact information asymmetry. The result indicates that firms with more ethnically diverse directors are associated with higher board independence, more frequency of board meetings, as well as increase the overall monitoring strength of the board. These findings align with several studies stating that stronger board monitoring, questioning, and enhanced board independence provided by ethnic diverse directors would induce managers to disclose more accurate information to various stakeholders, thereby leading to a reduction in information asymmetry. Furthermore, the study finds that the presence of foreign directors in the boardrooms of SSA countries does not improve the effectiveness of ethnic directors in checkmating information asymmetry. This finding seems to suggest that in highly ethnically diverse countries like SSA, the effective monitoring provided by ethnic directors could substitute for the monitoring roles of foreign directors.

6. Practical implications

This study has implications for managers in SSA countries. Generally, the findings show that ethnically diverse boards can be beneficial to firms by enhancing board monitoring and the flow of information between various stakeholders. Therefore, managers in SSA countries should ensure that the composition of their boards reflects the diversity of the societies they

operate. This is particularly important because each ethnic group is culturally different from others and the inclusion of various ethnicities in the boardroom could promote inclusive decision-making and better representation of different perspectives, leading to better corporate outcomes. Moreover, the results indicate that boards with a higher number of ethnically diverse directors enhance governance practices and board monitoring effectiveness which enable them to efficiently monitor managers, address information gaps, and make better-informed decisions. Therefore, firms could leverage BED as an internal governance mechanism to compensate for the weak regulatory system in SSA countries.

The study also has policy implications for the government and regulators in SSA countries. Specifically, the findings provide an incentive for the government and regulators to develop policies that could promote ethnic diversity on corporate boards in multi-ethnic countries of SSA. Currently, corporate governance (CG) codes have continuously been updated in SSA countries to reflect global corporate governance dynamics (see Areneke et al., 2023), however, except for South Africa's King IV Code, most of the CG codes in SSA countries mainly emphasized gender diversity without concrete recommendations for ethnic diversity. This has resulted in a situation where some ethnicities still dominate the boardrooms in SSA countries. For example, the data for the study shows that the Yoruba, Franco-Mauritian, Akan, and Kikuyu are the dominant ethnicities on board in Nigeria, Mauritius, Ghana, and Kenya, respectively. Thus, this study suggests that to reap the full benefits of ethnic diversity in multi-ethnic countries of SSA, mandatory ethnic quotas should be enforced on corporate boards to enhance the recruitment of directors from various ethnic groups especially the ethnic minorities that are mostly under-represented on corporate boards. This would ensure that no single ethnic group dominates the boardrooms, leading to detrimental outcomes for the firms and their stakeholders. This can also reduce the incessant ethnic conflicts in SSA countries often attributed to the under-representation of different ethnicities in economic

activities (see Fjelde & Østby, 2014). Moreover, SSA faces various socio-economic challenges, including income inequality and poverty. By reducing information asymmetry, BED can facilitate better allocation of resources, attract foreign direct investment, foster innovation, and contribute to economic development. Furthermore, inclusiveness in corporate governance can also serve as a catalyst for social change, promoting equality and creating opportunities for under-represented groups.

7. Limitations

Like other academic research, this study has some limitations that open up opportunities for future research. First, the study is limited to only sub-Saharan African countries. Thus, the findings may not be generalizable to all African countries. Therefore, future research could explore other regions in Africa and emerging countries like China, India, Brazil, and the Caribbean with different ethnic, cultural, legal, political, and institutional characteristics. Second, the study used bid-ask spread and share price volatility as the proxies for information asymmetry. Future research could utilize the opacity index or other individual proxies such as share turnover, analyst forecast error, probability of informed trading (PIN), and trading volume. Finally, although the study employed panel fixed regression estimation to mitigate the problem of endogeneity arising from omitted variables or sample selection bias, future research could directly explore the use of an instrumental variable to strengthen the identification of causality between BED and information asymmetry.

**Chapter 4: International Corporate Governance Codes in Emerging Countries:
More Than Unfit, Ineffective.**

Abstract

This study contributes to the understanding of the reasons for ineffective corporate governance (CG) codes in emerging countries. Specifically, we focus on Nigeria's CG codes in checkmating deviant corporate behaviors, using a qualitative research approach. The study suggests that CG codes in Nigeria have emerged mainly as prompt reactions to reduce fraudulent corporate behaviors in quoted companies. Contrarily, our findings reveal that the period after the introduction of these codes witnessed increased cases of fraud in Nigerian firms. In the CG literature, cultural mismatch and institutional voids are the two main arguments widely explaining the ineffectiveness of CG codes in emerging countries. Additionally, we argue that part of this relates to the loopholes of western CG codes imported by the Nigerian CG multiple codes. Another explanation could emerge from the ineptitude of the codes to tackle problems of ethnicity. As the imported codes lack the specificities to enhance the diversity of the boards, it creates room for the dominance of some ethnic groups over others on corporate boards, resulting to increasing cases of fraud by the dominant ethnicities on boards. This stresses the need for ethnic diversity on corporate boards in multi-ethnic countries like Nigeria.

Keywords: Corporate governance, international codes, inefficiency, Nigeria, colonialism

1. Introduction

The pressures from transnational institutions have resulted in the adoption of western corporate governance (hereafter CG) codes in most Africa emerging countries (Mahadeo and Soobaroyen, 2012; Areneke et al., 2022), with a view that it could help the continent to enhance her CG system, attract foreign investment and support socio-economic development (Areneke et al., 2022). However, given the depth of institutional disparities between developed and developing countries, several commentators have expressed doubt over the suitability and applicability of these codes in emerging economies (Kimani et al., 2015; Mahadeo and Soobaroyen, 2012; Nakpodia et al., 2018). Moreover, Areneke et al. (2022) recently found that the efficiency of western CG codes adopted in many Africa countries remains very limited. Consequently, these researchers call for an understanding of the reasons undermining the efficacy of the codes in enhancing corporate accountability in the African context. Our study fills this important gap in the literature by exploring the factors that affect the effectiveness of western CG codes models in checkmating corporate behaviors in Africa emerging countries using Nigeria as a case study.

Nigeria presents an interesting context to examine the factors that influence the efficiency of western CG codes in Africa for several reasons. First, Nigeria adopted many Anglo-American CG code models which is quite in contrast with the realities in her business environment (Adegbite et al., 2013). Thus, research in understanding the factors affecting the efficacy of these codes could be of relevance to regulators and policymakers both in Nigeria and other Africa emerging countries that have adopted similar codes. Second, Nigeria has been categorized as one of the MINT countries (Ogharanduku et al., 2020). These are countries believed to be the next after the BRICs countries in terms of economic buoyancy. However, for this to be sustained, there is a need for efficient CG regulation to promote a good investment climate and safeguard investors' rights. Third, Nigeria also represents an

important research context due to its economic and political power in Africa. Following the recent IMF rebasing exercise, the Nigerian economy has been ranked 28th in the world and the biggest in Africa (Naidoo, 2020). Therefore, as a regional power, the development of a sound CG system in Nigeria seems to be crucial for the emergence of robust CG regulatory frameworks and board diversity practices within the African continent.

Nigeria is the largest market for goods and services in Africa (Ogharanduku et al., 2020). However, Nigeria is characterized by colonial (Ogunyemi, 2016) and a post-colonial "*culture of endemic corruption, ethnic tensions, and rivalries*" (Ahunwan, 2002, p. 274). It is also associated with poorly functioning capital markets and ineffective regulatory agencies which allow corporate actors to take advantage of corporate opportunities for personal gains (Ahunwan, 2002). Consequently, international financial institutions such as the World (WB) and the International Monetary Fund (IMF) pressured the government to undertake governance reforms which gave rise to the emergence of CG codes designed in line with Anglo-American corporate code models usually prescribed by these donor agencies, to gain legitimacy and sustain external donor's support (Adegbite et al., 2013). Proponents often believe the adoption of these models of codes is the only solution to fight crony capitalism and corporate corruption in emerging countries most especially in Africa (Rossouw, 2005; Windsor, 2014). However, despite the multiplicity of these codes to regulate economic behaviors in the Nigerian economy, the country's business environment has continued to witness several high-profile scandals, resulting in the failure of many companies. For instance, in 2009 alone, the government bailed out eight failed banks with about \$4.03 billion of taxpayers' money while the CEOs and directors of these companies were charged with fraud (Okike and Adegbite, 2012). Thus, what could explain the failure of the Nigerian multiple CG codes in checkmating inadequate corporate behaviors?

The existing literature mainly highlighted two main reasons for the failure of the highly western inspired CG codes in emerging countries. Some scholars attributed it to cultural mismatch and their inability to reflect the institutional peculiarities of emerging economies (Kimani et al., 2015; Nakpodia et al., 2018; Uddin and Choudhury, 2008). Others attributed it to a lack of adequate enforcement mechanisms due to institutional voids that characterize emerging economies (Okike and Adegbite, 2012; Okike et al., 2015). However, our argument is that the failure of these codes could also be explained by the inherent ineffectiveness of western CG codes themselves (Turnbull, 2012). In particular, we argue that the inbuilt loopholes in western CG codes could have been imported into Nigeria multiple CG codes. Given the ethnic problems that characterize Nigerian societies, we contend that ethnic factors could reinforce the inherent inefficiency of the codes in checkmating corporate behaviors.

The study adopts a qualitative research approach using data from newspapers, annual reports, press releases, archival documents, code contents, and government publications, over a period of 59 years. The analysis of the evolution of CG codes in Nigeria suggests that they have emerged mainly as a prompt reaction to curtail fraudulent corporate behaviors in quoted companies. However, our findings indicate that the period after the adoption of these codes recorded the highest cases of fraud in the history of quoted companies in Nigeria. This finding points out that the codes that have emerged could have been ineffective. Adding on the cultural and institutional explanations of Nigeria CG codes' weakness (Okike and Adegbite, 2012), the finding shows that part of this relates to the loopholes of western CG codes (and the ethnic make of the Nigeria corporate boards) imported alongside her colonial heritage. This finding thus reinforces the thesis of the inherent inefficiency of western CG codes (Turnbull, 2012). Indeed, evidence from our study seems to suggest that the widely held belief that the adoption of Western-originated CG codes reduces corruption and enhances corporate accountability in emerging countries may be doubtful. Another factor that plays

together to undermines the effectiveness of the codes is the ethnic problems as a result of economic inequalities between ethnicities in Nigeria. As the codes lack the specificities to enhance the diversity of the boards, it creates room for the dominance of some ethnicities over others on corporate boards, resulting to higher cases of fraud by the dominant ethnicities on boards. This stresses the need for ethnic diversity on corporate boards in multi-ethnic countries like Nigeria.

This study adds a new dimension to the existing literature on the reasons for the failure of CG codes in emerging economies. The study argues for looking beyond the usual suspect reasons for the ineffectiveness of CG codes in these countries. Specifically, we highlight the inherent inefficiency of western corporate governance codes. Therefore, the study calls into question the persistent pressure for the adoption of Western-inspired CG codes in developing economies especially given their weak institutional and regulatory frameworks that may aggravate the inefficiency of these codes (Kimani et al., 2021; Rossouw, 2005; Uddin and Choudhury, 2008). We also contribute to the budding debate questioning the suitability of Western-oriented CG codes adopted in most African countries (Kimani et al., 2015; Mahadeo and Soobaroyen, 2012), turning them away from their social orientations. Furthermore, our study responds to the call for more CG and corporate accountability research in the sub-Saharan Africa region using a qualitative research approach (Soobaroyen et al., 2017).

The rest of this paper is organized as follows. Section 2 presents the Nigerian context. Section 3 discusses the literature and presents the theoretical background. Sections 4 and 5 are dedicated to the methodology and the findings, respectively. Section 6 discusses the results and concludes the paper.

2. The Nigerian Context

The region of the actual Nigeria was declared a British colony in 1914 after the amalgamation of the Northern and Southern protectorate by Lord Fredrick Lugard. However, before the coming of the British colonialists, this geographical region was made up of over 250 ethnic groups, each having a distinct historical background, and economic and political organizations (Ogharanduku et al., 2020). The different ethnic groups also had their traditional beliefs, social values, and strong ethical norms embedded in their cultural systems which guide interpersonal, political relations and trading activities. Nevertheless, following the forceful integration of these distinct ethnicities into a single political entity in pursuit of British economic interests (Uche, 2020, 2008), their cultural values and peaceful co-existence were disorganized (Attah, 2011). This was worsened by the colonial policy of giving preference to one ethnic group over the others. For example, in 1946, the southern part of Nigeria was split into East and West while the Hausa North was left intact. This automatically made them the most populated region and received higher revenue allocation even when most of these resources were from the East and West (Uche, 2008). Since independence in 1960, this economic imbalance between ethnicities has constantly resulted in conflicts between the three major ethnic groups⁹ struggling to control state power and economic resources (Ahunwan, 2002; Jacob, 2012; Ojie & Ewhrudjakpor, 2009). Nigeria is characterized by a weak legal system and poor corporate governance structures (Osemeke & Osemeke, 2017). Thus, ethnic factors could affect the effectiveness of the western CG codes adopted in Nigeria.

3. Literature review and theoretical background

Global policy makers and international institutions (e.g., World Bank; IMF; European Union; Financial Stability Board) anticipate that the implementation of ‘international’ ‘best practices’ will help emerging countries to overcome their traditional lackluster image from the

⁹ The major dominant ethnic groups in Nigeria are Igbo, Hausa and Yoruba while others are classified as ethnic minorities (see Mustapha, 2006; Ogharanduku et al., 2020).

perspective of foreign investors and multinationals. Scholars analyzed this quasi-international pressure as the first source of the non-relevance of CG codes in emerging countries. They also attribute this non-relevance to some other usual suspects such as cultural mismatches and local institutional voids. However, we argue that CG western codes can also carry inherent elements of ineffectiveness that can play while inspiring CG codes in emerging countries.

3.1 International institutions' influence

Since the inclusion of CG reforms as development goals, the IMF and WB have increased their CG monitoring in emerging economies (Tsamenyi and Uddin, 2008). These institutions expressed the need for emerging countries to align their CG practices with international standards to promote good CG practices to attract foreign direct investments (FDIs) and fight corruption often considered the major problem in these countries (Siddiqui, 2010). However, while promoting CG regulation, developing countries' institutional peculiarities have been ignored (Tsamenyi & Uddin, 2008). Tsamenyi and Uddin (2008) argued that the pressures from these institutions compelled most emerging countries to adopt western CG models without modifications. This was further confirmed by Siddiqui (2010) who finds that the wholesale adoption of the Anglo-American CG model in Bangladesh is a result of the legitimacy threat from IMF and WB.

Cuervo-Cazurra and Aguilera (2004) noted that the IMF and WB are largely responsible for the spread of CG codes in emerging economies. These institutions often employ coercive measures to enhance the adoption of CG codes in these countries (Siddiqui, 2010). Adegbite et al. (2013) and Mir and Rahaman (2005) explained that the rationale underlying these institutional influences is primarily resource dependency. For instance, developing countries in financial difficulties usually depend on the IMF and WB (Judge et al., 2010; Siddiqui, 2010). Oftentimes, these institutions would provide loans and financial aid to them demanding that certain reforms be carried out in their public and private sectors. This may

also involve the compulsory adoption of CG models frequently promoted by these institutions (Adegbite et al., 2013).

3.2 Usual suspects determinants of CG code ineffectiveness in emerging countries

Okike and Adegbite (2012) building on the idea of ceremonial adoption¹⁰ by Meyer and Rowan (1977) noted that the adoption of CG codes due to external pressures may result in the incorporation of incompatible institutional structures that might lead to concerns for effectiveness. Undoubtedly, previous study suggests that good CG practices are contexts specific (Adegbite, 2012). Thus, CG regulations in emerging countries would differ greatly from those of advanced economies due to the differences in their institutional characteristics (Adegbite, 2012). Tsamenyi and Uddin (2008) maintain that these institutional differences would most likely render CG codes imported from western economies ineffective in emerging countries. Based on the foregoing, Zhao (2016) noted that “copying” CG codes without considering the emerging countries' specific institutional characteristics such as cultural norms and societal values, may not yield the expected results.

Deniz (2011) contended that CG regulations, institutions, and laws have over the centuries evolved in developed economies. However, in emerging economies, such laws and institutions are either missing, excessively underdeveloped, or insufficient. This is further worsened by corruption, weak judicial systems, and inadequate enforcement of market rules by capital market regulators (Deniz, 2011). In view of this, Okike et al. (2015) argued that enforcement of compliance to sophisticated Western CG codes may be difficult in most emerging countries due to these institutional voids that characterize their business environment. Consistently, Kimani et al. (2015) maintained that with the absence of robust

¹⁰ This refers to the adoption of formal rules or organizational practice in order to gain legitimacy benefits while performing little or none of the activities typically associated with such practice (see, Fushimi, 2019; Meyer and Rowan, 1977)

regulatory oversight to monitor implementation, it's unrealistic to expect CG codes imitative of Western economies to yield their intended purpose in emerging countries.

3.3 The inherent inefficiency of (imported) Western CG codes

Our assumption is that another reason for the inadequacy of the emerging countries' CG codes could be the inherent characteristic of Western CG codes, implemented within a post-colonial environment amid their colonial heritage. According to Turnbull (2012), western CG codes are built with some inherent inefficiencies. For example, these codes promote the concept of independent directors who are to monitor the activities of the CEOs. However, the independent directors themselves are by no means immune from the temptation of corporate fraud (Avci et al., 2018). Hence, relying on them to control the management of their corporations may *“simply have transferred oversight responsibilities from compromised executives to compromised and ill-informed board members”* (Avci et al., 2018, p. 759).

Another inherent weakness of the Western codes is their provision for a single board structure without co-regulators to monitor the activities of directors (Turnbull, 2012). According to Turnbull (2002), a single board structure gives directors the chance to acquire excessive powers that could enable them to defraud their firms. These codes also give directors the power to select and pay auditors who are to judge their financial reports. This unconsciously makes the auditors the agents of the directors, thereby subrogating the very purpose for which auditors are appointed (Turnbull, 2012). Western CG codes likewise promote the notion of primacy of CEOs on the basis that they are corporate professionals who care more about their reputations and prospects in the job market, as such, they will always act in the best interest of their firms (Dujuan, 2009).

Other reasons that could account for the efficiency of Western corporate governance in Nigeria could be the ethnic distribution of the boards. As earlier highlighted, colonialism

resulted in the dominance of some ethnic groups over others in economic activities including corporate boards. Due to the struggle for economic resources between ethnicities, the dominant ethnic group on board may take advantage of corporate opportunities and resources for personal gain (Ahunwan, 2002). Prior empirical evidence also shows that ethnic concentration on board results in financial statement fraud (Nasir et al., 2019) and earning management (Mohammad et al., 2016). Consequently, we argue that ethnic concentration on board in Nigeria can reinforce the inherent loopholes of Western CG codes and affect the effectiveness of codes in checkmating behaviors.

4. Methodology

Previous studies have mainly applied a quantitative approach to investigate the CG regulations' effectiveness in thwarting deviant corporate behaviors (see e.g., Inya et al., 2019; Omankhanlen et al., 2020). However, given the inconclusive and inconsistent findings from these studies, many researchers have called for the use of an alternative research approach in CG research (Kimani et al., 2021), especially on the need to adopt a qualitative approach to guide against drawing conclusions that could mislead both practitioners and policymakers (Filatotchev and Wright, 2017). Given the foregoing, this study adopts a qualitative research method to empirically examine the factors that affect the effectiveness of the Nigerian CG codes in checkmating corporate behaviors mainly collecting data from code contents, archival documents, and also from newspapers and press releases to confirm some facts.

We first identified the different CG codes adopted in Nigeria since the issuance of the first code in 2003 (up to and including 2018). Then we analyzed their issuance conditions and characteristics (origin, content, political context, provisions, etc.). We second identified exhaustively the cases of fraud involving quoted corporations (from 1961 to 2020), analyzing

the reasons that were given to explain the facts. Finally, we traced the relationships between frauds and CG code issuances and content.

4.1 Data collection

The first set of data we collected are the CG codes issued in Nigeria from 2003-2018. These CG codes were sourced from the websites of their issuing agencies. We also collected data on cases of fraud in Nigeria quoted companies from 1961 to 2020. We started our search for data in 1961 because the Nigeria Stock Exchange began operation this year. To obtain these data, we utilized the list of companies contained in the Nigeria Capital Market Statistical Bulletin published quarterly by the Nigeria Security and Exchange Commission (SEC). A total of 440 companies were identified from this source. To identify the cases of fraud involving these companies, we used a search approach similar to that applied by Fremont-Smith and Kosaras (2003), who collected data on fraud in US charity organizations. We conducted a Google search using the names of each company combined with the following keywords “fraud” “theft” “forgery”, “share price manipulation” “money laundering”, “bribery”, and “financial statement manipulation”. After an exhaustive search using these keywords, we identified a total of 138, 900 cases of fraud. We excluded cases of fraud involving government agencies and unquoted companies (138, 625) and cases of fraud in quoted companies (20) where full information about the fraud was not disclosed. We also eliminated duplicate cases (37). After this screening process, we found a total of 218 cases of fraud perpetrated involving 80 quoted companies.

4.2 Data analysis

Following Mahadeo and Soobaroyen (2012), we applied a qualitative approach to perform content analysis on the different CG codes to identify their evolution and triggers. Next, to determine the effectiveness of the Nigerian CG codes in checkmating deviant corporate behaviors, we analyze the cases of fraud before and after the introduction of CG codes. First,

we analyzed each case to identify the type of fraud committed as shown in Table 13. Further, we analyzed the fraud cases according to the number of companies affected, the number of cases per sector, and the amount involved. Finally, we categorized the people involved according to their ethnic affiliations to determine the number of fraud-tainted people from each ethnic group.

Table 13. Categories of fraud cases identified in Nigeria quoted companies from 1961-2020

Type of fraud	Number of companies affected	No. of cases identified
Financial statement fraud	24	70
Share price manipulations	17	54
Money laundering	11	47
Outright theft	13	19
Forgery	06	12
Bribery	09	16
Total	80	218

5. Results

Our result section is organized into two main parts. The first part presents the Nigerian multiple CG codes, their evolution, and the triggers while the second part presents the analysis of the cases of fraud.

5.1 The multiplicity of codes in Nigeria

Given the widespread corporate scandals in the Nigerian economy attributed to poor CG practices, the country came under intense pressure from the IMF and WB on the need to transform her CG system into internationally accepted standards¹¹. Due to these sustained pressures, the government embarked on governance reforms with technical assistance and funding from these institutions (Adegbite et al., 2013). This reform resulted in the issuance of the first national CG code in October 2003. The code was designed in line with the Anglo-American CG model usually recommended by these donor agencies (Adegbite et al., 2013).

¹¹ These institutional influences could be as a result of the fact that at this period the Nigeria external debt stood at \$85 billion, of which larger percentage came from IMF and WB (DMO, 2002).

This code was later revised in 2011 following the 2010 IMF and WB ROSC report which revealed further CG infractions by Nigeria-quoted firms.

The next CG code in Nigeria was issued in 2006. This code is an offshoot of the banking sector reform carried out by the Central Bank of Nigeria, which was guided by the IMF Monetary and Financial Systems Department. This reform led to the merger of distressed banks which brought the number of banks from 89 to 25. However, this new code is highly inspired by the US CG code (Okike and Adegbite, 2012). The code was later revised in 2014 due to high-profile scandals that resulted in the failure of 9 banks out of the existing 25.

The pension administration in Nigeria is also faced with numerous challenges such as poor management of pension funds and high cases of fraud. Due to this and other challenges that hindered the sub-sector from attracting FDIs, the government embarked on pension reforms which were funded by the IMF and the WB who also provided technical support to the sector regulator. The end of these reforms resulted in the issuance of the PENCOM code of 2008 which mirrored western CG code models already existing in Nigeria. The insurance sub-sector has witnessed some corporate fails which resulted in the loss of investors' funds. Consequently, the IMF provided the funding and technical support that enabled the sector regulator to formulate the CG code in 2009 (Casey and Dostal, 2008). However, like other sector regulators, the NAICOM also built a code that mimicked the model of codes promoted by this institution. The telecommunication sector was equally not spared of corporate abuses (Sutherland, 2018). Consequently, the Telecommunication Code of 2014 was drafted to instil discipline in the sector.

In 2016, the Nigerian government attempted to harmonize the existing CG codes. As a result of the concerns raised by some practitioners and researchers criticizing the proliferation of codes, the government provided a harmonized code applicable to both quoted and unquoted

companies. However, due to the controversies surrounding its implementation, the code was later suspended in 2017. Nonetheless, this code resurfaced in January 2018 with the objective of institutionalizing CG practices in Nigeria by inducing voluntary compliance to CG norms mirroring the UK CG code of 2010¹².

Our analysis points out the influence of the Western codes on the creation and development of the Nigerian CG codes. As a consequence, these codes also imported the inherent inefficient provisions and loopholes of Western CG codes (Turnbull, 2012).

5.2 Frauds before and after the introduction of CG codes

Tables 14 and 15 present the analysis of corporate fraud perpetuated in Nigerian companies from 1961-2002 and 2003-2020 which represents the period before and after the introduction of CG codes respectively. Table 14 shows that out of a sample of 240 firms quoted before the introduction of codes, 7.92% recorded 30 cases of fraud which amounted to \$2.5 billion. On the other hand, the result in Table 15 indicates that out of 200 firms operating in Nigeria after the introduction of CG codes, 30.50% recorded 188 cases of fraud, which amounted to \$ 2.067 trillion. The analysis revealed that financial statement fraud and share price manipulations are the major types of fraud prevalent in Nigeria after the introduction of CG codes. This also seems to be the common cases of fraud in the Western environment where these models of codes are applied (see, Avci et al., 2018; Butler, 2016).

Table 14. Total cases of fraud in Nigeria quoted companies from 1961-2002

Type of company	Sector	Number of quoted companies	Companies with fraud cases	Type of fraud identified				Total	Percentage (%)	Total Amount involved (\$)
				Financial statement fraud	Share price manipulations	Money laundering	Outright theft, forgery, and bribery			
Banking	Financial services	71	11	3	2	5	10	20	66.67	2 billion
Insurance	Financial services	45	0	0	0	0	0	0	0	0
Others	Sundry	124	8	0	0	6	4	10	33.33	500 million

¹² See www.ecgi.global/code/uk-corporate-governance-code.

Total		240	19	3	2	11	14	30	100	2.5billion
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Table 15. Total cases of fraud in Nigeria quoted companies from 2003-2020

Type of company	Sector	Number of quoted companies sampled	Companies with fraud cases	Type of fraud identified				Total	Percentage (%)	Total Amount involved (\$)
				Financial statement fraud	Share price manipulations	Money laundering	Outright theft, forgery, and bribery			
Banking	Financial services	55	36	41	45	27	19	132	70.21	2.037 Trillion
Insurance	Financial services	33	2	0	0	0	2	2	1.067	23, 000
Telecommunication	ICT	07	05	6	2	3	2	13	6.91	28.4 billion
Others	Sundry	105	18	20	5	6	10	41	21.81	1.5 billion
Grand Total		200	61	67	52	36	33	188	100	2.067 Trillion

Our findings show that the increasing cases of fraud in Nigeria after the introduction of codes can be attributed to the high resemblance between Nigerian multiple codes and Western CG codes. This can be illustrated with some case studies drawn from our dataset. For instance, just like the UK and the US codes, the Nigerian CG codes vested the board audit committee and the external auditors with the function of reviewing financial reporting procedures to detect and report fraud and other irregularities. However, our results revealed several instances where the board and its audit committee colluded with their external auditors to manipulate the financial statements of their firms for many years. This collusion is rampant in Nigeria because the codes also gave directors the power to appoint their external auditors. Consequentially, most of the directors often take advantage of this loophole to appoint their cronies whom they can easily convince to give favorable reports on their accounts even when it does not show a true and fair view of their financial positions. This is worsened by the weak institutional frameworks in Nigeria which makes it difficult to punish offenders. This is further compounded by the fact that the Nigerian CG codes also provide for a unitary board without co-regulators to checkmate the excesses of directors and their external auditors. The

above evidence is consistent with Shapiro (2005), who noted the impossibility of the independence of external auditors from directors in companies governed by a single board.

Furthermore, the Nigeria CG codes also gave directors the duty to ensure financial statements prepared by the companies show true and fair views of their business operations. Nevertheless, our data revealed that the CEOs and non-executive directors of Oceanic Bank PLC, Lever Brothers PLC, and Afribank Nigeria PLC had engaged in financial statement fraud and share price manipulations for years before it was uncovered. The above scenario seems not to be different in Western environments where the same model of code is applied. For instance, reports from investigators revealed that the CEO and two directors of Tesco PLC, one of the largest supermarkets in the UK were found to have manipulated the financial statement of their company for many years to the tune of £263million (Butler, 2016).

Additionally, Nigerian CG codes also provide for a sufficient number of independent directors to monitor CEOs. However, our data revealed that the independent directors of Oceanic Bank PLC and Intercontinental Bank PLC were part of the financial statement manipulations involving their CEOs which led to the collapse of these banks. This finding is in line with the assertion of Avci et al. (2018) who noted that independent directors are not immune from financial fraud. This also corroborates the assertion of Dujuan (2009, p. 144) who contends that the concepts of “independent directors’ are doomed to fail”, as no classification of directors can make them zealously act for the interests of the shareholders.

5.3 Analysis of people involved in fraud before and after the introduction of codes.

Our survey of the board composition of Nigerian quoted firms shows that the ethnic group Yorubas are the most dominant on board (46.77%), followed by Igbos (15.81%), Foreigners (13.92%), and Hausas (13.08%). Table 16 shows that 215 people were involved in the cases of fraud identified. The analysis of the fraud cases revealed that the Yorubas accounted for

42.33% of the cases, followed by Igbos who accounted for 19.53%. Hausas and foreigners for 15.35% and 13.02% respectively while ethnic minorities represent 9.77%. This result shows that ethnic concentration on board has a direct link with the cases of fraud recorded in Nigerian quoted firms. This result is consistent with Nasir et al. (2019), who found a significantly positive association between the proportion of ethnic Malays on board and financial statement frauds in Malaysian listed firms.

Table 16. Number of people involved in fraud and their ethnicities (period 1961-2020).

Type of company	Sector	People involved in fraud					Total
		Igbo	Hausa	Yoruba	Minority	Foreigners	
Banking	Financial services	36	22	70	14	9	151
Insurance	Financial services	0	0	1	1	0	2
Telecommunication	ICT	1	1	3	0	5	10
Other companies	Other sectors	5	10	17	6	14	52
Grand Total		42 (19.53%)	33 (15.35%)	91 (42.33%)	21 (9.77%)	28 (13.02%)	215

6. Discussion and conclusion

Under the soft pressure of international financial institutions, CG codes emerged in Nigeria mainly to checkmate the incessant cases of fraud. However, our results show the ostensible inefficiency of the codes, rather the period after the introduction of the codes recorded the highest swindles level. The CG literature majorly attributed the inefficiency of emerging countries' codes to a cultural mismatch (Nakpodia et al., 2018) and institutional voids (Kimani et al., 2015). However, our findings suggest a third multifaceted argument without discarding the influence of the two evidenced others. The business Nigerian context is a result of the historical neocolonialist's categorization of the business elites. This can be traced at two levels. The first one is related to the ethnic group distributions on the firms' boards. The second one is revealed in the high-level similarities between the Western (mostly UK and

USA) CG codes and the Nigerian codes. As a consequence, our assumption is that CG codes in Nigeria have drawn on the same inherent Western codes' inefficient provisions (Dujuan, 2009; Turnbull, 2012) and amplified by elite reproduction as the main ethnic groups in Nigeria endorses the colonial heritage of the British capitalistic behaviors. This shows that when a country closely "imports" an inherently inefficient code, no matter the amendments that are made to it, it would still yield the same result. These codes could even yield the worst results in emerging countries when their inherent inefficiencies play together or join impact with the factors already identified by the literature. Our results reaffirm prior findings which suggest that Western-inspired CG codes may not be the best for emerging economies as they have often been hailed (Mahadeo and Soobaroyen, 2012).

As earlier noted, colonial capitalist exploitation created the problem of ethnic marginalization in Nigeria. Since then, ethnicity has continued to play a major role in political and socio-economic activities. Board appointments are often decided based on ethnic relations and cronyism due to the overbearing influence of corrupt political elites. However, because the Nigerian CG codes are imported, they lack the specificities to manage this unique phenomenon. Thus, ethnic factors play on the weaknesses of the codes to create room for the dominance of one ethnic group over others. This could account for the high cases of fraud involving the Yorubas who worked more closely with the colonial system and have continued to dominate the board.

We argue that tackling the growing cases of fraud in Nigeria may require the adoption of codes that might not be consistent with the conventional Western CG codes. Perhaps, Nigeria needs codes whose principles will reflect her cultural and institutional realities. As earlier mentioned, the Nigerian traditional societies had some positive cultural values which when fused into CG codes could help check the excessive cases of fraud in firms. For instance, the

Yoruba pre-colonial society has a historical philosophy “*Omowulabi*” that ensured accountability in socio-economic activities over the centuries. The *Omowulabi* principle is a socio-economic tool that emphasizes transparency, diligence, and accountability in governance and business dealings. The Igbo pre-colonial society also had a system that ensured good governance and checkmates the conduct of parties who engaged in commercial activities. For example, people who want to take up leadership positions or enter business dealings usually take oaths. The Nigerian traditional societies equally have their taboos and moral codes which when violated attract the punishments of the gods. Codes that contain these ethical principles could further instill discipline in the board and management of firms. Hence, if Nigeria does not muster the courage to initiate her codes based on her cultural orientations, and political and socio-economic conditions, any code introduced into the country could be mere ritualistic practice to maintain the status quo.

Our study offers useful empirical insight to practitioners, policymakers, and regulators in Nigeria and other emerging economies. The study particularly underscores the urgent need for emerging countries to design their codes to reflect the realities in their national contexts. Specifically, we draw attention to the need for Nigeria to incorporate her local values into CG codes, as this will no doubt help in tackling the increasing governance challenges in her business environment. We argue that the adoption of codes designed in line with these traditional values will not only be beneficial to indigenous firms but also to Western businesses operating in Nigeria.

Although the study provides empirical evidence that extends the understanding of the reasons for the inefficiency of Western CG codes in emerging economies, however, we acknowledge some limitations that could be addressed by other researchers. First, we relied mostly on data from newspapers and press releases which could suffer from media selection biases.

However, to overcome these biases, we only gather data from reputable newspaper sources. Nevertheless, future research may use other sources of data to determine whether the conclusion drawn from this study could apply to other emerging economies. Second, the study adopts a qualitative research approach which underestimates the cause-effect relationship. Hence, future research could adopt a quantitative research approach making use of regression analysis which could help resolve this problem as well as take into account endogeneity and causality issues.

Chapter 5: Conclusion

Although board diversity has gained attention from academics and policymakers worldwide, yet the existing research predominantly focuses on board gender diversity, neglecting other aspects like ethnic and neuro diversity. Given the recent calls for researchers to explore other aspects of boardroom diversity to help advance the research stream, this thesis focuses on board ethnic diversity (BED). BED has gradually witnessed increased policy reforms and research in recent decades; however, no study has sought to offer a comprehensive understanding by providing a systematic synthesis of the BED literature. Thus, the studies exploring this research stream have remained fragmented, limiting the generation of valuable insights to managers, policymakers, and practitioners, especially given the ongoing public policy debate regarding whether or not to implement ethnic diversity in corporate boardrooms around the world. To address this lacuna in the literature, this study seeks to offer a comprehensive review of the BED literature to provide policymakers and practitioners comprehensive insights on the implication of BED on corporate outcomes. Furthermore, given the paucity of research from more ethnically diverse countries in Africa, this thesis also aims to explore the impact of BED on firms in Africa emerging countries to provide the scientific community with a more nuanced understanding of the implication of BED on corporate outcomes. Based on the foregoing, this thesis sought to answer two main research questions: (i) *what do we know about the BED research stream?* And (ii) *what can be the effect of BED on firms in Africa emerging countries?* To answer these questions, this thesis was structured into three articles. Article 1 (Chapter 2) answered the first research question while Article 2 (Chapter 3) and Article 3 (Chapter 4) addressed the second research question. Together, these articles are designed to provide researchers, managers, and policymakers with a better understanding of the BED and its implications on corporate outcomes. The thesis adopted vast methodological approaches and different theoretical perspectives such as agency and resource dependence theories were mobilized to explain some of the findings. Below we

present a brief summary of each of the thesis papers and thereafter, we present the contributions, limitations, and future research directions.

1. Synthesis of the thesis papers

The first paper (Chapter 2) provides a comprehensive review of the BED literature synthesizing and expanding the current understanding of BED, integrating theoretical and empirical evidence, identifying limitations, and proposing an agenda for future research. The study adopted a systematic literature review (SLR) approach as its method of synthesizing the existing literature on BED due to its numerous advantages over traditional review methods (see Paul et al., 2021; Shree et al., 2021; Snyder, 2019). Following a three-step SLR approach, we synthesized 113 peer-reviewed articles and studies drawn from different business and management disciplines across the globe and published over the 1992-2022 period. Overall, the review shows that the impact of BED on corporate outcomes whether financial or non-financial is inconclusive. However, the vast majority of the studies in our sample reported positive effects of BED on corporate outcomes, suggesting that the benefit of BED may far outweigh its cost. The study revealed several gaps in the literature that need to be filled to enhance the understanding of BED and its implications on corporate outcomes. For instance, the result indicates that BED research has been increasing since after the global financial crisis, however, these studies are mainly concentrated in the US market, whilst there is a lack of study from Africa, Europe, and at the cross-country level. Moreover, the existing studies mostly focus on the implication of BED on accounting-based performance while ignoring other corporate financial outcomes such as information asymmetry, risk-taking, stock informativeness, and firm internationalization to mention but a few. Other notable gaps in the literature relate to methodological, theoretical, and conceptual issues. Based on the identified gaps, we highlighted four major areas of amelioration and delineated several directions for future research. This Chapter also proposed an integrative research framework to help

managers, policymakers, and practitioners better understand BED and its implications on corporate outcomes.

The second article (Chapter 3) investigated the impact of BED on information asymmetry and the moderating effect of foreign directors. The study adopted quantitative research approach, utilizing a balanced panel of 2040 firm-year observations obtained from firms in four Africa emerging countries. The sample was analyzed using fixed effect regression that mitigates endogeneity problems arising from omitted variable bias. The result shows that firms with higher numbers of ethnic directors on boards are negatively associated with information asymmetry in the stock market. This finding highlights the importance of ethnic diverse boards in improving firm transparency of information and maintaining investors' confidence in weak regulatory environments. Furthermore, the study found that the presence of foreign directors on the board does not moderate the relationship between BED and information asymmetry. To better understand the channel through which BED could potentially influence information asymmetry, I conducted a supplementary analysis. The result showed that ethnic directors strengthen firm governance mechanisms and enhance the overall ability of the board to monitor managers to enhance the disclosure of corporate information. Overall, the study revealed that BED is beneficial to firms operating in weak institutional contexts such as Africa emerging countries.

Finally, the third paper (chapter 4) examines the impact of ethnicity and inherent loopholes of Western CG codes on the efficiency of CG codes in Africa emerging countries using Nigeria as a case study. We utilized qualitative research methods analyzing data obtained from newspapers, annual reports, press releases, archival documents, code contents, and government publications, over a period of 59 years. The study finds that codes have emerged to checkmate the incessant cases of fraud in Nigeria quoted firms, however, the period after the introduction of codes witnessed the highest cases of fraud in Nigeria companies,

suggesting that the codes that have emerged are inefficient. While several studies have attributed the failure of codes in emerging countries to cultural mismatch and institutional voids, we highlighted the inherent loopholes of Western corporate codes and ethnic concentration on boards as the major factors affecting the efficiency of the Nigerian multiple corporate governance codes in checkmating deviant corporate behaviors. This finding stresses the need for ethnic diversity on corporate boards in multi-ethnic countries like Nigeria and the need to develop codes that align with Nigerian institutional specificities.

2. Contributions

2.1 Research contributions

This thesis contributes to the extant literature in several ways. First, it contributes to the board diversity literature. Several SLRs have been conducted on board diversity, however, most of the studies treated it as a single construct (e.g., Khatib et al., 2021; Lu et al., 2022; Zattoni et al., 2022) or have mainly concentrated on the gender aspect (e.g., Kirsch, 2018; Laique et al., 2023; Nguyen et al., 2020). To the best of our knowledge, this thesis provides the first multidisciplinary SLR specifically focused on the scattered research on BED providing a state-of-the-art snapshot of the domain. Thus, the thesis responds to the recent calls for scholars to explore other aspects of board diversity such as ethnicity to help advance the board diversity research field (Baker et al., 2020). Furthermore, the extensive research on the relationship between corporate board diversity and the level of information asymmetry in the stock has mainly focused on gender diversity using data collected from developed countries (e.g., Abad et al., 2017; Loukil et al., 2020). This thesis offers one of the first cross-country evidence on the association between BED and information asymmetry from emerging countries' contexts. Thus, we extend the board diversity literature by documenting a new board diversity attribute that influences the level of information asymmetry in the stock market particularly in the weak institutional contexts of Africa emerging countries. Lastly, the

thesis contributes to the critical discourse surrounding the ambiguous effects of board diversity variables. The second and third papers (Chapters 3 and 4 respectively) elucidate the equivocal relationship between BED and corporate outcomes. Therefore, this thesis lends weight to the ongoing debate surrounding the value-in-diversity perspective, which often posits a positive association between diversity and firm outcomes (see e.g., Herring, 2009).

The thesis also contributes to the BED research stream. First, our multidisciplinary systematic literature review takes stock of the past decades of BED research and synthesizes the extant literature to provide an integrative framework that organizes previous empirical research in the form of a field map. This not only enhances the current understanding of BED research but also serves as a guide for future researchers. The review also identified a wide variety of antecedents of BED (i.e., individual, social, firm, country, and global level) and the factors underlying the underrepresentation of ethnic minorities in the boardrooms of different countries which could affect the achievement of sustainable development agenda aimed at reducing racial inequality, especially at the corporate sector. It equally uncovered inconsistencies in the existing literature regarding the relationship between BED and corporate outcomes. It also provides a holistic overview of the channels through which BED influences these outcomes. Additionally, it highlights the interactive effect of BED with other board attributes and their joint impact on corporate outcomes. Likewise, we identified several theoretical, methodological, analytical, and conceptual limitations in the existing studies. This allowed us to formulate suggestions on how future research can address these issues to move the BED research stream forward. This chapter also contributes to the debate on the need for BED on a global scale. Second, while most previous research on BED tends to focus mainly on western contexts with similar ethnic backgrounds (Cheong & Sinnakkannu, 2014; Ntim, 2015), the second article (Chapter 3) of this thesis utilized data from the relatively under-explored context of SSA often regarded as one of the most ethnically diverse regions in the

world. Thus, it offers a more nuanced and complete understanding of the impact of ethnic diversity on corporate outcomes. Third, the review study (Chapter 2) indicates that prior research predominantly examined the relationship between BED and firm accounting-based performance (see e.g., Carter et al., 2003, 2010; Cheong & Sinnakkannu, 2014; Gul et al., 2016; Gyapong et al., 2016; Salloum et al., 2019), ignoring the impact of BED on corporate information environment. Chapter 3 of the thesis breaches this important gap in the literature by investigating the impact of BED on information asymmetry in the stock market, highlighting the importance of ethnically diverse boards in improving firms' information environment, especially in the weak institutional contexts of Africa emerging countries. Thus, this thesis contributes towards building a strong business case for BED in the African context, encouraging firms to adopt diversity as a strategy to navigate complex and turbulent business environments. It also helps to inform the debate for greater ethnic diversity on corporate boards in multi-ethnic societies in Africa emerging societies.

Finally, the thesis contributes to the corporate governance literature. The second article (Chapter 3) is the first study to examine the moderating impact of foreign directors on the relationship between BED and information asymmetry. By finding an insignificant effect, the study contributes to the emerging corporate governance research suggesting that the internationalization of the boardrooms may not necessarily translate to better governance practices (Hahn & Lasfer, 2016; Hooghiemstra et al., 2016; Masulis et al., 2012). The third article (Chapter 4) adds a new dimension to the corporate governance literature on the reasons for the failure of CG codes in emerging economies. The study argues for looking beyond the usual suspect reasons for the ineffectiveness of CG codes in these countries. Specifically, it highlights the inherent inefficiency of Western corporate governance codes. Therefore, the study calls into question the persistent pressure for the adoption of Western-inspired CG codes in developing economies especially given their weak institutional and regulatory

frameworks that may aggravate the inefficiency of these codes (Kimani et al., 2021; Rossouw, 2005; Tsamenyi & Uddin, 2008). We also contribute to the budding debate questioning the suitability of Western-oriented CG codes adopted in most African countries (Kimani et al., 2015; Mahadeo and Soobaroyen, 2012), turning them away from their social orientations. Furthermore, our study responds to the call for more CG and corporate accountability research in the sub-Saharan Africa region using a qualitative research approach (Soobaroyen et al., 2017).

2.2 Managerial contributions

The findings from this thesis hold practical implications for managers in both developed and developing countries. The results from the studies suggest that BED can be beneficial to firms and their stakeholders. Therefore, when selecting board members, managers are advised to establish formal criteria that facilitate the recruitment of qualified candidates from diverse ethnic and racial backgrounds. This is particularly important for managers in the multi-ethnic societies of Africa emerging countries where each ethnic group is culturally very different from others. This could promote inclusive decision-making and better representation of different perspectives, leading to better corporate outcomes. Moreover, a well-diversified board with many ethnic directors can be instrumental in a firm's success in financially difficult times (Hewa Wellalage et al., 2012). Thus, given the financial impact of the COVID-19 pandemic on firms across the globe, managers could take advantage of BED to promote the ethical image of their firms to attract more cash flows from investors and support from the government. Furthermore, the results from the second paper (Chapter 3) indicate that boards with a higher number of ethnic directors enhance governance practices and board monitoring effectiveness which enable them to efficiently monitor managers, address information gaps, and make better-informed decisions. Therefore, managers in Africa emerging countries could leverage BED as an internal governance mechanism to compensate for the weak regulatory

system in the continent. BED has also been found to reduce corporate lawsuits against workplace discrimination (Abebe & Dadanlar, 2021). Therefore, managers in developed countries could use it as an essential tool to curb misconduct and discrimination which is still an issue of concern in the context of organizational diversity in Western countries (see Guest, 2017).

2.3 Policy implications

This thesis provides significant policy implications for governments, regulators, and policymakers. The first paper (Chapter 2) highlights the need for corporate, national, and global policy and regulations to foster more ethnically diverse boards, akin to those that have been advocated for, and pursued, around the world in relation to gender diversity. It also stresses the need to extend regulations beyond ethnic representation quotas on boards but includes regulations to enhance ethnic pay gap measurement and reporting. The second Paper (Chapter 3) of the thesis has policy implications for the government and regulators in Africa emerging countries. Specifically, the findings from the study provide an incentive for the government and regulators to develop policies that could promote ethnic diversity on corporate boards in multi-ethnic countries in Africa. Currently, corporate governance (CG) codes have continuously been revised in most SSA countries to reflect global corporate governance trends (see Areneke et al., 2023), however, except South Africa's King IV Code, most of the CG codes in SSA countries mainly emphasized gender diversity without specific recommendations for ethnic diversity. This has resulted in a situation where some ethnicities still dominate the boardrooms in Africa emerging countries. For example, the data for the second study shows that the Yoruba, Franco-Mauritian, Akan, and Kikuyu are the dominant ethnicities on board in Nigeria, Mauritius, Ghana, and Kenya, respectively. Thus, this study suggests the need for mandatory ethnic quotas on boards to enhance the recruitment of directors from various ethnic groups especially the ethnic minorities that are mostly under-

represented in the boardrooms. This would ensure that no single ethnic group dominates the boards, leading to detrimental outcomes for the firms and their stakeholders. This can also reduce the historical inequalities and incessant ethnic conflicts in SSA countries often attributed to the under-representation of different ethnicities in economic activities. Moreover, SSA faces various economic challenges. By reducing information asymmetry, BED can facilitate better allocation of resources, attract foreign direct investment, foster innovation, and contribute to economic development. The last paper (Chapter 4) offers useful empirical insight to policymakers and regulators in Nigeria and other Africa emerging economies. The study particularly underscores the need for Africa emerging countries to design their codes to reflect the realities in their national contexts. Specifically, we draw attention to the need to incorporate African local values into CG codes, as this will no doubt help in tackling the increasing governance challenges in the continent.

3. Limitations and Future Research Avenues

While this research has important implications, it is important to acknowledge its limitations. The first paper (Chapter 2) employed three main scholarly databases to ensure comprehensive coverage of relevant articles. However, additional databases not included in our search might contain other relevant studies. Thus, future research could include more databases to enhance the chances of capturing more studies. Another limitation of this chapter is that it was limited to articles published in English, which may introduce language bias and exclude potentially valuable research published in other languages. Future reviews can enhance our findings by including articles published in other languages. Furthermore, for quality reasons, we focused solely on peer-reviewed journal articles while excluding articles from other sources. Future research can include professional articles to enhance the understanding of BED from practitioners' perspectives. The second article (Chapter 3) is limited to sub-Saharan African countries. Thus, the findings may not be generalizable to other emerging countries. Therefore,

future research could explore emerging countries like China, India, Brazil, and the Caribbean with different ethnic, cultural, legal, political, and institutional characteristics. Another limitation of this study is that it only used bid-ask spread and volatility as the proxies for information asymmetry. Future research could utilize the opacity index constructed using many individual proxies. Although this study employed panel fixed regression estimation to mitigate the problem of endogeneity arising from omitted variables or sample selection bias, future research could also use instrumental variables to strengthen the identification of causality between BED and information asymmetry. Finally, the third Paper (Chapter 4) utilized mostly data from newspapers and press releases which could suffer from media selection biases. Future research may use other sources of data to validate the findings from the study. Furthermore, the study adopts a qualitative research approach which may not capture a cause-effect relationship. Hence, future research could adopt a quantitative research approach making use of regression analysis which could help resolve this problem as well as take into account endogeneity and causality issues.

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Appendices

Appendices for Chapter 3

Appendix 1: Classification of the study sample

Panel A: Sample distribution by country

Country	Number of firms	Number of observations
Nigeria	90	900
Kenya	51	510
Mauritius	45	450
Ghana	18	180
Total	204	2040

Panel B: Sample distribution by sector

Sector	Number of firms	Number of observations
Financial services	78	780
Consumer goods	42	420
Consumer services	29	290
Industrials	26	260
Oil and gas	12	120
Healthcare	9	90
Information technology	5	50
Utilities	3	30
Total	204	2040

Appendix 2: Definition of variables

Panel A: Variables of Interest Measurement

Independent variable

<i>BED_BLAU</i>	Measurement of BED. BLAU Index = $(1 - \sum \rho_i^2)$
<i>BED2</i>	Alternative proxy of BED. Measured as the number of ethnic directors on board.

Moderating variable	
<i>FD1</i>	Measurement of foreign directors. Calculated as the proportion of foreigners on board to the total board size.
<i>FD2</i>	Alternative proxy for foreign directors. Measured using a dummy variable which takes the value of 1 if a firm has foreign directors on board for the financial year, otherwise 0.
Dependent variable	
<i>BID-ASKSPREAD</i>	Proxy for information asymmetry. Measured as the ask price minus bid price divided by the average of the bid and asked price.
<i>Share Price Volatility</i>	Alternative proxy for information asymmetry. Calculated as the annual standard deviation of the percentage changes in daily stock prices.
Panel B: Other variables	
<i>STPRICE</i>	Calculated as the average of the annual stock price.
<i>ROA</i>	Measured as the ratio of operating income to total assets.
<i>MTB</i>	Measured as market-to-book value (MTB) as the market value of equity scaled by the book value of equity.
<i>LEVERAGE</i>	Measured as total debt scaled by total assets.
<i>BDSIZE</i>	Measured as the natural logarithm of the total number of directors on board.
<i>BDINDEP</i>	Calculated as the proportion of independent directors on the board.
<i>BDMEET</i>	Natural logarithm of the total number of board meetings held within the year.
<i>AUDITQUAL</i>	A dummy variable that takes the value of 1 if the firm's financial statements are audited by one of the Big4 audit firms, otherwise 0.
<i>DUAL</i>	A dummy variable that takes the value of 1 if the position of CEO is separated from the board chairman, otherwise 0.
<i>BOARD STRENGTH</i>	Board strength score, calculated using factor analysis of the following variables: <i>BDINDEP</i> , <i>BDMEET</i> , <i>BDSIZE</i> , <i>AUDITQUAL</i> , and <i>DUAL</i> .

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Summary

Corporate board diversity has gained attention from academics, the media, practitioners, and policymakers worldwide. However, the existing research efforts and policy reforms have predominantly focussed on board gender diversity, neglecting other aspects like ethnic and neuro diversity. Given the recent calls for researchers to explore other aspects of boardroom diversity to help advance the research stream, this thesis focuses on board ethnic diversity (BED). BED has gradually witnessed increased policy reforms and research in recent decades, however, studies exploring this area remain fragmented, limiting the generation of valuable insights to policymakers and practitioners. Consequently, the first paper of this thesis sheds light on the scattered literature on BED and provides a state-of-the-art snapshot of the domain to help researchers, managers, policymakers and practitioners better understand BED and its implications on corporate outcomes. Given the paucity of research from Africa emerging African countries, the second paper contributes to the understanding of the impact of BED in improving the firm information environment in the weak institutional context of Africa emerging countries characterized by high levels of uncertainty and information asymmetry. The third article of the thesis explores the factors that affect the effectiveness of the corporate governance codes implemented in Africa emerging countries using Nigeria as a case study. Overall, the studies highlight the importance of BED in helping firms to generate better outcomes. Therefore, this thesis contributes to the value-in-diversity debate which often suggests that a diverse workforce is generally more beneficial for firms than a homogeneous workforce.

Keywords: Corporate Board Diversity, Board Ethnicity Diversity, Corporate Governance, Corporate outcomes, Value-in-Diversity.

Résumé

La diversité des conseils d'administration des entreprises a attiré l'attention des universitaires, des médias, des praticiens et des décideurs politiques du monde entier. Toutefois, les recherches existantes et les réformes politiques se sont principalement concentrées sur la diversité des sexes au sein des conseils d'administration, négligeant d'autres aspects tels que la diversité ethnique et neurologique. Compte tenu des récents appels lancés aux chercheurs pour qu'ils explorent d'autres aspects de la diversité dans les conseils d'administration afin de faire avancer le courant de recherche, cette thèse se concentre sur la diversité ethnique dans les conseils d'administration. La diversité ethnique dans les conseils d'administration a progressivement fait l'objet de réformes politiques et de recherches accrues au cours des dernières décennies. Toutefois, les études explorant ce domaine restent encore fragmentées, ce qui limite la production d'informations précieuses pour les décideurs politiques et les praticiens. Par conséquent, le premier article de cette thèse met en lumière la littérature éparse sur la diversité ethnique au sein des conseils d'administration et fournit un aperçu de l'état actuel du domaine afin d'aider les chercheurs, les gestionnaires, les décideurs politiques et les praticiens à mieux comprendre la diversité ethnique au sein des conseils d'administration et ses implications sur les résultats des entreprises. Etant donné la rareté des recherches sur les pays émergents d'Afrique, le deuxième article contribue à la compréhension de l'impact de la diversité ethnique du conseil d'administration dans l'amélioration de l'environnement de l'information des entreprises dans le contexte institutionnel faible des pays émergents d'Afrique caractérisés par un niveau élevé d'incertitude et d'asymétrie de l'information. Le troisième article de la thèse explore les facteurs qui affectent l'efficacité des codes de gouvernance d'entreprise mis en œuvre dans les pays émergents d'Afrique en utilisant le Nigeria comme étude de cas. Dans l'ensemble, les études soulignent l'importance de la diversité ethnique du conseil d'administration pour aider les entreprises à générer de meilleurs

résultats. Par conséquent, cette thèse contribue au débat sur la valeur de la diversité qui suggère souvent qu'une main-d'œuvre diversifiée est généralement plus bénéfique pour les entreprises qu'une main-d'œuvre homogène.

Mots-clés: Diversité des conseils d'administration, diversité ethnique des conseils d'administration, gouvernance d'entreprise, résultats des entreprises, valeur de la diversité