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INTERNAL BOARD MECHANISM ON FINANCIAL PERFORMANCE OF CONGLOMERATES

Internal Board Mechanism on Financial Performance of Conglomerates in Nigeria

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Abstract

Research Objective: The study examined the effect of internal board mechanisms, specifically board size, CEO duality, and board gender diversity, on the firm performance of conglomerates listed on the Nigeria Exchange Group (NEX).

Methodology: An ex-post facto research design was employed, covering the period from 2011 to 2020. Secondary data were extracted from the audited annual reports and accounts of the sampled firms, and panel least square multiple regression analysis was conducted using fixed effects panel regression.

Findings: The results revealed that both board size and CEO duality had an insignificant positive effect on return on assets, suggesting that these factors do not significantly influence the financial performance of conglomerates. However, increased board gender diversity was found to have a detrimental impact on financial performance.

Conclusion: The findings indicate that while board size and CEO duality do not significantly affect financial performance, a diverse board in terms of gender may negatively influence conglomerate firms' return on assets.

Recommendations: The study recommends that conglomerates should not solely focus on altering board size or implementing CEO duality but should instead prioritise enhancing corporate governance practices, strategic decision-making, and resource utilisation. Additionally, when considering CEO duality, conglomerates should carefully assess its potential benefits and drawbacks in alignment with their strategic objectives and governance structure.

Key words: *Board Size, CEO Duality, Internal governance mechanism, Return on Assets.*

1. INTRODUCTION

1.1 Background of the Study

Internal governance mechanism has become a topical issue because of its immense contribution to the economic growth and development of nations. The absence of an appropriate internal governance mechanism has been attributed to be the major cause of the failure of many well-performing companies (Assenga, et al., 2018). Owing to the ever-changing and overly competitive nature of today's business environment, especially in the banking industry, regulators have become more critical of the smooth running of organisations and more importantly, boards are expected not just to monitor the management but also provide strategic directions and facilitate changes that are in line with the vision of the organisation (Bairathi, 2009). To achieve this, emphasis must be placed on the existence of a competent board that contributes to the sustainability of the firm. Therefore, it is crucial to estimate the impact of board characteristics on firm performance.

Internal board mechanism is described as the system of rules, practices, and processes by which a firm is directed and controlled and it involves balancing the interests of a company's many stakeholders, such as shareholders, management, customers, suppliers, financiers, government, and the community (Chen, 2018). Mohamed, et al. (2016) also define internal governance mechanism as the process and structure that is used for directing and managing business affairs to enhance business prosperity with corporate accountability being the ultimate objective. Board mechanism has become a topical issue because of its immense contributions to the growth of modern economies where the private sector plays a key role in the growth process. The absence of good corporate governance is often blamed for the woeful performance of business entities. Developed private sector-driven economies with a history of established corporate governance structures consistently record high and predictable earnings growth.

There are various internal and external mechanisms of corporate governance in a corporation like manufacturing firms. In particular, Karartı (2014) opines that the internal control mechanisms consist of the ratio of independent and dependent members (Board independence) and the difference between the chairman of the board and chief executive officer (dual function of board chairman and the CEO). The ownership structure is also an integral part of the internal control mechanism. Other mechanisms include board size, board gender diversity, and audit committee membership and size. The study used board size, board independence, and board diversity to determine the effect of board characteristics on the financial performance of conglomerates in Nigeria.

The priority of any organisation is to effectively, efficiently, and ethically manage the company for profitable long-term growth and perpetual existence. The policies and practices of management must also align with the interest of shareholders and other stakeholders (Owiredu & Kwakye, 2020). Thus, establishing a good board is essential to protect corporate stakeholders and maintain factors for control and prevention of collapse and long-lasting economic depression. Finally, the study examines internal board mechanisms and financial performance of conglomerates in Nigeria.

1.2 Statement of the Problem

There seem to be some elements of doubt if the internal governance mechanism of corporate organisations is effective considering the rate of bankruptcy and demise of large corporations all over the world, both in Nigeria and foreign countries. In recent times, the world has witnessed the failure of large corporations; in particular, the Nigerian banking sector in the recent past experienced insider abuses of reckless granting of credit facilities running into several billions of naira without adequate security (Sanusi, 2012). This is contrary to accepted practice which has been attributed to large-scale fraud by directors in connivance with auditors. There are many challenges to the effectiveness of corporate boards to influence financial performance of conglomerates in Nigeria. They range from corrupt practices, ownership structure, slow and inefficient judicial process to lack of enforcement mechanisms by regulatory bodies. Also, is the problem of window-dressings (eye-service) by the directors who are aided by the auditors, as well as the issue of negligence and misfeasance on the part of the auditors when auditing the financial statement of organisations which can be attributed to the lack of independence of the auditors. One will wonder what was wrong when a conglomerate that has been declaring a huge amount of profits and has been declaring dividends to shareholders is suddenly declared bankrupt and taken over despite the huge remunerations paid to their corporate board. With this as the background, this study examined the effect of internal board mechanism (board size & CEO duality) on financial performance (return on assets) of conglomerates in Nigeria.

2. REVIEW OF RELATED LITERATURE

2.1.1 Internal Governance Mechanism

The concept of the board is derived from the attributes or incentives variable that plays a significant role in monitoring and controlling managers and can be described as a bridge between company management and shareholders (Abu, et al. 2016). The board is the supreme decision-making unit in the company, as the board of directors has the responsibility to safeguard and maximise shareholder wealth, oversee firm performance, and assess managerial efficiency. Fama and Jensen (1983) in Abu, et al. (2016) pointed out four actions of initiation, ratification, implementation, and monitory, undertaken by the board in the decision-making processes. Therefore, the main role of the board is seen as the ratification and monitoring of decisions, overseeing the actions of managers/ executives. From the above concept, the role of the board is quite daunting as it seeks to discharge diverse and challenging responsibilities.

The board should not only prevent negative management practices that may lead to corporate failures or scandals but ensure that firms act on opportunities that enhance the value to all stakeholders. To understand the role of the board, it should be recognized that boards consist of a team of individuals, who combine their competencies and capabilities that collectively represent the pool of social capital for their firm that is contributed towards executing the governance function (Westphal, 2001). Given this, it is important to identify the board characteristics that make one board more effective than the other. Therefore, this study is set to identify and examine the board characteristics viz-a-viz board size, board independence, and board gender diversity and their effect on the financial performance of conglomerates in Nigeria.

2.1.2 Board Size

For two reasons, board size is a well-studied board attribute. For instance, it is thought that the size of the board of directors influences the firm's performance. The number of directors, in particular, shows the CEO's influence over the board, according to agency theory. Onyali and Okerekeoti (2018) define board size as the total number of company directors. This term emphasises the total number of business directors. It refers to the executive, non-executive, independent, male, or female directors. Kripa and Dorina (2016) defined board size based on efficacy, not headcount. He defined board size as the number of members that determines how well a board fulfils its fiduciary duties. For this study, board size is the total number of directors on each sampled firm's board, including the Chairman, CEO or managing director, executive directors, and non-executive directors (outside directors) in a particular financial year.

Yameen, Farhan, and Tabash (2019) found that a larger board size decreases the productivity of firms because the agreement with the CEO becomes more difficult when boards are large. Forbes and Milliken (1999) support Lipton and Lorsch by demonstrating that large boards are difficult to coordinate and free-riding is common among these boards. They also believe that large boards have a problem with making value-maximising decisions.

2.1.3 CEO Duality

The CEO non-duality, which separates the board's executive and monitoring functions, is most widespread in continental Europe, such as Finland, Germany, Holland, and the Netherlands (Shrivastav & Kalsie, 2020). In such a board, the management functions supervise operational concerns and are headed by the Chief Executive Officer (CEO), while the supervisory functions oversee the management functions and are headed by the Chairperson as non-executive director (Shrivastav & Kalsie, 2020). The CEO is part of the executive board and has no position in the supervisory board, which is formally autonomous from the executive (management) role.

In a one-tier board, which is most popular in Anglo-Saxon or Anglo-American countries such as the United States, the United Kingdom, Canada, Australia, and New Zealand, the executive and non-executive directors perform functions together in one organisational layer. A board may have executive and non-executive directors (Shrivastav & Kalsie, 2020). Krause, Semadeni, and Canella Junior (2014) define CEO duality as the practice in which a single person performs both the roles of CEO and Chairman of the Board of Directors. They note that academics have been interested in this topic for decades, but research has not reached conclusive results about the impact of this practice on organisations. Muhammad (2020) explains that duality of functions might be a concern because the same people are responsible for firm performance and efficiency. This compromises performance evaluation and can lead to long-term underperformance. A single executive with too much influence can contribute to organisational inefficiency. According to Moscu (2013), the best way to avoid confrontation is to separate the two perspectives. Muhammad (2020) claims that the CEO duality creates an impression of firm stability, builds trust in company management, and fosters greater communication between the administration and the Board of Directors.

2.1.4 Gender Diversity

Gender diversity examines the mix of male and female Board members and how it influences organisation performance. Most boards of directors are male, with few or no women. Most experts perceive this as a shortcoming and have studied the impact of women on boards and as executives on corporate performance. Gender diversity means using men's and women's unique qualities and skills to benefit the company (Onatuyeh & Proso, 2019). Different countries have established legislation and quotas to assure more women in top executive and board roles. Several European governments have ordered corporations to increase the proportion of female directors (Collier, 2008).

Norway's gender quota system adopted a 40% gender quota for women in 2003 for public and state-owned companies (Hoel, 2008). Spain, Netherlands, Iceland, and France later passed similar laws (Marinova, et al., 2010). In Nigeria, there are no such laws, although the vision 2020 national technical working committee on corporate governance encouraged increasing women participation. It's not surprising that fewer women than males hold corporate management roles in Nigeria (Abiola, 2004). Omotola (2007) opine that women are viewed as the weaker sex and have been ostracised in the political, economic, and social arenas. Women must overcome cultural barriers and balance family and profession to reach top positions.

2.2 Theoretical Framework

Stewardship Theory by Donaldson and Muth (1998) served as a background and support on which the study was built. The study was anchored on Stewardship Theory.

Donaldson and Davis (1991) developed stewardship theory. It counterbalances agency theory. Stewardship theory says a manager's goal is to optimise the firm's performance since a manager's demand for achievement and success is met when the firm does well. This viewpoint rejects agency theory and managerial opportunism (Davis, et al., 1997; Muth & Donaldson, 1998). Moreover, stewardship theory emphasises that staff members value collectivism rather than individualised behaviours (Kluvers & Tippett, 2011). Van Slyke (2007) argues that stewardship theory explores individual behaviours and relationships. Stewardship philosophy promotes communal, pro-organizational behaviour over personal interest. Stewardship theory posits long-term partnerships are based on trust, collaborative goals, and commitment, where management and staff goal alignment is generated via relational reciprocity (Kluvers & Tippett, 2011).

In summary, stewardship theory is relevant to this study because it implements stakeholder's theory, which captures all other vital stakeholders besides management, such as shareholders, regulators, creditors, employees, financial analysts, and potential investors, etc., who rely on earnings reports to make economic decisions. It explains how effective stewards, who are managers of quoted companies, manage their careers by discharging their responsibility with utmost integrity, mandatory compliance with corporate governance code, and disclosing accurate, relevant, and useful reports at given intervals without putting any stakeholder at a disadvantage.

2.3 Empirical Review

2.3.1 Effect of Board Size on Financial Performance

Yihun, et al. (2019) examined the level of impacts that different corporate governance mechanisms have on the financial performance of banks in Ethiopia. Secondary data were collected from the 7 bank's annual reports and the NBE from 2006-2015. The regression results show that the presence of female directors and industry-specific experience of directors has positive and significant effects on the financial performance of private banks while the number of board committees has significant negative effects on bank performance.

Warrad and Khaddam (2020) attempted to show the role of corporate governance characteristics on the performance of Jordanian Banks expressed by return on equity ROE during the period from 2014 to 2017. The investigation employed regression and correlation analysis to state the relationships between ROE and different variables. The study reports significant effects of the board size, board diligence, audit committee size, and audit committee diligence separately on ROE.

Owiredu and Kwakye (2020) examined the influence of corporate governance principles on banks' financial performance in Ghana. Data for the study was gathered from the annual reports and the financial statements of the sampled banks from the period 2007-2016. A random-effect model was used to analyse the data. This study found a significant positive relationship between board size and financial performance measured by ROA and ROE of banks in Ghana.

Shrivastav and Kalsie (2020) examined the relationship between internal corporate governance mechanisms and firm performance of NSE-listed companies. Firm performance has been measured using Tobin’s Q and MBVR as market-based measures and ROA and ROE as accounting-based measures. Econometric Analysis is performed using fixed effect multiple regression models on a panel of 178 non-financial NSE listed firms for a period of eight years from 2011-2018. Board size, Board Composition, Board independence, and CEO Duality have a significant negative impact on firm performance measures.

Muhammad (2020) investigated the impact of corporate governance on earnings quality. This study consists of firms from the food, agriculture, pharmaceuticals, and manufacturing sectors listed on the Pakistan Stock Exchange. The total sample taken for analysis is 107 companies belonging from multiple manufacturing sectors. The data covers 10 years from 2007 till 2016. This study is based on the secondary data which is collected from Pakistan Stock Exchange and individual company portals. The overall results have shown that CEO duality and board size have shown a very negative impact on earning quality. Future researchers have also room for new research areas.

Vianney, et al. (2020) examined the influence of Board composition practices on the Governance Performance of public institutions in Rwanda. The target population for the study was 378 managers from 10 public institutions in Rwanda. A stratified random sampling technique was used to get a sample of 195 respondents who were selected from the top management and middle managers' staff. The ordinary least squares (OLS) regression method of analysis was adopted. The findings confirm that there is a statistically significant influence of Board composition practices and corporate governance performance in public institutions in Rwanda.

Minanari and Rahayu (2020) examined whether the diversity of the members of the board of directors, encompassing gender, nationality, education, and experience, moderates the relationship between the corporate governance and investment decisions of listed companies of the Pakistan Stock Exchange. Panel data regression analysis techniques are used to gauge the cause-and-effect relationship among the variables. The study found that board independence and chief executive officer (CEO) duality has a significant positive impact on investment decisions.

Umar, et al. (2020) investigated the relationship between corporate governance in the board of directors and the financial performance of Nigerian banks. Three board attributes (board independence, board meetings, & board gender) were used as proxies of the independent variables while ROA was chosen as a measure of performance. Furthermore, the research made use of secondary data obtained from the annual reports of fifteen (15) banks listed in the Nigeria Stock Exchange for the year 2013 to 2015. The Random effect model regression results indicated that the relationship between board genders, board size, and ROA were negatively insignificant.

Saidu and Aifuwa (2020) examined the impact of board characteristics on the audit quality of listed manufacturing firms in Nigeria. The target population was forty-three (43) manufacturing firms listed on the Nigerian stock exchange. The study employed the Binary Probit Regression in testing the hypotheses stated. Findings revealed that board size had a positive and significant relationship with audit quality. The study found no evidence on the relationship between board independence, female gender on audit quality.

Engida (2020) examined the impact of corporate governance on the financial performance of insurance firms in Ethiopia. The study used both primary and secondary sources of data which are more quantitative and qualitative. This secondary data was accessed from the National Bank of Ethiopia from 2008 to 2017. This study used random panel regression analysis. Based on a regression analysis board gender diversity has an insignificant impact on the ROA of Ethiopian insurers.

Nguyen, et al. (2021) examined the impact of corporate governance (CG), on the dividend policy (DP) of enterprises listed on Vietnam's stock exchange in the period 2008–2018. The study used the GLS regression method for data analysis. The research results have found that board size has a significant effect on the dividend payout ratio of firms. The study finds solid evidence that alternative theory explains better the relationship between corporate governance and dividend policy.

Yusra and Bahtera (2021) conducted an empirical study using a granger causality test on corporate governance indicators in forecasting financial distress. The data used in this study is panel data. Using samples from assembling companies registered on the Indonesia Stock Exchange during the 2017-2019 period. Specifically, the results demonstrate that institutional ownership, managerial ownership, and independent commissioners do not affect financial distress. Furthermore, our study shows evidence of a significant influence between the size of the board of directors and audit committee on financial distress.

2.5 Gap in Empirical Review

The empirical literature reviewed in this study mostly had a limited period of coverage, with the majority of studies ending in 2019. As a result, this current study stands out as the most up-to-date research in the field of corporate governance literature. It is worth noting that previous studies on internal governance mechanisms in Nigeria often overlooked important factors such as board gender diversity and CEO duality in their examinations. Additionally, the impact of corporate governance on the performance of conglomerates in Nigeria was not thoroughly explored in previous research. Therefore, this study aims to address these significant gaps in the empirical review by investigating the effects of internal governance mechanisms, including board size, CEO duality, and board gender diversity, on the financial performance of conglomerates in Nigeria. By including these factors and analysing their impact on return on assets, this study provides valuable insights into the relationship between corporate governance practices and the performance of conglomerates in the Nigerian context.

3. METHODOLOGY

The study employed an ex-post facto research design due to the retrospective nature of the event being investigated, relying on historical accounting data extracted from the financial statements and accounts of selected industrial firms. Conducted over a decade (2011 to 2020)

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in Nigeria's conglomerate sector, the study utilised secondary sources, extracting cross-sectional data from annual reports and accounts of conglomerates listed on the Nigeria Stock Exchange. The population comprised five conglomerates: John Holt's Plc, Transnational Corporation of Nigeria (Transcorp) Plc, United Africa Company of Nigeria (UACN) Plc, Chellarams Plc, and SCOA Nigeria Plc, all sampled due to their listing status. Given the manageable size of the population and the availability of annual reports, the entire population served as the study sample.

Model Specification

The multiple regression model was specified as follows:

$DPR_t = \beta o + \beta_1 BDSIZE_t + \beta_2 CEOD_t + \beta_3 BDGDIV_t + \mathcal{E}_t$ - [Equation (1)]

Where;

ROA	Return on Asset
BDSIZE	Board Size
CEOD	CEO Duality
BDGDIV	Board Gender Diversity
$\mathcal{E}$	Stochastic Disturbance (Error) Term
β_o	Coefficient (constant) to be estimated
$\beta_i - \beta_3$	Parameters of the independent variables to be estimated
t	Current period

4. DATA PRESENTATION AND ANALYSIS

Regression Results (OLS)

After the application of the ordinary least square (OLS) estimation method on the model earlier suggested in the previous chapter, the following results shown in the table below were obtained. The study made use of the dummy variable regression technique to capture the possible effect of CEO Duality in the financial performance of conglomerates in Nigeria.

Table 4.2.2 Panel Least Square Estimation Result [Dependent Variable: ROA]

Variable	Coefficient	Standard Error	t-Stat	p-Value
BDSIZE	0.001617	0.010359	0.156097	0.8767
ACSIZE	-0.139295	0.045961	-3.030714	0.0042
BDGDIV	-0.002590	0.001170	-2.213171	0.0325
D(CEOD)	0.010928	0.037518	0.291278	0.7723

C	0.843459	0.295474	2.854600	0.0067
R^2 = 0.43, Adjusted R^2 = 0.33, F-Stat = 4.021855, Prob(F-stat) = 0.001344, D.W. Stat. = 1.30				

Source: Computed by Researcher Using Eviews 10.0 Statistical Software

Board Size: Board size has a coefficient of 0.001617 which shows that a unit increase in board size will increase the return on assets of conglomerate firms in Nigeria by 1.6%. The value of the t-statistics (0.156097 > 2) and the probability of t-Statistics (0.8767 > 0.05) shows that board size has an insignificant effect on the return on assets of conglomerate firms in Nigeria.

CEO Duality: CEO Duality has a coefficient of 0.010928 which shows that in the presence of CEO Duality, the cumulative effect on the return on assets of conglomerate firms is about 1 percent. The coefficient of the dummy variables shows that in the absence of CEO duality, i.e in a case where the CEO is different from the Company Chairman, the overall effect on the return on assets is the value of the constant term, ceteris paribus.

Statistical Criteria (First Order Tests)

The value of the Adjusted R^2 is 0.33, which tells us that 33 per cent of the changes in the return on assets are explained by the independent variables, while the other 63 per cent are explained by other factors capable of influencing the return on assets other than board size, audit committee size, board gender diversity and CEO duality. These other factors are contained in the error term. The f-test is used to check for the overall significance of the model and if the value of the probability of the f-stat (p-value: 0.001344) is less than 0.05 at a 5% critical value, the model is said to be significant and statistically fit. The Durbin Watson Statistic (1.30) shows the presence of positive autocorrelation in the time series data.

4.3 Test of Hypotheses

The four hypotheses formulated was tested as follows:

Statement of Decision Criteria

According to Gujarati and Porter (2009), the decision rule involves accepting the alternative hypothesis (H_1) if the sign of the coefficient for board size (BDSIZE) is either positive or negative, the modulus of the t-Statistic > 2.0 and the P-value of the t-Statistic < 0.05. Otherwise, accept H_0 and reject H_1.

Hypothesis One

Restatement of the Hypothesis in Null and Alternate Form

H_0: Board size does not have a significant effect on the return on assets of conglomerates listed on the Nigerian Stock Exchange (NSE).

H_1: Board size has a significant effect on the return on assets of conglomerates listed on the Nigerian Stock Exchange (NSE).

Presentation of Test Results

Table 4.2.4 Dummy Variable Regression Analysis result is used to test the above stated hypothesis.

Decision: The correlation coefficient in Table 4.2.4 shows that board size has a statistically positive effect on the return on assets of conglomerate firms in Nigeria. In addition, the values for t-statistic 0.156097) and probability of the t-statistic (0.8767) depict that board size has no statistically significant effect on the return on assets of conglomerate firms in Nigeria. This makes board size unable to predict the rate of return on assets in the industry.

Hypothesis Two

Restatement of the Hypothesis in Null and Alternate Form

H_0: CEO duality does not have a significant effect on the return on assets of conglomerates listed on the Nigerian Stock Exchange (NSE).

H_1: CEO duality has a significant effect on the return on assets of conglomerates listed on the Nigerian Stock Exchange (NSE).

Presentation of Test Results

Table 4.2.4 Dummy Variable Regression Analysis result is used to test the above stated hypothesis.

Decision: The correlation coefficient in Table 4.2.4 shows that CEO duality has a positive effect on the return on assets of conglomerate firms in Nigeria. The dummy variable process was used to represent CEO duality. The value 1 was assigned to cases where there is duality, while) was assigned to cases where there is no duality. Furthermore, the values for t-statistic (0.291278) and probability of the t-statistic (0.7723) depicts that there is no statistically significant difference in the return on assets of conglomerate firms, both in the presence and absence of CEO duality. This means that CEO duality does not have any impact on return on assets of conglomerate firms in the study.

4.4 Discussion of Findings

4.4.1 Effect of Board Size on Return on Assets

The test of hypothesis one from the result of the panel multiple regressions reveal that board size has a positive and insignificantly (p-value 0.8767) effect on the return on assets of conglomerate firms in Nigeria. The implication of the findings of the study is that as the size of the board of directors of these conglomerates increases, the financial performance of these firms, measured by the return on assets, equally increases. This could be attributed to the increased level of expertise that comes with numbers. A large board has a higher chance of containing well qualified numbers, and the financial and investment decisions of the firms are more likely to pass through a filter channel such that the sound decisions are prioritised. Hence, the organisation stands to benefit through higher return on assets. This is in tandem with the findings of Owiredu and Kwakye (2020) and Shrivastav and Kalsie (2020) who equally found a positive effect of board size on the financial performance of organisations.

4.4.2 Effect of CEO Duality on Return on Assets

The result of the regression analysis in table 4.2.5 revealed that CEO duality has a positive and insignificant (p-value 0.7723) effect on the return on assets of conglomerate firms in Nigeria. The findings of the study indicate that in organisations where the CEO is the same as the chairman of the board, there is a positive impact witnessed on the return on assets of such an organisation, as opposed to when the CEO is different from the Board chairman. However, the t-statistics also indicate that in a statistical sense, there is no difference in the financial performance of organisations with CEO duality and ones with different CEO and board chairman. This means that whether the organisations choose to vest these responsibilities in one person, is irrelevant, as it has no effect on the financial performance of such an organisation. The findings of the study are in line with the findings of Muhammad (2020). However, the findings of the study are in contrast with the findings of Shrivastav and Kalsie (2020) who found the effect or relationship between CEO duality and financial performance to be a negative one.

4.4.3 Effect of Board Gender Diversity on Return on Assets

The fourth hypothesis of the study shows that board gender diversity has a statistically significant (p-value 0.0325) negative effect on the return on assets of conglomerate firms in Nigeria. This means that the financial performance of the firms suffers when there are more women on the board of directors. This could be from the fact that women naturally have some natural limitations such as childbirth and nurture, as well as taking care of their families. This means that they might not be as productive as their male colleagues. Hence, having more women on the board might mean reduced performances of the board, which will translate in the general organisational financial performance. Engida (2020) and Minanari and Rahayu (2020) contrarily found board gender diversity to have no significant effect on the financial performance of business organisations.

5. CONCLUSION AND RECOMMENDATIONS

The study examined the effect of internal board mechanisms on financial performance of conglomerates in Nigeria. Internal board mechanism over the years has gained a lot of traction, with a number of researchers of the opinion that internal board mechanism is vital for the improvement in profitability and general performance of any organisation. Components of internal board mechanisms such as board size, board diversity, and CEO duality have been researched in a bid to understand the individual effects that they have on the performance of organisations. The key motivation towards the persistence in this field is the skill and decision making that board of directors are believed to offer. Therefore, organisations try as much as possible to accumulate the possible benefits of a good level of corporate governance.

Using a fixed effects panel regression, the results revealed that board size had an insignificant positive effect on the return on assets. Similarly, CEO duality had an insignificant positive effect on the return on assets. However, board gender diversity had a significant negative effect on the return on assets of conglomerates in Nigeria. These findings suggest that a more diverse board in terms of gender may have a detrimental impact on the financial performance of conglomerate firms. The following recommendations were made based on the findings and conclusion:

i. Since the study revealed that board size has an insignificant impact on the return on assets of conglomerate firms in Nigeria, it is recommended that these conglomerates focus on other factors that may contribute to profitability rather than solely relying on increasing or decreasing the board size. Other aspects such as enhancing corporate governance practices, strategic decision-making, and effective utilisation of resources should be prioritised.

ii. Regarding CEO duality, the study found no significant effect on the financial performance of conglomerate firms. Therefore, organisations should consider various factors and their specific circumstances when deciding whether to adopt a CEO dual system. It is crucial to assess the potential benefits and drawbacks of CEO duality and align it with the organisation's strategic objectives and governance structure.

iii. The study identified a significant negative relationship between board gender diversity and the return on assets of conglomerates. However, it is important to approach gender diversity in the boardroom with a broader perspective. Instead of recommending a reduction in gender diversity, organisations should strive for a balanced representation of both men and women on the board, ensuring a diverse range of perspectives and experiences. Emphasising inclusivity and equal opportunities for all board members can contribute to more effective decision-making and overall organisational performance.

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