



## BOARD CULTURAL DIVERSITY AND FIRM PERFORMANCE

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### ABSTRACT

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The contemporary belief that diversified boards perform better has prompted an investigation of board characteristics and how they influence firm performance. This study examines cultural diversity in boards and the performance of Nigerian firms. Specifically, it investigates the phenomenon of board culture as a “double-edged sword” with the aim of providing new evidence from the perspective of emerging markets. Board cultural diversity viewed the “foreignness” (the degree of a firm’s foreign orientation) of the board and firm, gender diversity, and board independence. Firm performance was measured by return on assets (ROA) and return on equity (ROE). A sample of 23 financial services firms from the Nigerian stock market over the period between 2006 and 2018 was used for the study, which applied a non-linear symmetric GARCH model for the analysis. The results revealed that board culture has a significant negative impact on performance. This result is sensitive to performance measures and is homogeneous to all firms because the control variables for firms’ heterogeneity were statistically insignificant.

**Contribution/Originality:** This study advances the existing literature on the influence of cultural diversity within corporate boards on corporate performance using data from a developing economy. It uses a non-linear estimation technique that can accommodate heteroscedasticity in the data to model the dynamics of board culture and performance.

## 1. INTRODUCTION

Corporate boards generally perform two roles – a monitoring role (as dictated by the agency theory) and an advisory role to management (as suggested by the resource dependence theory) (Garcia-Martin & Herrero, 2018). In today’s world of business, culture is fundamental to the effectiveness of a board. This is because corporate boards no longer simply preside, they also deliberate and work as a team. Thus, cultural rules, which dictate directors’ behavior, risk appetite, disposition, and decision-making processes, are vital to a board’s effectiveness (Beugelsdijk & Frijns, 2010). Clearly, knowledge of culture coupled with greater attention and better tools for evaluation will improve board dynamics and decision processes that will increase shareholders’ wealth maximization. As a building block of group behaviors, culture has been shown to have a direct impact on firms’ outcomes (competitiveness and performance). It conveys the standards for trust as well as penalties for breaches.

Though the term “board culture” defies a precise definition (Schneider, Ehrhart, & Macey, 2013), it encompasses values, beliefs, thinking, and norms for behavior adopted by a board. It is often implied rather than explicitly expressed. Therefore, board culture rules can either be written or unwritten, and they guide and direct

the relationships between board members and, consequently, their decisions. Culture can either provide a lift or a create a drag on board effectiveness and directors' satisfaction. Milliken & Martins (1996) referred to this phenomenon as a "double-edge sword", having both positive and negative sides. While it engenders information elaboration (Nederveen Pieterse, Van Knippenberg, & Van Dierendonck, 2013) it can also lower intragroup trust (Ahern, Daminelli, & Fracassi, 2015; Bjørnskov, 2008).

Recent impetus for the study of board culture has come from stakeholders' increasing scrutiny of board performance and an increase in board diversity. The empirical submissions that diversified boards perform better have pushed investors to demand increased diversity. There is also the recognition by the board themselves of the benefit of injecting a broader set of viewpoints into boardroom conversations. Accordingly, some boards now include directors from other countries and different industries, and also increase ethnic, gender, or age diversity. Notwithstanding, greater diversity has also been reported to engender conflict and misunderstanding among directors as their backgrounds come to bear on their viewpoints. These different arguments account for the existence of mixed results in prior empirical literature. Therefore, managing board culture to encourage constructive interactions among members is important.

This study evaluates the impact of cultural differences within boards as a group, a concept referred to as cultural diversity by Frijns, Dodd, & Cimerova (2016) on firm performance measured by the financial metrics of ROA and ROE. The study examines cultural diversity from the angle of foreignness of the firm or board, board gender diversity, and independent directors. The relevance of this study cannot be over-emphasized. In an era of frequent financial crises, measuring the impact of board characteristics on corporate performance will help in defining policy formulation for economic growth.

This paper contributes to corporate governance literature in two ways. First, it recognizes and measures behavior in boards using board diversity as a monitor. This will advance our knowledge of the behavioral impacts of a board on firm performance. Second, existing studies on board culture (whether between groups or within groups) and firm performance have focused on developed markets. It is therefore necessary to give new evidence on this subject from the perspective of emerging African markets. Hence, this study analyses listed firms from the Nigerian financial services industry.

## 2. LITERATURE REVIEW

### 2.1. Board Culture and Diversity

Board culture is simply how board values are lived on a day-to-day basis. It is a series of assumptions made by the board members regarding the board to which they contribute. Board culture can be viewed through the lens of its artifacts (e.g., public statement), goals and aspirations (compliance and guidelines for ethical conduct), and common beliefs (norms of leadership behavior, communication, and information flow) (Shearman & Sterling, 2018). Effective decision-making and strategy development is promoted by openness and respect embedded in the board's culture. Board culture is influenced by "hard factors" and "soft factors". Hard factors are formal structures and processes regarding board composition and the way board meetings are organized. On the other hand, soft factors are personal attributes of board members and board relationships.

Different types of board culture have been identified in the literature (Denison & Fisher, 2005). Apart from engaged culture, the other board culture types may not be so healthy. A positive or healthy board culture is one where the group dynamics propel effective decision-making. There is alignment between values and actions, leading to strong organizational resilience and the ability to withstand both internal and external stressors. A healthy board culture is also signified by strong communication and transparency, accountability, and cohesion that pave ways for changes to be implemented in a thoughtful and deliberate manner. A healthy culture enables a board to be a role-model for positive behaviours throughout an entire organization.

Board diversity is now considered as an important mechanism of good corporate governance. According to Bianco, Ciavarella, & Signoretti (2015), board diversity is a stronger monitor of behavior as board members that include different genders, ethnicities, and cultural backgrounds bring different viewpoints to board oversight and pose different kinds of questions. However, the basic empirical question here is whether a heterogeneously composed board contributes to the effective monitoring of the company as well as the efficiency of company's management. This question arises against the backdrop that regulators and standard setters have asserted that increasing firm performance is associated with diversity in the board.

The main argument supporting the hypothesis that greater board diversity is connected with a firm's competitive advantage or performance has been clearly articulated by Robinson & Dechant (1997); Zheng, Yang, & McLean (2010), and Duke II & Edet (2012). They are of the view that board diversity matches management diversity with customer diversity, thereby promoting a better understanding of the market. Diversity is an important demographic factor that aligns with more creativity and innovation, and such diversity enhances problem solving as more alternatives emanate from diverse management perspectives are evaluated. Thus, there is a better understanding of the complex and dynamic business environment. These advantages are not limited to gender diversities, but are also connected with nationality, functionality, and age diversities.

Notwithstanding the above, studies have also pointed out some drawbacks of board cultural diversity. Eulerich, Velte, & Uum (2014) observed that the likelihood of conflict and emotional discussions are higher in diverse boards. Frijns et al. (2016) submitted that it could affect relationships and create affective conflicts due to interpersonal incompatibilities. Efforts to resolve a group's cognitive tasks can be hampered by diversity due to increased levels of stress and intergroup conflict (De Wit, Greer, & Jehn, 2012). Cultural diversity can affect board function through negative effects on the levels of intragroup trust. In a highly heterogeneous group, many people will fall outside the trust radius (Bjørnskov, 2008). Again, perception differences have a detrimental effect on building trust within a group.

Gender issues within a board is now a policy issue in a number of European countries. Some countries such as Italy, France, and Spain have mandated a gender quota. Anderson & Baker (2010) opined that the advisory role of a board could be enhanced by a greater female presence as their professional backgrounds, capacities, competencies, and problem solving skills provide owners and top management with valuable advice. Contrary to this submission, Shabbir (2018) found that the presence of women on a board does not influence the performance of a firm, based on a study sample of 705 Italian listed firms. A similar report was presented by Unjunwa, Okoyeuzu, & Nwokoby (2012) for 122 quoted Nigerian firms from 1991 to 2008, and Akpan & Amran (2014) for 90 firms listed on the Nigerian Stock Exchange from 2010 to 2012.

A handful of empirical literature has examined whether the effect of cultural diversity on corporate performance is the same when diversity is measured among the executive and non-executive or independent directors. In the view of Frijns et al. (2016), a difference is expected because, first, independent directors are not indoctrinated with organizational culture and so the effect of cultural diversity on performance could be more pronounced, and second, because of the differing roles of directors. Monitoring is a crucial task of independent directors to ensure that decisions are made in the best interests of shareholders. On the other hand, executive directors play vital advisory roles that rely more on specific expertise.

National culture diversity within a board has also been examined from the perspective of the "foreignness" of the board or firm (that is the degree of a firm's foreign orientation). Firms with a higher degree of foreign orientation are likely to have a greater share of foreign directors. Implicitly, greater cultural diversity within the boards of such firms is expected (Ferreira, 2010). Consistent with Masulis, Wang, & Xie (2012), and Frijns et al. (2016), foreignness amplifies the negative influence of board cultural diversity on firm performance. The explanation of this negative influence, as provided by Masulis et al. (2012), is that foreign directors' physical distance from their firms limit their ability to attend board meetings and monitor management effectively.

However, the inclusion of several measures of foreignness, such as foreign director ratio, ratio of different nationalities, and foreign independence director ratio (Frijns et al., 2016), reveals that the negative influence is actually an issue of cultural diversity that extends beyond limited effectiveness due to physical distance. Also, regarding board nationality and ethnicity, Unjunwa et al. (2012) found a positive association with firm performance. As cultural diversity has both positive and negative effects, it is therefore worth examining its net effects on firm performance.

## 2.2. Firm Performance

Firm performance is a commonly used dependent variable in corporate finance literature and it has been well explicated for this reason. It connotes how well an organization makes use of its resources as a principal mode of business to generate revenue (Samina & Ayab, 2013), and it is a reflection of the extent of the achievement of a firm's financial, human resource, market, and environmental goals (Yesil & Kaya, 2013). It is also the effective and efficient manner in which managers utilize resources to attain set goals and objectives (Odiwo, Chukwuma, & Kifordu, 2016).

Kaplan & Norton's (2004) balanced scorecard framework identifies financial and non-financial performance as performance dimensions. This study adopts financial measures of performance because it is easily and objectively determined. Mutama (2016) opined that financial performance is a measure of a firm's ability to use resources to generate streams of economic benefits to its owners and is, therefore, the financial result or worth of a firm (Lindstrom & Svensson, 2016). Several proxies that measure financial performance that have been documented in literature include market-based measures (stock price and Tobin's Q) and accounting-based measures (ROE and ROA) (Azutoru, Obinne, & Chinelo, 2017; Kazan, 2016; Shabbir, 2018).

Both theoretical and empirical arguments support the idea that culture is linked with firm performance. From the perspective of the resource-based theory, Zheng et al. (2010) maintain that culture is a key asset of a firm that is associated with organizational effectiveness. Oparanma (2010), and Duke II & Edet (2012) found a positive association between culture and firm performance. On the other hand, Yesil & Kaya (2013) did not establish a direct link but stated that the link could be through a mediator such as knowledge management or innovativeness. On their part, Frijns et al. (2016) reported a negative effect of culture on firm performance.

## 3. DATA AND METHODS

This study used secondary data drawn from a sample of 23 firms in the financial services sector that are listed on the Nigerian Stock Exchange (NSE). The financial services sector is the largest on the basis of the number of listed firms. It is also the most sensitive because it drives the financial system of the economy having linkages with all other sectors of the economy. In this context, corporate governance issues in this sector are of great concern to regulators and economy watchers, and the wellbeing of other sectors depends on this sector. For these reasons, the financial sector was selected for this study. The chosen sample firms have complete data on the variables of interest from 2006 to 2018; the data was sourced from the companies' annual reports, the Nigerian Capital Market Statistical Bulletin, and the NSE fact book.

### 3.1. Research Model and Measurement

The dependent variable for this study is firm performance gauged through financial performance measures. The study chose two proxies for financial performance, namely ROA and ROE. These accounting-based measures satisfy the information need of various stakeholders regarding the wellbeing of a firm. The use of mixed proxies is to facilitate in-depth analysis and ascertain the sensitivity of the research model to different performance measures (Garcia-Martin & Herrero, 2018).

The independent variables are foreignness, gender diversity and independence of the board. As shown by Frijns et al. (2016), board culture emanates from these variables. Control variables – firm size and firm financial risk – were introduced to factor in the differences in firms or the uniqueness of each firm in the analysis. Operationalization of the variables is shown in Table 1.

Table 1. Operationalization of Variables.

Variable	Operational Definition
Return on Assets (ROA)	This is the operational income divided by the year end book value of total assets.
Return on Equity (ROE)	This is the net income after the preferred dividend divided by shareholder equity.
Foreignness (FOREIG)	A dummy variable, or an indicator variable which equals 1 if the firm has at least one foreign director, or foreign nationality on the board, have significant foreign sales, foreign assets, or foreign listings, and zero otherwise.
Board Gender Diversity (BGENDER)	The percentage of the number of women on the board.
Board Independence (BINDEP)	The proportion of non-executive or external directors on the board.
Firm Size (FSIZE)	The log of total assets.
Firm Financial Risk (FINRISK)	Computed as total debt scaled by total assets at year end.

### 3.2. Research Model

This study observed from the results of prior empirical studies that a linear model is insufficient to capture the nexus between board cultural characteristics and firm performance. Elements of board culture reflect both observable and unobservable characteristics of board members. Against this backdrop, the study adopted a non-linear symmetric generalized autoregressive conditional heteroscedasticity (GARCH) model. Using Bollerslev's (1986) framework, the following model is specified:

$$Y_t = \beta_0 + \beta_1 Y_{t-1} + \varepsilon_t \quad (1)$$

$$\varepsilon_t / \phi_t \cong \text{iid } N(0, h_t)$$

$$h_t = \gamma_0 + \gamma_1 \varepsilon_{t-1}^2 + \gamma_2 h_{t-1} + \gamma_3 \text{FOREIG} + \gamma_4 \text{BGENDER} + \gamma_5 \text{BINDEP} \\ + \gamma_6 \text{FSIZE} + \gamma_7 \text{FINRISK} \quad (2)$$

Where:

$Y_t$  = Firm performance with ROA and ROE as its dimensions.

$Y_{t-1}$  = One-period lagged value of firm performance.

FOREIG = Foreignness.

BGENDER = Board gender diversity.

BINDEP = Board independence.

FSIZE = Firm size.

FINRISK = Firm financial risk.

$\gamma_0 \dots \gamma_7$  = Estimated coefficients.

Equation 1 is the mean equation and is an autoregressive model of firm performance. Equation 2 is the variance equation, which explains variation in performance on the basis of board and firm variables. Specifically, if the estimated coefficients of foreignness, board gender diversity and board independence are statistically significant, then board culture influences firm performance. The model will be implemented separately for ROA and ROE.

#### 4. ANALYSIS OF DATA AND RESULTS

The data analysis begins with the descriptive statistics presented in Table 2.

**Table 2.** Descriptive Statistics.

Statistic/Variable	Mean	Maximum	Minimum	Standard Deviation	Skewness	Kurtosis	Jarque-Bera	Probability
ROA	1.766020	115.4100	-56.22000	10.64642	2.208709	52.55008	30830.94	0.000000
ROE	8.282977	531.7400	-394.3200	45.28312	2.185696	84.84658	83694.72	0.000000
FOREIG	0.404682	1.000000	0.000000	0.491653	0.388394	1.150850	50.11683	0.000000
BGENDER	13.76685	60.00000	0.000000	11.80288	0.690864	2.953245	23.81232	0.000000
BINDEP	62.41619	90.91000	0.000000	12.95647	-0.330609	4.185377	22.95234	0.000000
FSIZE	7.961605	10.77000	5.580000	1.055369	0.055499	1.913935	14.84856	0.000000
FINRISK	79.56789	888.1900	4.460000	92.01212	6.320274	48.12409	27358.09	0.000000

From Table 2, the mean value of ROA for the sampled firms is 1.766020; its maximum value is 115.4100 and its minimum value is -56.22000. For ROE, the respective mean, maximum and minimum values are 8.282977, 531.7400, and -394.3200. The independent variables have mean values of 0.404982 for foreignness, 13.76685 for gender diversity, and 62.41619 for board independence. The average value for foreignness shows that the proportion of firms with foreignness is approximately 40%. The maximum and minimum values for foreignness are one and zero, respectively. In the case of board gender diversity, these values are 60.00000 and 0.000000, respectively. The maximum value for board independence is 90.91000, while the minimum value is 0.000000. For the control variables, firm size has a mean of 7.961605, a maximum value of 10.77000, and a minimum value of 5.580000. Firm financial risk has a mean value of 79.56789, a maximum value of 888.1900, and a minimum value of 4.460000.

The standard deviation, which measures the dispersion of the individual value from the mean, shows wide dispersion for all variables. For instance, ROA has a standard deviation of 10.64642, while that of ROE is 45.28312. This result is substantiated by the skewness and kurtosis values. Ideally, a skewness value of zero and a kurtosis value of three represent normal distribution. The only variable whose skewness is close to zero is firm size (0.055499). In the same vein, the skewness value is positive for the other variables except board independence, which is negative (-0.330609). This negative value implies the tendency for this variable to decline. A further test of normality of the data was done using Jarque-Bera statistics. The probability values for these statistics for all variables are zero, which means that no variable is normally distributed. These distributional characteristics of the variables suggest that a non-linear model is more appropriate to analyze the data.

##### 4.1. Correlation Matrix

A correlation matrix was computed to further elucidate the data and is presented in Table 3. This matrix shows how the variables relate to one another.

**Table 3.** Correlation Matrix.

Variable	ROA	ROE	FOREIG	BGENDER	BINDEP	FSIZE	FINRISK
ROA	1.000000						
ROE	-0.072036	1.000000					
FOREIG	0.063033	0.038488	1.000000				
BGENDER	0.103997	0.045640	-0.070734	1.000000			
BINDEP	-0.096492	0.018079	0.159602	-0.130869	1.000000		
FSIZE	0.031861	0.004802	0.092972	0.129430	-0.198881	1.000000	
FINRISK	-0.237545	-0.000614	-0.090952	-0.175076	-0.116942	-0.115065	1.000000

From Table 3, foreignness (0.063033), board gender diversity (0.103997), and firm size (0.031861) have a positive correlation with ROA. This means that these variables move in the same direction as ROA. On the other

hand, ROE (-0.072036), board independence (-0.096492), and firm financial risk (-0.237545) are negatively related with ROA. Furthermore, apart from financial risk (-0.000614), which has negative relationship with ROE, the other variables are positively related with ROE. Board gender diversity (-0.070734) and financial risk (-0.090952) have a negative relationship with foreignness. Again, board independence (-0.130869) and financial risk (-0.175076) are negatively related with gender diversity. Finally, firm size (-0.198881) and financial risk (-0.116942) have a negative relationship with board independence.

#### 4.2. Covariance Analysis

The results in Table 4 indicate the probability values along with the covariance coefficients.

Table 4. Covariance Matrix.

Covariance Probability	ROA	ROE	FOREIG	BGENDER	BINDEP	FSIZE	FINRISK
ROA	112.9671						
ROE	-34.61283 0.2142	2043.702					
FOREIG	0.328835 0.2773	0.854013 0.5073	0.240915				
BGENDER	13.02440 0.0726*	24.31489 0.4316	-0.409091 0.2227	138.8421			
BINDEP	-13.26553 0.0958*	10.57163 0.7555	1.013282 0.0057***	-19.94601 0.0236**	167.3086		
FSIZE	0.356793 0.5832	0.228721 0.9341	0.048079 0.1086	1.606843 0.0252**	-2.710372 0.0005***	1.110078	
FINRISK	-231.9208 0.0000***	-2.660424 0.9916	-4.100719 0.1166	-189.4980 0.0024***	-138.9468 0.0433**	-11.1367 0.0468**	8437.915

Note: \*\*\*, \*\*, and \* denote significance at 1%, 5%, and 10%, respectively.

The positive covariance between ROA and board gender diversity is significant at 10%. Similarly, the negative covariance between ROA and board independence is significant at 10%. The statistically significant covariance (at 1%) between board independence and foreignness implies that foreign activities of a firm strengthen the independence of the board. On the other hand, gender diversity significantly reduces board independence. Firm size will significantly increase gender diversity, as shown by the significant positive covariance at 5%, but will decrease board independence. Also observed is that an increase in financial risk will significantly decrease ROA. Gender diversity, board independence, and financial risk have significant covariance with firm size.

#### 4.3. Empirical Result

The results of the research model implemented with ROA and ROE as proxies for firm performance are presented in Table 5.

From Table 5, the mean equation panel for ROA shows that the coefficient of the lagged value of ROA ( $\beta_1$ ) is positive (0.281098). Thus, past performance influences current performance. In the variance equation, the coefficient ( $\gamma_1$ ) of the ARCH term ( $\epsilon^2_{t-1}$ ) is 0.214521. This is positive and statistically significant at 1%. The conditional variance term,  $h_{t-1}$ , has a coefficient of 0.478645 ( $\gamma_2$ ) and is significant at 1%. Furthermore, the variance equation panel for ROA shows that  $\gamma_3$ , which is the coefficient for foreignness, is negative (-17.98794) and significant at 1%. Board gender diversity ( $\gamma_4$ ) is also negative (-1.003738) and significant at 1%. Board independence ( $\gamma_5$ ) is negative (-

0.281461), but not statistically significant. The two control variables, firm size ( $\gamma_6$ ) and financial risk ( $\gamma_7$ ), have negative coefficients of -2.342274 and -0.037105, respectively, and they are not statistically significant.

Table 5. Model Results

ROA				ROE		
Mean Equation						
Variable	Coefficient	Z-stat	Prob.	Coefficient	Z-stat	Prob.
$\beta_0$	1.725592	1.644601	0.1001	9.997426	1.620848	0.1051
$\beta_1$	0.281098	1.950104	0.0512	0.363157	2.780802	0.0054***
Variance Equation						
$\gamma_0$	97.86674	2.876748	0.0040	2003.539	2.690397	0.0071
$\gamma_1$	0.214521	2.978758	0.0029***	0.075901	1.874583	0.0609
$\gamma_2$	0.478645	6.764053	0.0000***	0.691945	7.331470	0.0000***
$\gamma_3$	-17.98798	-2.886478	0.0039***	-95.36204	-0.487291	0.6261
$\gamma_4$	-1.003738	-3.169817	0.0015***	-54.03801	-6.670746	0.0000***
$\gamma_5$	-0.281461	-1.218923	0.2229	0.795300	0.141399	0.8876
$\gamma_6$	-2.342274	-0.485246	0.6275	-19.84866	-0.220340	0.8256
$\gamma_7$	-0.037105	-0.234792	0.8144	0.630630	0.220962	0.8251

Note: \*\*\* and \*\* denote significance at 1% and 5%, respectively.

Using ROE as a proxy for firm performance, the mean equation result shows that  $\beta_1$  (0.363157) is significant at 1%. Implicitly, current performance is significantly influenced by previous performance. The variance equation panel reveals that  $\gamma_1$  (0.075901) is positive but not significant at 5%. The coefficient of the conditional variance,  $\gamma_2$ , is positive (0.691945) and significant at 1%. The estimate of foreignness is negative (-95.36204) and statistically insignificant. Board gender diversity (-54.03801) is negative as well as significant at 1%. Board independence (0.795300) and financial risk (0.630630) are positive but not significant. Firm size is also not significant but its estimate is negative (-19.84866).

#### 4.4. Discussion of Findings

Board culture variables in the ROA model are all negative and therefore implies that board culture reduces a firm's performance. Clearly, greater diversity in board culture engenders conflict and constrains cohesiveness of the board, and mistrust among board members eventually drives down the performance of the firm. In the ROE model, differences in board culture arising from foreignness and gender diversity have a negative impact on performance, while board independence is positive. However, only gender diversity is highly significant, meaning that affective conflict from this variable can drastically reduce firm performance. As this study could not establish any statistically significant positive link between board culture and performance, the submission is that board culture has a negative effect on performance.

This result corroborates Bjørnskov (2008); De Wit et al. (2012); Eulerich et al. (2014); Frijns et al. (2016); Masulis et al. (2012) and Shabbir (2018) but conflicts with Unjunwa et al. (2012) on board nationality. The control variables that were used to account for heterogeneity of firms are not significant for both ROA and ROE models. Therefore, there is no significant difference among firms in respect of the above results.

## 5. CONCLUSION

In this paper, cultural differences within boards arising from foreignness, gender diversity, and board independence have been examined. This is against the backdrop of the assertion in the early corporate governance literature that board culture could either lift or drag board effectiveness. Empirical analysis on two proxies for performance, namely ROA and ROE, revealed that the result is sensitive to performance measures. The result for board independence is mixed in terms of the sign of the parameter estimate but the same in terms of statistical significance. Overall, the study submitted that board culture has a negative influence on firm performance. Board culture amplifies interpersonal incompatibility as highly heterogeneous boards put many group members outside of the trust radius. In light of the foregoing, it is recommended that board heterogeneity arising from foreignness and gender diversity should be minimized.

This study is limited by the fact that it only used data from the financial services sector and for a time frame that is just over a decade; further studies should increase the longitudinal scope and number of firms. Asymmetric non-linear models may also be used to analyze data to capture the dynamic nature of the conditional variance of the residuals.

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