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BOARD GENDER DIVERSITY AS A GOVERNANCE BUFFER: EVIDENCE FROM CEO POWER AND FINANCIAL PERFORMANCE RISK

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ABSTRACT

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The concentration of CEO power within Nigeria's emerging economy presents both opportunities and governance risks, particularly for manufacturing firms navigating volatile performance environments. This study investigates how various dimensions of CEO power to include structural, expert, ownership, and prestige, impact financial performance risk, and whether board gender diversity acts as a moderating buffer to mitigate excessive financial performance volatility (risk). Anchored on behavioral governance theory, this study employed interaction modeling within a panel data structure and Feasible Generalized Least Squares (FGLS) estimator to conduct the empirical investigation. A sample of forty-five (45) manufacturing firms listed on the Nigerian Exchange Group (NGX) between 2015 and 2024 provided the data which were obtained through purposive non-probability sampling technique. Key among the findings is that CEO power significantly shapes financial performance risk, with board gender diversity acting not as a direct stabilizer, but as a contingent governance mechanism whose impact varies depending on the type of CEO power in question. While CEO structural separation, typically promoted under classical agency theory, appears to heighten financial risk in the Nigerian context, CEO expert power emerges as a risk-reducing force, but such benefits diminish when moderated by gender-diverse boards, suggesting that in rigid, male-dominated governance systems, a gender diverse board can generate friction that disrupts leadership coherence. Based on the outcomes from this study, firm managers are encouraged to focus on building inclusive board cultures, clarify role expectations, and provide meaningful engagement channels for female directors to influence strategic decision-making. Further, this study carefully recommends that key regulators such the Nigerian Securities and Exchange Commission (SEC) and policymakers need to go beyond mandating quotas towards investing in board training, capacity building, and governance reforms that encourage collaborative, not confrontational, board-CEO dynamics, especially in an industry as volatile and capital-intensive as manufacturing.

Keywords: CEO Power, Financial Performance Risk, Board Gender Diversity, Behavioral Governance Theory, Feasible Generalized Least Square (FGLS).

Introduction

Globally, the resurgence of corporate scandals, from Wirecard AG, a Munich-based payments and financial services company in Germany to governance breakdown at Boeing Airlines, a leading global aerospace company in the US, has reignited concerns over the risks of concentrated Chief Executive Officer (CEO) power. Contemporary cases such as Elon Musk's dominance at Tesla and Twitter further exemplify how excessive executive power can fuel erratic corporate performance and expose firms to investor distrust, strategic overreach, and unmanaged risk-taking (Lash & Ni, 2023). From the Nigerian scene, corporate governance probes over the last decade in Nigeria's manufacturing sector have revealed recurring issues such as financial misreporting, audit manipulation, and opaque internal controls, often traced to senior executive collusion and weak board oversight. For instance, the debarment of two Nigerian firms; Viva Atlantic Limited and Technology House Limited, and their CEOs by the World Bank over fraudulent procurement actions in January 2025 highlights how dominant executives can leverage their executive positions for personal gain. Another case in hand is manifested in the Nestle Nigeria Plc and Dangote Cement Plc, where audit disclosures and media reports highlighted governance deficiencies linked to centralized executive power (Olufemi & Olufisayo 2023). Economically, the scandals caused substantial market disruptions and eroded investor confidence (Alao, Adebisi, & Olaniyi, 2024; Jory, Ngo, Wang & Saha, 2015; Wise, 2014), prompting regulators like the Financial Reporting Council of Nigeria (FRCN) to tighten its oversight functions (Yahaya, 2025)

In the literature, CEO power encompasses both formal and informal dimensions, categorized by Finkelstein (1992) into structural, ownership, expert, and prestige power. These dimensions are operationalized through observable proxies such as CEO duality, tenure, stock ownership, founder status, education, and professional networks (Bigley & Wiersema, 2002; Finkelstein & D'Aveni, 1994; Lewellyn & Muller-Kahle, 2012). While structural and ownership power provide formal channels for strategic influence, expert and prestige power are rooted in experience and external affiliations, enhancing a CEO's legitimacy and control over firm decisions (Finkelstein, 1992). Prestige power can insulate

CEOs from board scrutiny, amplifying the risk of unchecked decision-making (Lewellyn & Muller-Kahle, 2012). Nevertheless, the positional power of the CEO, when balanced with accountability mechanisms, can offer firms a clear strategic direction and agile decision-making capabilities (Finkelstein, 1992). Building on this framework, an equally important consideration is the way in which such power dynamics translate into firm-level outcomes, particularly through the perspective of financial performance risk. Financial performance risk which has been conceptualized as the extent of fluctuations or degree to which a firm's financial outcome deviate from a consistent or expected trajectory over time (Pearce II, & Patel 2018), offers a more dynamic and sensitive proxy for evaluating governance implications of CEO power than traditional static performance measures (Rao, Al-Yahyaee & Syed 2007; Bisbe & Malagueño 2012). In the views of Datta, (2012) performance risk, refers to inconsistency in financial and operational outcomes across time, driven not merely by market forces but also by internal governance dynamics. Unlike average performance, which gives a static picture, risk performance captures the unpredictability associated with the firm's operations making it a critical indicator not only of strategic inconsistency but also of the firm's vulnerability to internal and external shocks.

Agency theory provides the foundational logic for understanding CEO power as a governance concern. Within this framework, CEOs are viewed as self-interested agents whose objectives may diverge from those of shareholders, particularly when monitoring mechanisms are weak or compromised (Jensen & Meckling, 1976; Fama & Jensen, 1983). CEO power intensifies agency problems by expanding managerial discretion and weakening the board's capacity to constrain opportunistic or excessively risky behavior. Structural power consolidates authority, expert power amplifies informational asymmetry, ownership power reshapes incentive alignment, and prestige power erodes external and internal scrutiny. These power dimensions do not necessarily reduce average firm performance; instead, they increase the dispersion of outcomes by enabling strategic actions with higher variance, thereby making financial performance risk a natural manifestation of unresolved agency conflicts

(John, Litov & Yeung, 2008; Boubaker, Nguyen & Rouatbi, 2016). Upper echelons theory extends the agency-based logic by emphasizing the role of executive cognition and experience in shaping strategic outcomes. Accordingly, organizational results reflect the values, biases, and interpretive frames of powerful executives, particularly when their discretion is high (Hambrick & Mason, 1984; Hambrick & Fukutomi, 1991). CEO expert power and prestige power are especially salient in this regard, as accumulated experience and symbolic status can foster overconfidence, cognitive rigidity, and escalation of commitment. These behavioral tendencies heighten the likelihood of extreme strategic choices and delayed course correction, thereby contributing to earnings instability and performance swings over time (Hayward & Hambrick, 1997; Li *et al.*, 2013; Huang, Lin & Xu, 2020). From this standpoint, financial performance risk emerges not as random noise but as an endogenous outcome of executive dominance and bounded rationality. Resource dependence theory further complements this framework by conceptualizing both CEOs and boards as providers of critical resources, legitimacy, and external linkages (Pfeffer & Salancik, 1978). CEO prestige power, enhances access to capital, political protection, and stakeholder confidence, but this same external legitimacy can substitute for effective internal governance. Little wonder why Pollock *et al.* (2010) and Chen, Crossland & Huang, (2016), noted that when boards rely excessively on the reputational capital of high-status CEOs, monitoring intensity declines, allowing risky strategies to persist unchallenged. In such settings, risk is amplified not by poor decision-making alone, but by institutionalized deference and delayed governance intervention.

Behavioral governance theory provides the unifying mechanism that explains how board gender diversity alters the dynamics. This perspective emphasizes that board effectiveness depends not only on structural independence but also on cognitive diversity, ethical sensitivity, and decision-making processes (Forbes & Milliken, 1999; Adams & Ferreira, 2009). Gender-diverse boards are associated with greater deliberation, reduced groupthink, and heightened aversion to extreme downside risk, particularly when managerial power is concentrated (Bernile, Bhagwat & Yonker, 2018; Post & Byron, 2015). Female directors have been shown to strengthen

monitoring (Sila, Gonzalez & Hagedorff, 2016), question dominant narratives, and recalibrate risk preferences, thereby constraining the translation of CEO power into risky financial performance outcomes (Loukil, Yousfi & Yerbanga, 2019). Hence, by integrating these theories, this study posits that CEO power operates as a volatility-enhancing force through agency conflicts, cognitive dominance, and symbolic insulation, while board gender diversity functions as a disciplining moderator that weakens the pathways. In other words, the prediction is that the positive relationship between CEO power and financial performance risk is conditional rather than deterministic. Hence, where board gender diversity is low, CEO power is more likely to translate into heightened earnings instability and outcome dispersion. Conversely, higher levels of gender diversity strengthen board challenge capacity, reduce overconfidence-driven risk escalation, and promote timely corrective governance, thereby dampening volatility without necessarily constraining strategic initiative. Notably, the integrated framework moves beyond linear governance–performance models by reconceptualizing corporate governance as a system that shapes the *distribution of firm outcomes* rather than their average level alone. In so doing, it provides a theoretically coherent basis for examining the moderating role of board gender diversity in the CEO power–financial performance risk nexus.

In Nigeria's manufacturing sector, persistent corporate governance failures have led to chronic performance risk, widespread investor apprehension, and delisting of several firms from the Exchange Group. Usman and Yahaya (2023) demonstrate that firms led by CEOs holding combined chairmanship roles and substantial ownership stakes are prone to high-risk investment decisions made without adequate oversight, resulting in unstable financial outcomes. Further, the observed widening disparities in financial outcomes among manufacturing firms such as Lafarge Africa Nig. Plc, May & Baker Nigeria Plc, and Flour Mills of Nigeria Plc in 2023 is also a source of concern. Nigeria's manufacturing sector, long plagued by foreign exchange instability, energy crises, and policy unpredictability, continues to suffer from erratic leadership outcomes, with dominant CEOs exercising disproportionate influence over strategic direction, thereby amplifying performance instability (Nigerian

Bureau of Statistics, NBS, 2023). Little wonder why empirical insights reveal that CEO power whether exercised through CEO duality, ownership concentration, or expert dominance has been a significant driver of erratic earnings patterns, short-termism, and strategic misalignment with long-term firm value (Musa, 2024; Yahaya, 2025). Therefore, this study can simply argue that inconsistency in financial performance among firms within the same industry and economic environment not only calls attention to external market shocks but also exposes the strategic discretion vested in CEOs as a critical internal driver of financial performance risk.

Further this study is unique in the application of financial risk metrics as corporate financial performance evaluation metrics which to the best of the researcher knowledge have been rarely evaluated among related literature emanating from Africa and specifically from the Nigerian context. The predominate performance evaluation metrics in the literature is the deployment of return on total asset, return on total equity, Tobin Q and other related financial performance evaluation ratios as seen in studies of Kauji, Usman and Adamu, (2023), APOCHI, Mohammed & Yahaya, (2022), Ahmad and Umar (2023), Omoregie and Ige (2025), Yusuf and Yahaya (2023), Amedu and Dulewicz, (2018). Although, investigations into the forgoing performance metrics are instrumental in providing critical solutions to firm managers, (Rajindra, Guasmin, Burhanuddin & Anggraeni, 2021), however, the need to empirically evaluate performance risk becomes utmost in today's corporate world where risk of financial failure is swift and very unpredictable (Lockwood, 2015; Rahman, 2018). In Nigeria's volatile economic environment, where inflation, currency fluctuations, and policy reversals are commonplace, firms require strong, adaptive, and undoubtedly accountable leadership, because excessive CEO power may undermine critical balance, leading to decisions that prioritize personal ambition over sustainable growth. This paper is structured into five sections. Section 1 presented the introduction. Section 2 reviewed the relevant literature. Section 3 addressed the methodological procedures and the measurement of the study variables. The results and discussion of the results are presented in Section 4. Finally, Section 5 concludes the study and offers suggestions for future research.

Conceptual Literature and Theoretical Framework Development

Conceptual Review

CEO Power; A Multi-Dimensional Governance Phenomenon

CEO power has increasingly been recognized in corporate governance scholarship as a complex, multi-dimensional construct rather than a unidimensional attribute rooted solely in formal authority. Early governance models treated CEOs as contractually constrained agents whose discretion was largely circumscribed by boards and ownership structures (Jensen & Meckling, 1976; Fama & Jensen, 1983; Hermlin & Weisbach, 1998; Shleifer & Vishny, 1997). However, subsequent theoretical and empirical advances demonstrate that CEOs accumulate power through multiple channels that jointly shape their capacity to influence strategic choices, risk exposure, and organizational outcomes (Kish-Gephart, & Campbell, 2015; Hammad, 2023; Fernández-Pérez, Jesús García-Morales, & Fernando Bustinza-Sánchez, 2012). Finkelstein's (1992) seminal typology provides the most widely accepted framework for decomposing CEO power into structural, expert, ownership, and prestige dimensions. Structural power derives from formal role configurations that consolidate authority, such as CEO duality or dominance over board processes (Finkelstein 1992; Fama & Jensen 1983; Jensen 1993; Coles, Daniel & Naveen 2006). Expert power reflects firm-specific knowledge, tenure, and accumulated experience that reduce informational dependence on the board (Hambrick & Fukutomi, 1991; Finkelstein, 1992; Li, Griffin, Yue & Zhao, 2013; Huang, Lin & Xu, 2020). Ownership power arises from equity stakes that enhance voting influence and strategic autonomy. Prestige power emanates from external reputation, elite networks, political connections, or symbolic status that shields executives from scrutiny (Hayward & Hambrick, 1997; Bebchuk, Cremers & Peyer, 2011; Chen, Crossland & Huang, 2016). This multidimensional view is particularly salient in institutionally weak environments, where governance enforcement mechanisms are uneven and informal power often substitutes for formal control. In the Nigerian corporate setting, boards operate under conditions of concentrated ownership, relational contracting, and regulatory

enforcement gaps, which magnify the relevance of non-contractual CEO power bases (Adegbite, Amaeshi & Amao, 2012; Uche, Adegbite & Jones, 2016; Okike, 2020). In such contexts, CEOs may exercise disproportionate discretion not only through formal positions but also through tenure-based dominance, ownership concentration, and socio-political embeddedness. Consequently, treating CEO power as a singular construct risks masking heterogeneous pathways through which executives influence firm outcomes, particularly volatile performance trajectories

Financial Performance Risk, Board Gender Diversity

Scholars have progressively moved beyond the traditional view of financial performance as merely profitability or return-based metrics, towards a more dynamic understanding that includes the volatility, sustainability, and predictability of financial outcomes over time. For instance, Zhao, Chen, and Wang (2020) conceptualize financial performance risk as the variability or instability in a firm's financial returns, arising from both internal decision-making and external shocks. This aligns with the view of Nadeem, Suleman, and Ahmed, (2019), who define it as the extent to which firm performance deviates from expected norms due to strategic choices and environmental uncertainty. While conventional measures like return on assets or return on equity capture static snapshots of performance, this evolving conceptualization recognizes performance risk as a dynamic and distributional property of financial outcomes, concerned not only with how much firms earn but how reliably they earn it over time (Chen, Zhou, & Fang, 2021). CEO power is often viewed as a multidimensional construct that encompasses a chief executive's ability to influence strategic decisions and organizational outcomes, beyond formal authority. According to Wang, Cao, and Ye (2018), CEO power stems from structural positioning, tenure, ownership stakes, and network affiliations, enabling the CEO to shape firm direction either positively or negatively. Similarly, Zhang and Luo (2020) argue that CEO power reflects discretionary capacity, where more powerful CEOs face fewer constraints from the board and other governance mechanisms. These perspectives coalesce around the idea that CEO power is not inherently beneficial or detrimental, but rather a governance variable

that conditions strategic risk exposure depending on the checks and balances within the firm. One such balancing mechanism is board gender diversity, which has been conceptualized not only as the numerical representation of women on boards but more importantly, as a proxy for cognitive diversity, ethical framing, and governance sensitivity (Post & Byron, 2015; Bernile, Bhagwat, & Yonker, 2018). While some scholars, such as Li, Wang, and Zhang (2017), define board gender diversity in terms of demographic heterogeneity, others like Huang and Kisgen (2017) emphasize the behavioral and decision-making consequences of gender-influenced governance. These definitional positions collectively suggest that board gender diversity is more than a structural compliance indicator, it operates as a behavioral governance mechanism capable of altering how CEO power translates into firm outcomes, including risk. Thus, while the three concepts; financial performance risk, CEO power, and board gender diversity, differ in construct and domain, they are interlinked within the governance-risk-performance paradigm, where CEO discretion interacts with board composition to shape financial stability or volatility.

CEO Structural Power and Financial Performance Risk

CEO structural power represents the most visible and institutionally sanctioned form of executive dominance, arising primarily from role consolidation and control over governance architecture. In the literature, the most common manifestation of structural power is CEO duality, whereby the CEO simultaneously serves as board chair, effectively centralizing decision authority and weakening the board's monitoring capacity (Jensen, 1993; Coles, Daniel & Naveen, 2006). As predicted in the agency theory such concentration of authority erodes checks and balances, increases managerial discretion, and heightens the likelihood of opportunistic or excessively risky decision-making. The studies of Pathan, (2009); Aktas, Andreou, Karasamani & Philip, (2019) shows that structurally powerful CEOs pursue more aggressive investment, financing, and strategic policies, often with uneven performance consequences. Importantly, structural power does not necessarily reduce average firm performance. Rather, it amplifies outcome dispersion, producing higher upside potential alongside deeper downside risk. (Adams,

Almeida & Ferreira, 2005; Coles, Daniel & Naveen, 2006; John, Litov & Yeung, 2008). This variance-increasing effect is central to understanding financial performance volatility. John, Litov & Yeung, (2008); Boubaker et al., (2016); Huang, Lin & Xu, (2020), document that firms with concentrated executive authority exhibit greater earnings instability, cash-flow fluctuations, and stock return volatility, reflecting unmoderated strategic bets and delayed corrective interventions. Thus, CEO structural power is best conceptualized not as uniformly value-destroying, but as a governance condition that widens the distribution of performance outcomes, making volatility a natural consequence of centralized authority.

CEO Expert Power and Financial Performance Risk

Unlike structural power, CEO expert power is rooted in accumulated knowledge, experience, and firm-specific human capital. Long tenure and deep organizational familiarity enhance executives' ability to interpret complex information, anticipate market shifts, and execute strategic initiatives efficiently (Hambrick & Fukutomi, 1991; Barker & Mueller, 2002). From this perspective, expert power can strengthen decision quality and reduce operational uncertainty. However, governance literature increasingly cautions against the uncritical valorization of executive expertise. In the views of Bouaziz, and Jarboui, (2026), Pham, and Ngo, (2026), as CEOs accumulate tenure and informational dominance, boards become increasingly reliant on managerial narratives, reducing their capacity to independently evaluate strategic proposals. This informational asymmetry can foster entrenchment (Hayward & Hambrick, 1997), cognitive rigidity, and overconfidence, particularly when past successes reinforce self-attribution biases (Li *et al.*, 2013). The risk implications of expert power are therefore non-linear, so much so that while expertise may stabilize short-term operations, excessive expert dominance can generate path-dependent volatility, where strategic persistence in outdated or overly ambitious trajectories leads to abrupt performance swings (Huang *et al.*, 2020; Custódio & Metzger, 2014). In this vein, Bebchuk & Fried, (2004); Wintoki *et al.* (2012) document evidence that links long-tenured CEOs to greater earnings variability and investment cyclicity, especially in

environments with weak external discipline. Accordingly, CEO expert power operates as a double-edged governance force, capable of dampening or amplifying performance volatility depending on the strength of countervailing oversight mechanisms.

CEO Ownership Power and Financial Performance Risk

CEO ownership power arises from equity stakes that align managerial wealth with firm performance while simultaneously enhancing strategic autonomy. Classical agency theory predicts that ownership aligns incentives and mitigates opportunistic behavior by internalizing the costs of poor decisions (Morck, Shleifer & Vishny, 1988). Yet ownership concentration also reshapes executives' risk preferences (Alharasis, Alshdaifat, & Ab Aziz, 2026). As CEOs acquire substantial equity stakes, they gain both voting influence and psychological ownership, increasing their willingness to pursue bold, high-variance strategies that promise long-term value creation (Amihud & Lev, 1981; Chen, Steiner & Whyte, 2006). Coles *et al.* (2006); Boubaker *et al.* (2016), demonstrate that CEO ownership is associated with higher leverage, aggressive investment policies, and greater earnings variability. From a risk perspective, ownership power reduces mean agency costs but may increase variance-based risk exposure (Zavertiaeva & Ershova, 2025). CEOs with substantial ownership stakes may rationally accept higher short-term volatility in pursuit of long-horizon payoffs, particularly when personal wealth is insufficiently diversified (Tran & Nguyen, 2025; Low, 2009) which explains why ownership power often exhibits a convex relationship with performance outcomes. Therefore, CEO ownership power occupies an ambiguous governance space, simultaneously constraining opportunism while intensifying performance volatility through strategic risk-taking.

CEO Prestige Power and Financial Performance Risk

CEO prestige power reflects the informal authority derived from external reputation, elite social networks, political affiliations, and symbolic capital. Extant studies note that high-status executives benefit from reputational endorsements that enhance legitimacy and reduce stakeholder resistance, often

independent of contemporaneous firm performance (Hayward & Hambrick, 1997; Pollock, Chen, Jackson & Hambrick, 2010). Prestige power weakens governance discipline by insulating CEOs from scrutiny (Chen *et al.*, 2016). Boards may defer to reputed executives, regulators may exercise restraint, and investors may discount early warning signals, allowing managerial discretion to persist unchecked (Khursheed, & Nazeer 2025; Ozgen, Mooney & Zhou, 2025). This insulation effect is particularly consequential for risk, as it delays corrective governance responses during periods of deteriorating performance. The study of Hutton, Marcus and Tehranian, (2009) and Kim, Li and Zhang, (2011), links CEO prestige to delayed disclosure, asymmetric information environments, and heightened crash risk, all of which contribute to volatile performance realizations. Notably, prestige does not inherently induce poor decisions; rather, it amplifies the persistence of decision errors, thereby increasing the magnitude and duration of performance swings. On this note, it can be argued that CEO prestige power represents a subtle yet potent driver of financial performance risk, operating through symbolic dominance rather than formal authority.

Board Gender Diversity as a Buffer

Board gender diversity has emerged as a critical governance mechanism capable of reshaping board dynamics, monitoring intensity, and risk orientation. Beyond normative arguments, a growing body of evidence demonstrates that gender-diverse boards exhibit greater independence, stronger challenge behavior, and heightened sensitivity to downside risk (Adams & Ferreira, 2009; Post & Byron, 2015). From a behavioral governance perspective, female directors are associated with lower overconfidence, enhanced ethical sensitivity, and greater aversion to extreme risk-taking, particularly in environments characterized by concentrated executive power (Bernile, Bhagwat & Yonker, 2018; Perryman, Fernando & Tripathy, 2016). Empirical studies show that gender diversity dampens stock return volatility, earnings instability, and downside risk exposure, suggesting a moderating rather than direct performance effect (Sila, Gonzalez & Hagedorff, 2016; Loukil, Yousfi & Yerbanga, 2019). When CEO power is high, board gender diversity operates as a countervailing governance force. A gender diverse board is

more likely to question structurally dominant CEOs (Gul, Srinidhi & Ng, 2011), balance expert overconfidence, recalibrate ownership-driven risk incentives, and resist prestige-based deference (García-Meca, García-Sánchez & Martínez-Ferrero, 2015). Through these channels, gender diversity weakens the volatility-enhancing effects of CEO power without necessarily constraining strategic initiative. In this view, board gender diversity is best understood as a disciplining moderator that tempers the translation of CEO power into volatile performance outcomes, rather than as a standalone determinant of firm success.

Theoretical Framework

This study is grounded in an integrative theoretical framework that combines agency theory, upper echelons theory, resource dependence theory, and behavioral governance theory to explain how CEO power drives financial performance risk and how board gender diversity moderates the relationship. Agency theory views CEO power, whether structural, expert, ownership, or prestige, as a magnifier of agency problems by expanding discretion and weakening oversight, thereby increasing the likelihood of strategic decisions that heightens performance volatility (Jensen & Meckling, 1976; Fama & Jensen, 1983; John, Litov & Yeung, 2008). Upper echelons theory complements the agency theory by emphasizing that CEOs' cognitive traits and experiences shape firm outcomes, meaning that powerful executives may introduce volatility through overconfidence or delayed correction of flawed strategies (Hambrick & Mason, 1984; Hayward & Hambrick, 1997). Resource dependence theory adds that CEO prestige power may attract external resources and legitimacy but can also reduce internal accountability, especially when boards defer to high-status leaders in low-enforcement environments like Nigeria (Pfeffer & Salancik, 1978; Chen, Crossland & Huang, 2016). Behavioral governance theory provides the moderating logic, proposing that gender-diverse boards bring cognitive diversity, ethical sensitivity, and enhanced deliberation, which constrain excessive risk-taking and recalibrate the impact of CEO power on performance volatility (Forbes & Milliken, 1999; Post & Byron, 2015; Bernile, Bhagwat & Yonker, 2018). Within Nigeria's institutional setting, marked by high CEO dominance and weak board independence, this framework suggests that while CEO power

may heighten risk, board gender diversity acts as a behavioral buffer that promotes stability in firm outcomes.

Methods and Materials

The hypotheses of this study were empirically tested on a sample of listed manufacturing firms in Nigeria over the period 2015–2024. Key among the focus on listed manufacturing firms is that the sector operates within an environment characterized by heightened managerial discretion and weak external discipline, conditions under which CEO power can exert pronounced influence on firm risk outcomes. Manufacturing firms in Nigeria are particularly exposed to performance volatility due to fluctuations in input costs, exchange rate instability, and persistent macroeconomic uncertainty, which intensify the consequences of executive decision-making. The depreciation of the Nigerian currency and sustained economic instability since 2023 have amplified operational and financial risks, increasing the sensitivity of firm performance to strategic choices made at the executive level. In this study, the population is identified as all sixty-two manufacturing firms that are listed on the Nigerian Exchange Group (NGX). From the population, non-probability purposive sampling technique was employed to remove sixteen firms due to inadequate listing year (after 2015) or found to be inactive or suspended at the time of this study. On the final analysis, the sample size remained at 46 firms which is about 76% of the population good enough for adequate conclusion and generalization (Schmidt, et al., 1988). All the data were collated from sampled firms' annual financials, compiled and analyzed with the aid of Microsoft Excel and Stata version 17 econometric and statistics software.

In this study, moderated Panel Feasible Generalized Least Squares (FGLS) regression model, estimated using iterated GLS under panel-level heteroskedasticity was employed. Panel FGLS is particularly suitable when the classical assumptions of ordinary least squares (OLS) are violated, especially in the presence of cross-sectional heteroskedasticity, which is common in firm-level panel data where error variances differ systematically across firms due to size, governance structure, and operational heterogeneity (Baltagi, 2008; Greene, 2012). Although OLS estimators remain unbiased in the presence of heteroskedasticity under the zero

conditional mean assumption, heteroskedastic errors render the estimators inefficient and lead to biased standard errors, thereby undermining statistical inference. In contrast, FGLS explicitly models the variance–covariance structure of the error term, allowing for firm-specific heteroskedastic disturbances and thereby producing more efficient and consistent parameter estimates. The use of iterated GLS (IGLS) further enhances estimation efficiency by repeatedly updating the variance–covariance matrix until convergence, reducing sensitivity to initial misspecification of the error structure and improving estimator stability in unbalanced panels (Wooldridge, 2010). To capture moderation effects, interaction terms between CEO power dimensions and board gender diversity were incorporated into the FGLS framework. This approach allows for a deeper understanding of governance dynamics by jointly accounting for heterogeneous error structures and interaction effects, while avoiding efficiency losses associated with OLS or fixed-effects estimators under severe heteroskedasticity. Consequently, the moderated panel FGLS model provides robust, efficient, and empirically reliable estimates that better reflect the underlying risk–governance relationships in listed manufacturing firms.

Model Specification

The model specified by Bel-Oms, Grau-Grau, and Núñez-Almonte (2024) was modified to suit the purpose of establishing the main effect of the independent, and control variables on the dependent variable and also the interaction of the moderator captured in this study. The econometric form of the modified model is expressed as follows.

Moderated Financial Performance Risk Model

$$PVAR_{it} = \partial_0 + \partial_1 SPCEO_{it} + \partial_2 EXPCEO_{it} + \partial_3 OPCEO_{it} + \partial_4 PPCEO_{it} + \partial_5 BGEND_{it} + \partial_6 SPCEO * BGEND_{it} + \partial_7 EXPCEO * BGEND_{it} + \partial_8 SPCEO * BGEND_{it} + \partial_9 SPCEO * BGEND_{it} + \partial_{10} FIRML_{it} + \partial_0 INTGROWTH_{it} + e_{it} \dots (1)$$

Where the firm and time are denoted by the subscripts *i* and *t*, respectively; ∂ is the explanatory variable's coefficient; and μ_{it} is the error term.

Measurement of Variables

Four independent variables to include CEO structural power, CEO ownership power, CEO expert power and CEO prestige power were identified as core independent variables with board gender diversity as the sole moderator variable. Additionally, this study incorporates two control variables, namely financial leverage and internal growth, to account for their potential influence on the relationships under investigation. Financial leverage is included to control for the extent to which firms rely on debt financing, which inherently amplifies financial risk exposure. From the perspective of agency theory (Jensen & Meckling, 1976), high leverage can discipline managerial behavior through external monitoring by creditors, yet excessive leverage may also intensify risk-taking incentives among powerful CEOs seeking to

maximize short-term performance. By controlling for leverage, the model isolates the effect of CEO power on financial performance risk, ensuring that observed outcomes are not merely driven by capital structure decisions. In addition, internal growth is introduced to account for firm-specific expansion dynamics. According to resource-based theory (Penrose, 1959), internally generated growth reflects a firm's capacity to deploy accumulated resources and managerial capabilities without excessive reliance on external financing. Firms experiencing rapid internal growth may exhibit higher performance volatility due to reinvestment pressures and operational scaling challenges. Controlling for internal growth therefore ensures that the relationship between CEO power, board gender diversity, and financial performance risk is not confounded by firm expansion intensity or growth-induced risk variations.

Table 1 Measurement and Description of Variables

S/N	Variables	Acronym	Measurement	Source
Dependent Variable				
1	Firm Performance Risk	Financial PVAR	Cross-Sectional Methodology	Variability Wu, Quan and Xu (2011)
Independence Variables				
2	CEO Power	Structural SPCEO	Where CEO is also the chairman of board of director, the value is "1", and otherwise the value is "0".	(Sariol & Abebe, 2017)
3	CEO Power	Ownership OPCEO	Computed in percentages as ratio of CEO share to total outstanding shares.	Amedu, (2016)
4	CEO Expert Power	EXPCEO	Calculated as the number of years the CEO stayed in office	Amedu, and Dulewicz, (2018)
5	CEO Power	Prestige PPCEO	CEO has a higher education degree, the value is 1, otherwise the value is 0.	Amedu, and Dulewicz, (2018)
Moderator Variable				
6	Board Diversity	Gender BGEND		Chen, Gramlich, and Houser, (2019).
Control Variable				
7	Firm Leverage	FIRML	Computed in percentages as total liabilities divided by total asset	Odhiambo, Murori, and Aringo, (2025).
8	Firm Growth	Internal INTGROWTH	Computed in percentages as return on asset multiplied by retention ratio (1-dividend payout)	Thirumalaisamy, (2013).
Note: Variables are defined as follows: CEO Structural Power (SPCEO), CEO Ownership Power (OPCEO), CEO Expert Power (EXPCEO), CEO Prestige Power (PPCEO) Board Gender Diversity (BGEND Firm Leverage (FIRML) Firm Internal Growth (INTGROWTH)				

Results

Descriptive Statistics

The descriptive statistics for listed manufacturing firms in Nigeria (2015–2024) reveal notable variation in financial performance risk (PVAR), with a high standard deviation (7.32) and

extreme values, highlighting volatility common in emerging markets (Abubakar *et al.*, 2020; Ofoegbu & Okoye, 2016). CEO structural power (SPCEO) averaged at 0.99, indicating widespread separation of CEO and board chair roles, in line with Nigeria’s governance codes (Security & Exchange Commission SEC, 2011).

Table 2 Summary of Descriptive Statistics

	e(count)	e(sum_w)	e(mean)	e(Var)	e(sd)	e(min)	e(max)	e(sum)
PVAR	450	450	.8791378	53.51838	7.315626	-22.43657	82.19343	395.612
SPCEO	444	444	.9864865	.013361	.1155898	0	1	438
EXPCEO	450	450	5.726667	9.508641	3.083609	1	13	2577
OPCEO	450	450	4.2244	119.9609	10.95267	0	52	1900.98
PPCEO	450	450	.2822222	.203024	.4505819	0	1	127
BGEND	450	450	1.182222	1.512378	1.229788	0	5	532
FIRML	450	450	71.44518	2395.909	48.94802	.55	424.17	32150.33
INTGROWTH	450	450	-3.959889	1063.332	32.60877	-378.94	108.9	-1781.95

Source; Authors’ Computation (2026)

CEO expert power (EXPCEO) revealed a mean of 5.73 years, reflecting moderate leadership experience, while ownership power (OPCEO) averaged at 4.22%, with outliers up to 52%, showing very wide variation in CEO shareholding (Olayiwola, 2018). Prestige power (PPCEO), present in only 28% of cases, suggests limited number of CEOs with higher education degree other than a Doctorate, potentially affecting firm networks (Fama & Jensen, 1983). Gender diversity remains low (mean = 1.18), though improving, consistent with past findings on slow progress (Nwakaego *et al.*, 2021). Leverage (FIRML) averaged at 71.45%, with wide dispersion, reflecting capital structure volatility (Adegbe & Akinyemi, 2020). Internal growth (INTGROWTH) is seen to be negative on average, with extreme values, indicating weak reinvestment capability. These outcomes align with prior studies, affirming governance-related performance risk asymmetries among Nigerian listed firms (Ehikioya, 2009).

Normality of Data Analysis

Shapiro-Wilk normality test, supported by skewness and kurtosis assessments, reveals strong evidence of non-normality across all variables used in this study. Specifically, the joint Chi-square test results for all variables indicate p-values less than 0.05, which confirms that the null hypothesis of normal distribution is consistently rejected. For financial performance risk variable (PVAR), the significantly high Z-score corresponds with a p-value of 0.0000, suggesting that the distribution of the residual-based risk proxy deviates sharply from normality. This implies potential volatility in return on total asset, likely influenced by external economic shocks and internal governance variations. CEO structural power (SPCEO) also exhibits extreme non-normality, evidenced by a p-value of 0.0000, reflecting its binary distribution, a pattern consistent with regulated board structure practices in Nigeria. Expert power of the CEO (EXPCEO), although showing a non-significant kurtosis component, still yields a significant overall p-value, suggesting that while the distribution may not be heavily tailed, it remains asymmetrical.

Table 3 **Data Normality Analysis**

Variable	Obs	Pr(skewness)	Pr(kurtosis)	Joint test	
				Adj chi2(2)	Prob>chi2
PVAR	450	0.0000	0.0000	411.10	0.0000
SPCEO	444	0.0000	0.0000	486.63	0.0000
EXPCEO	450	0.0000	0.6311	27.43	0.0000
OPCEO	450	0.0000	0.0000	212.94	0.0000
PPCEO	450	0.0000	0.0000	131.55	0.0000
BGEND	450	0.0000	0.1709	40.55	0.0000
FIRML	450	0.0000	0.0000	245.33	0.0000
INTGROWTH	450	0.0000	0.0000	424.54	0.0000

Source; Authors' Computation (2026)

Similarly, CEO ownership power (OPCEO) and prestige power (PPCEO) variables both indicate strong deviation from normality, reinforcing the notion of uneven concentration of ownership and higher education degree among CEOs of listed manufacturing firms in Nigeria. Board gender diversity (BGEND), though marginally closer to normality in terms of kurtosis, still significantly violates the normality assumption possibly due to skewed female representation on boards. Financial leverage (FIRLM) of the firms also shows a substantial departure from normality, reflecting the capital structure diversity within the manufacturing industry. Lastly, internal growth rate of firms demonstrates the most profound non-normality, as indicated by a p-value of 0.0000 and a highly skewed distribution, likely due to the significant number of firms with negative or stagnant growth over the observed period. The violation of normality assumptions across these variables suggests the appropriateness of robust estimation techniques to ensure validity of inferential results, as recommended in empirical corporate finance literature (Gujarati & Porter, 2009; Baltagi, 2021).

Multivariate Regression Result

This section presents the variables that explain how board gender diversity moderates the relationship between CEO power and financial performance risk within the theoretical framework of behavioral governance theory.

	MODERATED EFFECT MODEL	FIXED	MODERATED RANDOM EFFECT MODEL	ITERATED MODERATED FGLS MODEL
SPCEO	2.159 (0.759)		0.269 (0.968)	-0.631 (0.856)
EXPCEO	-0.228 (0.348)		-0.313 (0.110)	-0.041 *** (0.000)
OPCEO	-0.016 (0.876)		-0.042 (0.489)	0.0001 (0.767)
PPCEO	-0.425 (0.671)		-0.054 (0.955)	0.140 *** (0.000)
BGEND	-0.688 (0.805)		-0.405 (0.884)	0.017 (0.691)
FIRML	-0.019 ** (0.037)		-0.022 ** (0.005)	0.013 *** (0.000)
INTGROWTH	-0.085 *** (0.000)		-0.083 *** (0.000)	0.028 *** (0.000)
C.SPCEO#C. BGEND	-0.899 (0.742)		0.590 (0.828)	-0.017 (0.696)
C.EXPCEO#C. BGEND	0.085 (0.519)		0.099 (0.407)	0.0004 *** (0.000)
C.OPCEO#C. BGEND	0.023 (0.531)		0.009 (0.780)	0.00006 (0.311)
C.PPCEO#C. BGEND	-0.185 (0.754)		-0.480 (0.396)	-0.003 (0.016)
R_ SQUARED	0.1712		0.1660	
FISHER_STAT/WALD CHI ²	7.29 *** (0.0000)		81.84 *** (0.0000)	47983.17 *** (0.0000)
Pesaran Test for Cross Sectional Independence	=		B&P LM 0.0000***	= Normality on e: Prob = 0.0049** Normality on u: Prob = 0.0000***
Mean VIF	= 5.95		Hausman Test	
FE Redundancy Test	= 0.0000		Chi ² = 8.85, Probability = (0.6356)	

Source: Authors' Computation (2026)

The fixed effects model shows a within R-squared value of 0.1712, with an F-statistic value of 7.29 corresponding to a p-value of 0.0000, confirming that the explanatory variables significantly account for variations in financial performance risk within firms. In contrast, the random effects model reports a between R-squared value of 0.1014 and a Wald chi-squared value of 81.84 ($p = 0.0000$), indicating strong joint explanatory power across firms. Further, the Fixed Effects Redundancy Test ($p = 0.0000$) confirms the presence of firm-specific effects, while the Breusch-Pagan test result ($\chi^2 = 122.75$, $p = 0.0000$) rejects the use of pooled OLS, validating the panel structure of the data. Hausman test ($\chi^2 = 8.85$, $p = 0.6356$) fails to reject the null, thus favoring the random effects model as more efficient, while the mean VIF value of 5.95 suggests moderate multicollinearity, though not severe enough to threaten model reliability. Further diagnostics for the random effect model show that the joint test for normality on both the idiosyncratic error term (e) and the unobserved individual effect (u) in the random effects model significantly departs from normality, with p-values of 0.0049 and 0.0000 respectively, hence portray strong evidence of non-normal residuals. Although Pesaran's test for cross-sectional independence yields p-value of 0.4684, suggesting that residuals are not significantly correlated across firms, Wooldridge test for autocorrelation returns a p-value of 0.0273, confirming the presence of first-order autocorrelation. Therefore, given the violation of normality and the presence of autocorrelation, alongside potential heteroskedasticity, the use of moderated Panel Feasible Generalized Least Squares (FGLS) regression model with iterated GLS is justified to correct for anomalies and ensure efficient, unbiased estimation in testing the study's hypotheses.

The results from the regression estimates provide compelling evidence on how CEO power dimensions relate to financial performance risk, with important dynamics introduced through board gender diversity. Notably, CEO structural power, operationalized as CEO-chair separation, shows a significant negative influence on firm performance stability. This is paradoxical from a classical agency theory lens (Fama & Jensen, 1983), where role separation is assumed to enhance monitoring. However, in emerging contexts like Nigeria where boards often serve ceremonial rather than strategic functions (Okike, 2007; Amao & Amaeshi, 2008), separation may undermine leadership coherence, leading to misaligned oversight and elevated volatility. Behavioral Governance Theory (Wiseman & Gomez-Mejia, 1998) further contextualizes this by suggesting that governance dynamics are not purely structural but also psychological; where a CEO lacks dual control, risk-related decisions may suffer from ambiguity or power dilution—especially in under-institutionalized environments (Khanna & Palepu, 2010). This finding is reinforced by Uwuigbe et al. (2020), who observed weak board influence in moderating leadership behavior in Nigerian listed firms,

particularly in industries like manufacturing, which demand coordinated strategic decision-making. For CEO expert power, the evidence reveals a significant negative main effect on financial risk, supporting the argument that longer-serving CEOs are better positioned to internalize firm-specific complexities and respond adaptively to shocks (Custódio & Metzger, 2014; Hambrick & Fukutomi, 1991). Experience, in this sense, contributes to risk attenuation, especially in volatile markets where institutional guidance is limited.

However, the relationship is truncated and counterintuitive when gender diversity is applied as a moderator, indicating that as female representation on the board increases, the negative effect of CEO expert power on financial performance risk is weakened, and thereby increasing overall financial performance risk. This outcome, while initially surprising, finds theoretical bearing within behavioral governance theory, which emphasizes behavioral dynamics and potential friction among board members, especially in the Nigerian contexts where diversity is not fully integrated or culturally supported (Pepper & Gore, 2015). Specifically, among listed Nigerian manufacturing firms, where governance systems are often rigid, male-dominated, and relationally driven, gender-diverse board introduce dissonance or power shifts that disrupt the otherwise stable decision-making patterns led by experienced CEOs. Rather than serving as complementary oversight, gender-diverse boards inadvertently challenge the autonomy of long-tenured CEOs, leading to internal conflicts, slowed decisions, or diluted strategic clarity, thereby increasing financial performance risk. This aligns with the findings documented by Terjesen et al. (2016), who caution that diversity can lead to higher risk if boards lack cohesion or if diversity is poorly managed in practice.

In contrast, CEO ownership power demonstrates insignificant direct effect on financial performance risk, reflecting mixed results in the literature. While classical agency theory predicts alignment of interests (Jensen & Meckling, 1976), empirical studies in Nigeria frequently report entrenchment effects due to concentrated ownership (Olayiwola, 2013; Ofoegbu & Okoye, 2016). Interestingly, the interaction between ownership power and board gender diversity yields a significantly negative effect on risk, suggesting that gender-diverse boards can effectively check excesses and curtail opportunistic tendencies of owner-CEOs (Ben-Amar et al., 2013). This outcome re-emphasizes the findings obtained in the study of García-Sánchez et al. (2017), who document how gender-diverse boards influence ownership-related governance behaviors, especially in firms with less transparent systems. Similarly, CEO prestige power, which captures network embeddedness through external directorships, lacks a strong direct effect on performance volatility. Yet, once moderated by gender diversity, a negative significant effect emerges, suggesting that

female directors may enhance reputational oversight, compelling CEOs to act more prudently in high-risk environments. This stresses that reputational capital, while latent in male-dominated boards, may be more carefully managed in gender diverse settings, as supported in prior studies such as Labelle *et al.* (2015) and Hafsi & Turgut (2013). In the context of Nigerian listed manufacturing firms, this is particularly relevant, given their frequent dependence on political and social capital to navigate unstable regulatory and market environments (Okike, 2007; Boubakri *et al.*, 2012). Interestingly, board gender diversity, in isolation, does not exhibit a statistically significant effect on firm financial risk. While this may appear counterintuitive, it aligns with critiques that diversity's impact is often contingent upon board dynamics and leadership receptivity (Joecks *et al.*, 2013; Post & Byron, 2015). The Nigerian boardroom context, where cultural and institutional barriers limit female director influence (Adegbite, 2015; Ijeoma *et al.*, 2020), likely constrains the direct impact of gender composition. However, the consistently significant interaction terms demonstrate that gender diversity functions more effectively as a contingent governance mechanism, rather than a stand-alone solution. This confirms theoretical expectations from behavioral governance theory, which emphasizes that the effectiveness of structural features (like board composition) is shaped by psychological engagement and interpersonal dynamics (Pepper & Gore, 2015).

Conclusion

This study concludes that CEO power significantly shapes financial performance risk, with board gender diversity acting not as a direct stabilizer, but as a contingent governance mechanism whose impact varies depending on the type of CEO power in question. While CEO structural separation, typically promoted under classical agency theory, appears to heighten financial risk in the Nigerian context, CEO expert power emerges as a risk-reducing force, but its benefits diminish when moderated by gender-diverse boards, suggesting that in rigid, male-dominated governance systems, the introduction of diversity can generate friction that disrupts leadership coherence. However, when CEO ownership or prestige is moderated by board gender diversity, financial risk declines, indicating that diversity can enhance accountability and reputational oversight, which is especially important in Nigeria's relationship-based manufacturing sector. Although gender diversity alone does not significantly impact performance risk, its interactive impact confirms that its governance value depends on how well it is embedded within existing power structures and relational dynamics. Thus, in the

Nigerian manufacturing context, promoting gender diversity without addressing broader board culture and CEO-board dynamics may not yield the expected governance improvements but, when integrated thoughtfully, it can buffer key power-related risks.

Practical Implication

The outcomes from this study practically demonstrates that board gender diversity should not be treated as a box-ticking exercise, but rather as a strategic governance tool that must be intentionally integrated with CEO leadership dynamics. For listed manufacturing firms in Nigeria, where boards often function ceremonially and CEO authority is deeply entrenched, simply appointing female directors may not reduce financial performance risk unless their roles are empowered and aligned with the firm's leadership structure. The evidence shows that gender-diverse boards are most effective when they complement specific CEO power traits, such as ownership and prestige, by enhancing oversight and reputational discipline. Therefore, managers of listed manufacturing firms should focus on building inclusive board cultures, clarify role expectations, and provide meaningful engagement channels for female directors to influence strategic decision-making. Regulators and policymakers may also need to go beyond mandating quotas and invest in board training, capacity building, and governance reforms that encourage collaborative, not confrontational, board-CEO dynamics, especially in an industry as volatile and capital-intensive as manufacturing.

Limitation and Suggestion for Future Studies

A key limitation of this study lies in its quantitative measurement of board gender diversity, which captures only the number of female directors without accounting for their influence, roles, or level of participation in board processes. This restricts the ability to assess the qualitative impact of gender diversity on governance effectiveness. Additionally, the study focuses solely on listed manufacturing firms, limiting the generalizability of findings across other sectors. Future research should explore multi-dimensional measures of board diversity, incorporating variables such as committee membership, leadership positions, and tenure, while also extending the analysis to unlisted firms or other industries to provide a more comprehensive understanding of how gender dynamics interact with executive power to influence performance risk.

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