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IDIOSYNCRATIC ANTECEDENTS/FEATURES OF BOARD INDEPENDENCE IN DEVELOPING COUNTRIES AND THEIR INFLUENCES ON INVESTMENT DECISION MAKING. A PSYCHOLOGICAL PERSPECTIVE OF INVESTMENT ANALYSTS.

Abstract:

This study was conducted in a developing country context with the aim to espouse more relevant empirical and theoretical underpinnings (stakeholder-agency and social cognition theories) different from the ubiquitous agency theory Anglo/Saxon corporate governance model. In developing countries, due to the weak institutions, all stakeholders are exposed, even those with contracts. Moreover, developing countries' businesses environment has a prevalence of strong dominant individual or family shareholders presence in firms. Therefore, this study focused on external constituents and differs significantly from the internal focus (on firm performance and organizational power and politics) of prior board independence research, and extends our understanding of the antecedents of board independence. The research adopted a mixed method approach. The quantitative models were tested using data obtained from 161 Investment analyst who make investment decisions in the Nigeria. The quantitative models were assessed using ordered logit regression analysis approach. Further, we employ the semi structured interview technique to examine the psychological reasoning of investment analysts (27 interviews) when firms project board independence antecedents/features. The interviews were analyzed using a thematic analysis approach. We find that dispersed share ownership has a positive statistically significant correlation with investment decision making. Further, the distrust of the operating environment leads the investment analysts to usually employ a more short-term investment strategy and hence the preference of dispersed share ownership as an antecedent of board independence most likely to influence investment decision making. We also find that CEO duality is negatively correlated with investment decision-making but not statistically significant. Furthermore, regulator recommended independent directors and the perception of no conflict of interest due to presence of more non-executives directors than executive directors on the board are positively correlated with investment decision making but not statistically significant. Finally, the perception of independence when there are more non-executive directors on the board is positively statistically significantly correlated with investment decision making.

Keywords:

Board, independence, investment, analysts, developing