**The Role of Board Composition in Corporate Governance and Success of Banking Institutions in South-West Nigeria**

***Abstract***

*This study examines the role of board composition in corporate governance and organizational success in banking institutions in South-West Nigeria. Using an ex-post-facto research design, the study targeted bankers across six states: Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti. A sample of 600 bankers from banks in Lagos, Ogun, and Oyo states was selected through random sampling. Data were collected using questionnaires, with results analyzed through mean and standard deviation. The findings reveal differing perspectives between senior and junior bankers. Senior bankers disagreed with the view that banks are more effective and secure when directors involved in daily operations are part of the board, citing concerns about operational interference. On the other hand, junior bankers disagreed with the idea that optimal board size is crucial for effective governance, emphasizing the importance of a balanced and diverse board to promote efficient decision-making. The study concludes that board composition significantly influences organizational success in the banking sector. It recommends that banks, regardless of board size, clearly define the roles and responsibilities of board members to ensure accountability and reduce conflicts. This will enhance board effectiveness, improve corporate governance, and contribute to better organizational outcomes in the banking industry.*

**Keywords:** Banking Institutions,Board Composition, Corporate Governance, Organizational Success, South-West Nigeria

**1.0 Introduction**

Corporate governance is a globally recognized cornerstone of effective organizational management, significantly influencing the success and sustainability of institutions. In South-West Nigeria, where the banking sector is pivotal to economic development, board composition has emerged as a critical determinant of governance quality and organizational effectiveness. Corporate governance encompasses the structures, principles, and processes guiding how corporations are managed and controlled. It assigns roles to key organizational participants, including the board of directors, management, shareholders, and stakeholders, ensuring businesses align with their objectives while safeguarding stakeholder interests (Usendok, 2022).

Among the core components of corporate governance, the board of directors plays an essential role. Responsible for supervising management and providing strategic guidance, the board ensures organizations adhere to their strategic goals. The board’s effectiveness depends significantly on its composition—factors like size, diversity, and the presence of independent directors. These attributes influence decision-making, strategic alignment, and overall accountability, enhancing organizational performance. Effective corporate governance fosters stakeholder trust and minimizes information asymmetry between managers and shareholders (Park & Sin, 2020).

Boards with diverse expertise and independent directors are better equipped to address complex challenges, improve risk management, and ensure balanced oversight. A diverse board brings varied perspectives, enabling innovative problem-solving and comprehensive analysis. Additionally, mechanisms like performance-based incentives and transparent financial reporting align board and shareholder interests, enhancing financial performance and sustainability (Bui & Krajcsak, 2023).

Nigeria’s corporate governance framework has evolved due to historical, economic, and regulatory influences. Initially shaped by British colonial practices, governance in post-independence Nigeria developed frameworks suited to the country’s unique socio-economic conditions (Adepoju, cited in Abed & Saeed, 2021). In the banking sector, reforms, including prudential regulations and banking consolidation under Prof. Charles Soludo, strengthened governance and financial stability (Oshioke, 2019; Etale & Adah-Marcus, 2021).

Despite progress, challenges persist in achieving robust governance standards in the Nigerian banking sector. Issues such as weak governance structures, regulatory lapses, and ethical misconduct undermine sector stability. High-profile bank failures, like Oceanic Bank and Intercontinental Bank, highlight the importance of strong board composition to prevent corporate malfeasance and ensure effective oversight (Ekwochi, Uzoigwe, & Okoene, 2018).

Growing public awareness of corporate governance issues has amplified demands for transparency and accountability. Social media and digital platforms have empowered stakeholders to call for improved governance practices. For the banking sector, where public trust is crucial, addressing governance deficiencies is essential for investor confidence and long-term success. However, financial scandals and corporate failures have tarnished governance practices, both locally and internationally. Cases like Enron and WorldCom serve as cautionary tales, while similar issues in Nigeria, such as insider trading and financial misreporting, have eroded trust in the sector (Abed & Saeed, 2021; Ekwochi et al., 2018).

Regulatory authorities have introduced reforms to strengthen governance in Nigerian banks. These include stricter capital requirements, enhanced risk management protocols, and improved financial reporting transparency. Recent governance changes focus on aligning board incentives with corporate goals, fostering better strategic decisions and financial performance (Oshioke, 2019).

In South-West Nigeria, the banking sector serves as an economic and financial hub. A well-composed and diverse board is crucial for enhancing organizational performance. Diverse boards with varied skills, experiences, and backgrounds are better equipped to address challenges, drive innovation, and improve financial outcomes (Bui & Krajcsak, 2023; Farooq, Noor, & Ali, 2022). Therefore, aligning corporate goals with board incentives is critical for achieving sustainable performance. Performance-based remuneration and transparent reporting align board and shareholder interests, leading to better governance and financial results. Alodat, Salleh, Hashim, and Sulong (2022) emphasize that such practices enhance organizational success, increase investor confidence, and reduce risks.

This study examines the Role of Board Composition in Corporate Governance and the Success of Banking Institutions in South-West Nigeria exploring the relationship between board characteristics and organizational performance. Findings offer insights into best practices for improving governance standards in the region’s banking sector. Policymakers, regulators, and executives can use these findings to address governance challenges and leverage best practices. As Nigeria’s banking sector evolves in response to economic and regulatory changes, understanding the influence of board composition on organizational outcomes is vital for financial stability and sustainable growth. Enhancing governance standards through diverse and effective boards ensures banks meet stakeholder expectations and contribute to national development.

Effective corporate governance is vital for organizational success, particularly in the banking sector, where trust, accountability, and strategic oversight are essential. This study highlights the interplay between board composition and governance practices, providing actionable recommendations to improve the performance and sustainability of banking institutions in South-West Nigeria. By addressing governance challenges and leveraging diverse board compositions, Nigerian banks can enhance their resilience, restore public trust, and drive long-term economic development. As the sector continues to evolve, robust corporate governance frameworks remain essential for fostering financial stability and achieving sustainable growth.

**2.0 Literature Review**

**2.1 Conceptual Review**

**Banks and Organization**

The concept of organization is also closely tied to the concept of management, which refers to the process of planning, organizing, leading, and controlling resources to achieve specific goals. Managers play a critical role in organizations, as they are responsible for overseeing the day-to-day operations of the organization and ensuring that its goals are being met (Nelson, 2019). Overall, the concept of organization is complex and multifaceted, encompassing a wide range of meanings and interpretations. It is a critical component of modern society, as it provides the structure and framework necessary for individuals to work together towards common goals. These definitions highlight the various aspects of an organization, including structure, goals, resources, roles, responsibilities, relationships, and coordination. They emphasize the importance of working together to achieve a common purpose and the need for a systematic approach to achieving specific objectives.

An organization is a body built for a collection of individuals who join together to achieve some common goals and objectives bounded by legal entities (Ally, 2019). Ally added that an organizational structure outlines the methods for directing activities and achieving an organization's goals. It defines how tasks are allocated, coordinated, and supervised to achieve organizational aims. To this end, organizations could be companies, institutions, associations, government bodies, etc., and follow certain legal procedures like business registration, tax identification, and maintaining corporate book records. According to Okoli, Nnabuife, Adani, and Ugbo (2021), organizations are important for helping businesses improve their operations and efficiency. As such they are characterized by a clear organizational structure, division of labour, and coordination, a sense of shared culture and values that hold the group together and focus them on common goals.

According to Akpa, Oduguwa, and Onu (2017), two major types of organizations can be distinguished. These include the Formal and Informal Organizations. While the formal organization is goal-oriented and is used to refer to the structure of jobs and positions with clearly defined functions, responsibilities, and authorities; the informal organization is the aggregate of behaviours, interactions, norms, and personal and professional connections through which work gets done and relationships are built among people who share a common organizational affiliation or cluster of affiliations. As such, while formal organization restricts membership and makes use of officially designated positions and roles, formal rules and regulations, and a bureaucratic structure, informal organization evolves organically and spontaneously in response to changes in the work environment, the flux of people through its porous boundaries, and the complex social dynamics of its members. According to Akpa, Odugwu, and Onu (2017), characteristics that distinguish a formal organization from an informal one include well-defined rules and regulations, and arbitrary structure. determined objectives and policies, limitations on the activities of the individual, strict observance of the principle of coordination, messages are communicated through a vertical chain and status symbol.

**Organizational Success**

The concept of organizational success is complex. Haldane (2017) contends that, depending on predetermined objectives, responsibilities, and actions, it can be assessed both quantitatively and qualitatively. Success can be quantified in absolute or relative terms and is attained through the interactive integration of every component of the system. There are other aspects of success, such as technological, organizational, administrative, and financial success. Environmental and human factors, as well as the management function's capacity to integrate resources and efforts to accomplish objectives, frequently impact the organizational component of success. Since people are the foundation of production, management must successfully combine their efforts with the resources at hand.

Salah (2019) highlights that successful organizations depend on efficient management, which makes it possible to learn new things, gain experience, generate ideas, and evaluate abilities and prior experiences. It also relies on how competitive the company has historically been in its industry. Salah emphasizes that there isn't a single, uniform metric for evaluating an organization's success. Because different organizations have different goals, activities, and types, it might be difficult to succeed or fail in every way.

Organizations must use criteria specific to their objectives to measure success (Salah, 2019). This is further supported by Razzouqi (2019), who claims that businesses that are unable to assess performance are incompetent at running their operations. As a result, businesses need to create strategies and procedures that incorporate metrics that show they have succeeded in accomplishing their goals.

**Conceptualizing Corporate Governance**

Corporate governance varies widely across countries, sectors, and organizations, shaped by unique national legal codes, sectoral dynamics, and corporate cultures (Roe, 2019; Oyedokun, Sanyaolu & Bamigbade, 2017). Strong corporate governance is essential for preventing organizational failure, ensuring that companies consistently "do the right things and do them right" through capable personnel driving sustainable success.

According to Ekwochi, Uzoigwe, and Okoene (2018), good corporate governance fosters efficient, effective, and sustainable organizations that generate societal value through wealth creation, employment, and innovative solutions. It also prioritizes accountability, integrity, and stakeholder rights, promoting inclusive, democratic representation and participation. Bainbridge (2020) similarly describes corporate governance as encompassing the systems, practices, and relationships that guide institutional operations, applying formal and informal rules to create and sustain critical organizational relationships.

While definitions of corporate governance vary, Bebchuk, Lucian, and Fried (2021) define it as the set of processes, policies, laws, and institutions shaping corporate direction, administration, and control. Zattoni and Judge (2021) add that corporate governance establishes laws and practices enabling effective managerial decision-making about claimants such as shareholders, creditors, employees, and the state. It aims to ensure value-oriented management while respecting the legal rights of stakeholders. Roe (2019) emphasizes corporate governance as balancing power within an organization, enabling accountability, and enhancing long-term shareholder value.

An essential dimension of corporate governance is the composition and diversity of the board of directors. Studies reveal that board independence, gender diversity, and international representation significantly impact sustainability reporting and firm performance (Naciti, 2019; Anazonwu et al., 2018). The effectiveness of board committees, including those focused on audit, risk management, and corporate social responsibility, is also critical. These committees directly influence governance practices and sustainability reporting quality (Mahmood et al., 2018; Hamad, Dang, & Fiador, 2020).

Aligning executive compensation with sustainability goals has emerged as a vital governance element. Linking pay to environmental, social, and governance (ESG) metrics enhances accountability for sustainability performance (Eccles & Klimenko, 2019). Financing arrangements incorporating sustainability targets, such as green bonds and loans, incentivize companies to improve their sustainability performance (Schoenmaker & Schramade, 2023). Therefore, dedicated sustainability committees on corporate boards ensure environmental and social issues receive appropriate oversight (Naciti, 2019; Mokalapa, Oyedokun & Fowokan, 2024). Advances in technology, such as distributed ledger systems like blockchain, have introduced distributed governance models, leveraging transparency and decentralization to enhance corporate oversight (Hsieh et al., 2019).

Artificial intelligence (AI) is another transformative force in governance, offering tools to improve board decision-making, compliance monitoring, and risk management (Deloitte, 2020). Skills and competencies among board members are increasingly critical, particularly expertise in sustainability, which strengthens oversight of related performance metrics (Naciti, 2019). Unique governance models, such as Germany's co-determination system, incorporate employee and stakeholder representation on boards, giving diverse groups a voice in decision-making (Huse, 2019; Oyedokun & Saad, 2018). Beyond executive compensation, companies explore organization-wide incentives to promote sustainable behavior, such as team-based rewards and sustainability-linked performance management systems (Eccles & Klimenko, 2019).

Institutional investors and asset managers also play a pivotal role in corporate governance, advocating for enhanced sustainability disclosures, improved board diversity, and effective climate-related risk management (Dimson et al., 2021). As companies navigate evolving challenges, these diverse aspects of governance underscore their central role in fostering accountability, transparency, and sustainable performance.

**Board Composition and Structure**

An organization's overall governance structure is greatly influenced by the makeup of its board. To ensure the stability and prosperity of banking organizations, good governance is essential. The balance of independence, diversity, experience, and talents among board members is referred to as board composition. According to the literature, a board that is well-balanced in terms of independent and non-executive directors is better able to offer strategic direction and objective oversight. Diversity in age, gender, and professional experience among board members gives a wider range of perspectives, which enhances decision-making processes and organizational outcomes, according to studies by authors like Johnson et al. (2013). Another important consideration is the board's size; whereas larger boards may offer a range of perspectives, they may also struggle with coordination and decision-making. Fostering successful governance requires determining the ideal board size (Adams & Ferreira, 2007).

**Board Roles and Responsibilities**

Effective corporate governance is based on the board's duties and obligations. Board members are in charge of managing the company, making sure regulations are followed, establishing strategic goals, and protecting the interests of stakeholders, including shareholders. According to the literature, the board's job is strategic rather than operational, and directors are supposed to concentrate on long-term objectives rather than daily operations. Boards should serve as a check on management by giving direction and making important decisions, claim Fama and Jensen (1983). Given the banking industry's vulnerability to financial crises and scandals, this supervisory role is even more crucial. Strong internal controls, adherence to risk management procedures, and alignment of corporate objectives with shareholder interests are all requirements for effective boards.

**Risk Management and Internal Controls**

For financial organizations, risk management is an essential job, and the makeup of the board has a big impact on how well these procedures work. Risks specific to banks include market volatility, financial instability, and difficulties with regulatory compliance. The bank can be better guided in controlling these risks by a well-constituted board that includes members with experience in banking regulations, risk management, and finance. Studies like those by Bhagat and Black (2002), who discovered that boards with a specialized understanding of finance are more adept at recognizing and reducing risks, highlight the significance of board monitoring in risk management. Board members who have a solid grasp of local market dynamics and regulatory requirements are better positioned to protect the stability of South-West Nigerian institutions, which are subject to both local and global risks.

**Board Leadership Styles**

The success of banking institutions is also significantly influenced by the board's leadership style. Tushman and O'Reilly (1996) state that two types of leadership styles can be used on a board: transformative and transactional. High-performing boards that foster innovation, change, and strategic thinking are frequently linked to transformational leadership, whereas transactional leadership is more concerned with preserving efficiency and stability. Transformational leadership is especially crucial in the banking industry because it enables institutions to adjust to shifting regulatory requirements, technological breakthroughs, and financial situations. On the other hand, it could be difficult for banks run by boards with a more transactional leadership style to innovate or successfully handle new risks.

**Impact of Regulatory Frameworks on Board Composition**

Board composition and governance procedures in Nigeria are shaped by frameworks and norms set by the Central Bank of Nigeria (CBN) and other regulatory agencies. Nigerian banking institutions now face a very different regulatory environment, particularly since the banking industry was consolidated in the early 2000s. The CBN's corporate governance rules are intended to guarantee that banks function with responsibility, openness, and integrity (Azolibe et al., 2019). These rules frequently mandate that banks have a specific percentage of independent directors, encourage gender diversity, and guarantee that board members have the requisite risk management and financial knowledge. Furthermore, by highlighting the necessity of robust governance frameworks to preserve financial stability and safeguard investor interests, international governance frameworks like the Basel III rules also have an impact on board composition.

**Stakeholder Interests and Shareholder Influence**

Understanding shareholder influence and stakeholder interests is essential to comprehending banks' governance structures. To make sure that the bank operates in a way that maximizes shareholder value while also taking into account the interests of other stakeholders, including workers, customers, and regulators, board incentives must be in line with those of shareholders. According to research by Farooq et al. (2024), organizational effectiveness can be improved by coordinating board members' interests with shareholders through strategies like performance-based compensation. Furthermore, Freeman's (1984) explanation of stakeholder theory highlights the significance of taking into account the wider effects of business decisions on different stakeholders. For Nigerian banks to remain successful and sustainable over the long run, the interests of shareholders, government regulators, and consumers must be balanced.

**Performance Metrics and Board Evaluation**

Performance metrics, which gauge how successfully the board is accomplishing the bank's strategic goals, can also be used to evaluate the efficacy of board composition. Financial performance, market share, customer satisfaction, and regulatory compliance are all important measures of a bank's success, according to Paniagua et al. (2018). A strong board should supervise the creation of performance indicators and make sure the bank is fulfilling its operational and financial goals. Regular board reviews are also crucial for determining areas for improvement and gauging the efficacy of board members. These assessments are necessary to make sure the board continues to exercise effective oversight and respond to the issues the bank faces.

**Cultural Factors and Governance in Nigeria**

Corporate governance procedures in Nigerian banks are greatly influenced by cultural considerations. Osemeke and Osemeke (2017) state. Nigeria's sociopolitical dynamics and colonial heritage have shaped both public and private institutions' governance frameworks. Key board positions in the banking industry are frequently held by family-owned and politically connected individuals, which occasionally results in conflicts of interest or subpar governance procedures. According to the literature, enhancing the performance and sustainability of banks in South-West Nigeria requires tackling these cultural variables as well as putting global best practices in corporate governance into effect.

**2.2 Theoretical Review**

**Stakeholder Theory by Edward Freeman**

Stakeholder theory, proposed by R. Edward Freeman in his 1984 book Strategic Management: A Stakeholder Approach, addresses business ethics and organizational management. It emphasizes that companies should consider the interests of all their stakeholders, not just shareholders when making decisions. This involves managing relationships with various groups, understanding their needs, and balancing sometimes competing interests. Stakeholder theory argues that organizations have a moral and ethical obligation to treat all stakeholders fairly and justly, aiming for long-term sustainable value rather than short-term profits.

Unlike the agency theory, which narrowly focuses on shareholders, stakeholder theory highlights a broader range of interests, including creditors, customers, employees, and society. It is particularly useful in corporate governance, as it stresses the need for accountability and diligence in managing competing stakeholder interests. This theory suggests that non-market mechanisms, such as board size and committee structure, play a vital role in firm performance. By considering all stakeholders, companies can create economic value and enhance long-term organizational success, making stakeholder theory a key component in modern corporate governance.

**2.3 Empirical Review**

Usendok (2022) investigated organizational performance and corporate governance in Nigerian banks. The report highlighted the sector's shortcomings and difficulties while highlighting how corporate governance affects output. Descriptive statistics, ratio analysis, multiple regression, and Pearson product-moment correlation were used to evaluate secondary data from the annual reports of chosen banks (2014–2020) using a descriptive design and ex-post facto approach. The results showed that while board size and meeting frequency hurt bank performance, audit committee size and board composition had a positive association. According to the study's findings, corporate governance procedures and best practices greatly boost bank performance. Managers are advised to follow these guidelines to improve service delivery and match stakeholder interests with organizational goals.

In Anambra State, Southeast Nigeria, Okoli et al. (2021) looked into the effects of transformational leadership traits on organizational effectiveness in higher education institutions. Using a cross-sectional research methodology, 154 valid questionnaires were distributed to 325 employees from each university, for a total of 650 employees. A systematic questionnaire was used to gather data, and Cronbach's alpha was used to test for reliability and expert opinion was used to evaluate content validity. A 5% significance level was applied when analyzing the data using Pearson's product-moment correlation. The findings indicated that transformative leadership and organizational success were significantly and favorably correlated. The study came to the conclusion that effective leadership is essential to promoting change in both universities and employees. To sustain staff zeal and optimism, it was suggested that university administration provide self-development programs and teamwork top priority.

With a focus on conglomerates, consumer goods, and industrial goods, Anazonwu et al. (2018) examined the impact of corporate board diversity on sustainability reporting among listed manufacturing firms in Nigeria. Sustainable reporting was evaluated using an ESG index and secondary data from yearly reports. The following were independent variables: multiple directorships, non-executive directors, women directors, and the nationality of board members. While board member nationality did not significantly affect sustainability reporting, other variables did, according to fixed effects panel regression. To harness various abilities for better sustainability practices, the study suggests encouraging diverse board compositions and using the NSE Sustainability Disclosure Guidelines for consistent reporting.

Ekwochi, Uzoigwe, and Okoene (2018) investigated the effect of corporate governance on organizational performance at Juhel Pharmaceutical Company Limited, Enugu. Guided by four objectives, the study identified challenges, benefits, and strategies for enhancing corporate governance. Using a survey method, primary and secondary data were collected from 258 staff, with a sample size of 157 determined via chi-square distribution. Questionnaires and interviews were employed, and data were analyzed using frequencies and percentages. The findings highlighted the roles, challenges, and benefits of corporate governance, recommending improved regulatory measures and social initiatives to enhance ethical conduct, customer satisfaction, and stakeholder welfare.

**3.0 Methodology**

The study adopted an ex-post-facto research design and was conducted in South-West Nigeria, which comprises six states: Lagos, Ogun, Oyo, Osun, Ondo, and Ekiti. The population of the study included all categories of bankers working in this region, such as branch managers, relationship managers, tellers, loan officers, and other bank staff. To determine the sample size, a total of 600 bankers were selected, considering proportional representation from different bank categories. Out of the six states in the region, three states—Lagos, Ogun, and Oyo—were randomly chosen. The choice of these states was based on their representation of a diverse range of banking operations, with Lagos being the commercial hub, and Ogun and Oyo being significant financial centers. Stratified random sampling was employed to ensure that different categories of bank staff were proportionally represented in the sample. Data were collected through a questionnaire, and the mean and standard deviation were used for analysis.

**4.0 Results and Presentation of Data**

**Analysis of Research Questions**

**Research Question: What is the Effect of Board Composition on the Organizational Success of Banks in South-West Nigeria?**

**Table 1: Mean Ratings of Respondents on the Effect of Board Composition on Organizational Success of Banks in South-West Nigeria.**

*H.RB =Highly Ranked Bankers; L.R.B. = Lowly Ranked Bankers*

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **S/N** | **Items** | **H.R.B** **Mean** | **(175)****SD** | **Remark** | **L.R.B.****Mean** | **(425)****SD** | **Remark** |
| 1. | A higher proportion of independent directors on the board can provide unbiased oversight into issues surrounding the bank | 2.71 | 1.12 | Agree | 2.69 | 0.97 | Agree |
| 2. | Banking operations are safe when directors involved in the daily operations of the bank form the board to provide oversight into issues surrounding the bank | 2.46 | 1.21 | Disagree | 2.50 | 1.12 | Agree |
| 3. | Prioritizing transparency and full disclosure of activities, decisions, and the bank’s financial health promotes trust and confidence among investors, regulators, and other stakeholders | 2.63 | 1.10 | Agree | 2.75 | 1.12 | Agree |
| 4. | Having independent directors on the board can help ensure that the interests of shareholders and other stakeholders are protected | 2.57 | 1.04 | Agree | 2.76 | 1.08 | Agree |
| 5. | An optimal board size (neither too small nor too large) is essential for effective governance in the banking sector to promote efficient decision-making, allow for diverse perspectives in the board | 2.64 | 1.02 | Agree | 2.46 | 1.12 | Disagree |
| 6. | Ensuring the inclusion of board members with relevant expertise can help the bank navigate complex regulatory environments and financial markets. | 2.84 | 1.23 | Agree | 2.90 | 1.12 | Agree |
| 7. | Diversity in gender, ethnicity, and professional backgrounds can bring a broader range of perspectives and ideas to the board. | 2.65 | 1.06 | Agree | 2.70 | 1.23 | Agree |
| 8. | Ensuring balanced tenure among board members can provide continuity while also bringing fresh perspectives | 2.59 | 1.13 | Agree | 2.54 | 1.17 | Agree |
| 9. | Separating the roles of CEO and board chairman can enhance checks and balances by preventing any one individual from having excessive power over both the management and the board | 2.53 | 1.04 | Agree | 2.58 | 1.14 | Agree |
| 10 | The establishment of specialized committees (e.g., audit, risk, remuneration, and nomination committees) can enhance the board’s ability to focus on critical areas of the bank’s operations. | 2.67 | 1.35 | Agree | 2.52 | 1.10 | Agree |
|  | **Mean of Items mean** | **2.62** | **1.13** | **Agree** | **2.59** | **1.12** |  |

**Source: Field Survey, 2024**

The results presented in Table 1 show the mean scores of H.R.B. and L.R.B. respondents regarding the effect of board composition on the organizational success of banks. For the H.R.B., the mean scores for items 1-10 were mostly above 2.50, indicating agreement. Specifically, respondents believed that a higher proportion of independent directors improves oversight, that transparency and full disclosure build trust, and that independent directors help protect shareholders' and stakeholders' interests. They also agreed that optimal board size is vital for efficient governance, that expertise on the board helps navigate complex environments, and that diversity in gender, ethnicity, and professional backgrounds enriches decision-making. Additionally, they supported separating the roles of CEO and board chair and establishing specialized committees for better focus on critical bank areas.

However, item 2 had a mean score below 2.50, suggesting disagreement with the notion that banking operations are safer when directors involved in daily operations form the board. For the L.R.B., most items had mean scores above 2.50, except item 5, which they did not agree with. The L.R.B. agreed with all other aspects of board composition as crucial for organizational success, except the importance of an optimal board size.

The grand mean score was 2.60, indicating that board composition significantly affects the organizational success of banks. Standard deviations ranged from 0.97 to 1.35, showing homogeneity and consensus among both groups.

**Presentation of Data**

Hypothesis: There is no significant difference in the mean ratings of high and low-ranked bank employees on the effect of board composition on the organizational success of banks in South-West Nigeria.

**Table 2: t-test Analysis of no significant difference in the mean ratings of high and low-ranked bank employees on the effect of board composition on the organizational success of banks**

*H.R.B= High Ranked Bankers; L.R.B. = Low Ranked Bankers*

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  |  |  |  |  |  |
| **N** | **Mean** | **SD** | **t-cal** | **t-crit** | **df** | ***a.*** | **Remark** |
| **H.R.B** | 175 | 2.62 | 1.13 | .14 | 1.96 | 598 | .05 | Not-Significant |
| **L.R.B** | 425 | 2.59 | 1.12 |  |  |  |  |  |

The t-test analysis presented in Table 2 indicates that no significant difference was found in the mean ratings of H.R.B and L.R.B. concerning the effect of board composition on the organizational success of banks in South-West Nigeria. This was shown by the calculated t-value of .14, which is less than the t-critical value of 1.96 at a .05 level of significance and 598 degrees of freedom. Thus, the first null hypothesis was upheld (not rejected).

**Discussion of Findings**

The study examined the effect of board composition on the organizational success of banks, focusing on the responses from H.R.B. and L.R.B. groups. The findings revealed several points of agreement and disagreement between the two groups.

For H.R.B. respondents, there was disagreement with the statement that banking operations are safer when directors involved in the daily operations of the bank form the board. However, they agreed on several key aspects of board composition. These included the importance of a higher proportion of independent directors for unbiased oversight, the value of prioritizing transparency and full disclosure to build trust among investors and regulators, and the role of independent directors in protecting stakeholders' interests. Additionally, they supported having an optimal board size to promote effective governance, the inclusion of board members with relevant expertise to navigate complex regulatory environments, and the importance of diversity in gender, ethnicity, and professional backgrounds. The H.R.B. respondents also agreed on the significance of having balanced tenure among board members, separating the roles of CEO and board chair to enhance checks and balances, and establishing specialized committees like audit and risk committees to focus on critical areas of the bank's operations.

For L.R.B. respondents, they agreed with most of the points raised by the H.R.B., including the importance of independent directors, transparency, and expertise in board composition. They also supported having a diverse board and separating the roles of CEO and chair. However, they disagreed with the idea that an optimal board size is essential for effective governance. Specifically, they did not agree that a well-balanced board size would promote efficient decision-making and allow for diverse perspectives.

The test of hypothesis revealed no significant difference in the mean ratings between the H.R.B. and L.R.B. groups, indicating a consensus on the importance of board composition for organizational success. The mean scores of 2.62 for H.R.B. and 2.59 for L.R.B. resulted in a grand mean of 2.60, all of which were above the threshold of 2.50, suggesting a strong agreement that board composition significantly affects the organizational success of banks. The standard deviation scores also showed homogeneity between the two groups, further supporting the similarity of their opinions.

The findings are consistent with previous studies. Tanko and Kolawole (2014) found that a higher proportion of outsiders on a company’s board positively impacted performance, while the dual role of CEO and board chair negatively affected performance. They recommended a board size of 10 to 15 members, with a higher proportion of outsiders. Similarly, Ogunyomi and Ojikutu (2014) suggested that recruitment and selection processes should be outsourced to specialists, a view supported by Adam (2016), who found a significant relationship between recruitment strategies and public sector performance.

Moreover, the study aligns with Kimera (2018), who found a positive relationship between internal and external recruitment practices and employee job performance, emphasizing the importance of well-designed recruitment processes. It also supports Salamzadeh et al. (2018), who highlighted the significance of strategic thinking by managers for organizational success. Lastly, the findings resonate with Ally (2019), who advocated for the use of employee resourcing strategies to maintain high-quality employees and improve organizational performance.

In conclusion, the study reinforces the importance of board composition for the success of banks, emphasizing the need for independent directors, expertise, diversity, and strategic governance practices. These factors play a critical role in enhancing oversight, decision-making, and organizational performance.

**Conclusion, Recommendations, and Suggestions for further studies**

* 1. **Conclusion**

This study examined the impact of board composition on the organizational success of banks, specifically focusing on the perspectives of H.R.B. and L.R.B. groups in South-West Nigeria. The findings revealed a strong consensus among both groups on several key aspects of board composition, such as the importance of independent directors, transparency, expertise, diversity, and the separation of CEO and board chair roles. Both groups recognized the significant role these factors play in enhancing governance, promoting trust among stakeholders, and safeguarding the interests of shareholders and other parties.

Despite some disagreements on the optimal board size, the study concluded that a well-structured and diverse board is essential for effective oversight and decision-making. The findings align with previous research, supporting the notion that a higher proportion of independent directors, specialized committees, and a balance of experience and fresh perspectives contribute significantly to the success of banking institutions.

The grand mean score of 2.60, along with the homogeneity of responses, indicated a shared belief that board composition directly influences the organizational success of banks. Therefore, board composition emerges as a critical factor in driving positive outcomes for financial institutions, ensuring they remain responsive, accountable, and adaptive to market challenges.

**5.2 Recommendations**

1. Banks should strive to increase the proportion of independent directors on their boards to ensure unbiased oversight and decision-making, which is essential for maintaining investor confidence and regulatory compliance.

2. While there is some disagreement on the ideal board size, a balanced approach should be adopted, avoiding both overly small and excessively large boards. A moderate board size enhances effective governance, facilitates diverse viewpoints, and promotes efficient decision-making.

3. Board members should be selected based on their expertise, ensuring a mix of backgrounds, including gender, ethnicity, and professional experience. This diversity brings a range of perspectives that can help navigate complex regulatory and market environments.

4. Banks should adopt a clear separation between the roles of CEO and board chair to enhance governance and ensure effective checks and balances. This separation reduces the risk of excessive concentration of power in one individual and strengthens the board’s independence.

5. Banks should establish and empower specialized committees such as audit, risk, and remuneration committees to focus on critical operational areas. These committees help the board maintain a sharp focus on the bank’s key risks and strategic initiatives.

6. Regular evaluation of board effectiveness and composition should be implemented to ensure that the board remains agile and responsive to emerging challenges. This evaluation can help identify gaps in expertise or diversity and make necessary adjustments.

By following these recommendations, banks can strengthen their governance frameworks, improve decision-making processes, and ultimately enhance their organizational success.

* 1. **Suggestions for further studies**

Future studies could examine the relationship between corporate governance and bank stability during financial crises, particularly focusing on how the frequency and quality of board meetings influence banks' strategic decisions.

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