

Analyzing the Impact of Board Diversity on Firm Performance: Case Study of the Nigerian Banking Sector

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Abstract : In light of global financial crisis in 2007-2008 various factors including board diversity, succession planning and board evaluation have been identified as essential ingredients in ensuring board effectiveness. The composition and structure of the board is of outmost importance in assessing a board's ability and success in achieving its objectives. Following the corporate frauds and accounting scandals such as Enron, WorldCom, Parmalat, Oceanic Bank Nigeria and AfriBank Nigeria, there has been a notable amount of research about the effectiveness of the board of directors in the corporate governance of firms. The need to have an effective board cannot be over emphasized as it results in a more stable and thriving company. There has been an overarching need in the business world for a more diverse workforce and board of directors. Big corporations like Texaco, Ford Motors and DuPont have stated how diversity at every level of the workforce including the board of directors has been cited as a vital element for a company to succeed. Developed countries are also seeking for companies to have a more diverse board. For instance Norway has implemented a 60:40 board ratio to all companies. In West Africa, particularly Nigeria, the topic of diversity has received little attention as most studies conducted have focused on the gender aspect of diversity, which results found to have a negative impact on firm performance. This paper seeks to examine four variables of diversity; age, ethnicity, gender and skills to weigh the positive or negative impact the variables have on firm performance, based on evidence from the Nigerian Financial sector. Information used for this study will be gathered from financial statements and annual reports so as to enable the researcher to reflect on past years to know what is being done differently today. The findings of this study will help the researcher to develop a working definition for ethnicity with regards to the West African context where the issue of "tribe" is a sensitive topic.

Keywords : Board of Directors, Board Diversity, Firm Performance, Nigeria

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