Research Article

Board attributes, ownership structure and risk management: A proposed model for insurance firms in Nigeria

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ABSTRACT

As a response to the weaknesses in corporate governance and risk management created by the 2007/2008 financial crises, Enterprise Risk Management (ERM) becomes imperative, especially in the financial sector. Therefore, in understanding the board's responsibility in ensuring good governance through ERM implementation, two fundamental questions need to be answered; what determines the makeup of the board? And what determines boards' action? Consequently, this study proposed a conceptual framework for investigating the moderating role of ownership structure on the relationship between board attributes and risk management of insurance firms in Nigeria using the model approach. Hence, the control, resource acquisition, and service roles of the board as explained by agency, stewardship, and resource dependence theories explain this relationship. Board attributes are measured by board composition, board structure, board characteristics, and board process, ownership structure is measured by ownership concentration, board ownership, and foreign ownership, and ERM is measured using the disclosure index. Findings from the review of literature reveal that governance attributes in board attributes-risk management relationships have been measured on single or fragmented criteria, leading to contradictory or conflicting findings. Hence, the significance of the study lies in the conceptualization and choice of board attributes as explained by board roles and an integrative theoretical perspective to propose the choice of board attributes in the board attributes-risk management relationship and how ownership structure can influence the relationship, adding to the existing literature on board attributes, ownership structure, and risk management.

Keywords: *Board Attributes; Ownership Structure; ERM; PLS-SEM; Agency Theory; Stewardship Theory; Resource Dependence Theory*

1. INTRODUCTION

The 2007/2008 global financial crisis has demonstrated several deficiencies in several companies' corporate governance, especially in financial firms, which poses a significant challenge to regulators, legislatures, practitioners, and academia. Consequently, these phenomena have been attributed to inadequate, poor implementation, wrong measurement, and weak structures of risk management (Abou-El-Sood, 2016; Perera, 2019). For instance, to demonstrate these, risk management has always been viewed from a silo and negative perspective, narrowing risk management's actual scope. By and large, Fadun

(2013a) maintained that risk being linked with uncertainty which may occur or not can lead to a negative (threat) or positive (opportunity) or both danger and opportunity. Thus, firms need to put a comprehensive system of monitoring the inherent consequences of risk, which encompasses a regulated risk management framework of identification, evaluation, and management. Power (2004) noted that the rise of risk management is simply an efficient response because it has become a risky and dangerous business environment, hence the need for a comprehensive risk management framework.

Moving away from the deficiencies created by the isolated and silo view of risk to a holistic methodology of risk management borne out of the nature of the dynamic economic, social, and technological realities globally, coupled with the increased level of competition among firms globally, Kirkpatrick (2009) maintained that Enterprise Risk Management (ERM) becomes imperative for firms' survival. Expressly, in the financial services industry, including insurance firms, a number of rating agencies, for example, Standard and Poor's, Moody's, and a survey by Price Waterhouse Coopers (PWC), Chief Executive Officer (CEOs) declared their explicit support for ERM (Desender & Lafuente, 2009; Price Waterhouse Coopers [PWC], 2004).

At the focal point of ERM design, the board is responsible for mandating effective implementation. The board of directors and the top management must be able to appreciate and establish an appropriate risk management framework for effective governance and the firm's survival. For example, previous literature has established at different levels how governance attributes affect risk management (Battaglia & Gallo, 2017; Hutchinson et al., 2014; Karkowski & Acedanski, 2019; Sheikh, 2019; Tai et al., 2018; Nakano & Nguyen, 2012; Zigraiova, 2016). However, the choice of governance attributes in this relationship has been on single or fragmented criteria, leading to contradictory or conflicting findings, hence, raising questions as to the appropriateness of the outcome of these studies. More so, corporate scandals resulting from failures in risk management have primarily been attributed to excessive risk-taking by executives that is not in line with shareholder interest (Fadun, 2013b). Those responsible for the blame are the board of directors because they are expected to watch over the management's activities. They are expected to comprise the right mix of individuals, having the required and adequate skills, experience, and knowledge of handling risk. Furthermore, the board is expected to have the necessary structures in place and hold acceptable meetings for effective risk management to efficiently discuss all the available risks which the firm faces and that which it is likely to face.

Therefore, what is highly needed is a framework that explains the board attribute-risk management relationship from the viewpoint of the roles expected of a board and explained by a theoretical perspective that tends to align the board and shareholders' interests (Fig. 1). Given this, Adams et al. (2010) identified two necessary questions from which board governance may be understood. Firstly, "what determines the makeup of the board of directors?" Secondly, "what determines the board of directors' action?" Consequently, going by Adams, Hermalin and Weisbach's first question, this study argues that the roles (control, resource acquisition, and service) played by the board of directors determine the board's makeup. On this notion, Johnson et al. (1996) and Annuar (2018)

noted that these roles' overlap determines the arrangement and quality of a firm's board attributes. Hence, this serves as a methodological requirement reported by Jaakkola (2020).

Fig. 1. General Conceptual Overview of the Study

Similarly, as argued by Ingley and Van Der Walt (2005), the understanding of the relationship between board attributes and the firm outcome is best understood through a richer model that is explained from a multi-theoretical viewpoint. In agency theory, for example, Zahra and Pearce (1989), Bogart (1994) and Johnson et al. (1996) have demonstrated through directors' fiduciary duty of care and loyalty to be able to fulfill their control role and determine the firm outcome. Similarly, Zahra and Pearce (1989); Pfeffer (1972, 1973); and Pfeffer and Salancik (1978), through resource dependence theory, have also demonstrated how the board serving as a resource can be able to provide to the firm an external environmental link, access to important and critical resources, and safeguarding the firm from adverse environmental challenges. Zahra and Pearce (1989) and Van Ees, et al. (2009) demonstrated under stewardship theory how inside directors and their characteristics provide a profound knowledge of the firm from their in-depth knowledge of the firm from the skills and experience they acquire from the day-to-day running of the organization. By and large, the choice of these roles and theories to explain the choice of

board attribute in the board attributes-risk management relationship represent the claims, ground and warrant as the necessary methodology for these studies (Jaakkola, 2020). More so, this study followed the model approach in developing a conceptual paper in Jaakkola (2020). Hence, to have a more active and effective board in risk management, it is expected that the board is made up of balanced skills and experienced members to match the overall organizational needs by having a combination of inside directors who possess an in-depth understanding of the firm and outside directors who possess a breadth of knowledge from their broader experience, new ideas and can be able to monitor management decision, provide advice and critical resources in the implementation of strategic decisions. Thus, the critical question that emerges from all these is what attributes of the board are associated with effective and superior risk management? Therefore, this study proposes board composition, board characteristics, board structure, and board process to represent board attributes associated with excellent risk management.

To answer the second question raised by Adams et al. (2010) and adequately understand and appreciate the effect of board attributes on risk management, kinds of literature on board attributes-risk management relationships raise questions about what the entity is that determines such a relationship. By and large, it is suggested in this study that the ownership structure existing in a firm determines this relationship. In line with to agency theory, the separation of ownership and control in public companies creates agency conflict between the principal and the agent and between majority and minority shareholders. The nature of ownership structure in a firm has been suggested to be able to mitigate this conflict. The shareholders ultimately elect directors who are expected to represent and safeguard their interest in the firm affairs, making their needs to influence board decisions on risk management.

Advancing arguments from the two types of conflict identified ownership concentration, director shareholding, and foreign ownership is noted to mitigate these conflicts, thereby influencing the board's decision in risk management. For instance, Babic and Nikolic (2016) noted that a great level of ownership concentration permits effective supervision and control of management. Hence, checkmating the excessive risk-taking by opportunistic managers. Similarly, Aliyu et al. (2016) noted that with more managerial ownership, their interests become more closely associated with shareholders' interests, creating a strong incentive of not taking decisions that might be risky due to their investment. With foreign investment, resource dependence theorists suggested that riskier firms can accrue greater benefits from providing value-creating strategies through board monitoring (Desender et al. 2016). From those above, therefore, it is proposed that the main objective of this study is to investigate the moderating effect of ownership structure on the relationship between board attributes and risk management of listed insurance companies in Nigeria. Therefore, the following specific objectives are also proposed.

1. To examine the effect of board composition on risk management of listed insurance companies in Nigeria.
2. To investigate the relationship between board characteristics and risk management of listed insurance companies in Nigeria.

3. To find out the effect of board structure on risk management of listed insurance companies in Nigeria.
4. To determine the impact of board process on risk management of listed insurance companies in Nigeria.
5. To examine the moderating influence of ownership structure on the relationship between board composition and risk management of listed insurance companies in Nigeria.
6. To investigate the moderating effect of ownership structure on the relationship between board characteristics and risk management of listed insurance companies in Nigeria.
7. To determine the moderating effect of ownership structure on the relationship between board structure and risk management of listed insurance companies in Nigeria.
8. To determine the moderating effect of ownership structure on the relationship between board process and risk management of listed insurance companies in Nigeria.

2. LITERATURE REVIEW

2.1. THE BOARD OF DIRECTORS

The board of directors is at the center of the governance system of an organization and has attracted considerable interest among policymakers, regulators, practitioners, investors and academicians. Contributing to this understanding, Van Ees et al. (2009) argued that the board has been and will be central to the understanding of the internal governance mechanism of a firm. Accordingly, Desender and Lafuente (2009) defined the board as the internal governing machinery that configures the firm's governance system due to their direct contact with the two other aspects in the governance triangle: managers and shareholders. Therefore, the board is expected to be made of the right configuration of directors who is capable, have the right skills and ability to solve complex organizational issues. Apart from protecting shareholders' interests, making positive contributions for the advancement of the company's strategy, and enhancing the company's reputation and image at large, three fundamental roles of the board have been documented in the academic literature; control role (Baysinger & Hoskisson, 1990; Fama & Jensen, 1983), resource acquisition role (Pfeffer, 1972; 1973; Pfeffer & Salanick, 1978), and service role (Johnson et al., 1996; Zahra & Pearce, 1989).

2.1.1. Control Role

Fama and Jensen (1983) maintained that as part of the board's role and advanced in agency theory, the board has the mandate to monitor managers through ratification and monitoring from which Johnson et al. (1996) argued that the fiduciary duty of care and loyalty on the one hand and duty of independence, on the other hand, is used to explain the control role. The business judgment rule is used to explain the duty of care and loyalty expected by the board of directors, who are anticipated to act in good faith and the

shareholders' interest (Zahra & Pearce, 1989). The duty of care requires an executive director to portray that degree of care which an ordinarily cautious person would have done under normal circumstances. At the same time, the duty of loyalty requires an executive director to act and make decisions that will promote corporate interest instead of personal or individual interest.

At the center of the criticisms of the business judgment rule, for instance, is the conflict of interest of which how directors can sacrifice personal progress for corporate survival and their subordination to the chief executive officer (CEO) in terms of executive succession. Hence, opposing the duty of care and loyalty from the criticisms raised (Johnson et al. 1996), instead, Bogart (1994) recommended for the duty of independence, the ability of directors to act independently of managerial influence in the fulfillment of director's fiduciary duty and the attainment of corporate objective. Hence, at the center of director independence is the ability of directors to monitor management decisions, relying on non-executive directors. Accordingly, grounded in agency theory and the academic literature, in trying to explain directors' control role, both inside directors and outside directors have often been used to represent board composition at various levels.

2.1.2. Resource Acquisition Role

However, limiting the discussions and arguments of the composition of the board to the only executive versus non-executive directors has been challenged, especially by resource dependence theorists. Babic et al. (2011) noted that with resource dependence as well as stewardship theories, the understanding of the board from the traditional control role shifted to a more active role. Hence, the need to view directors' roles from the resource provision role. The generic board's role in this respect helps in linking the firm with the outside environment, access to essential resources, and safeguard the firm from adverse environmental challenges. However, Nicholson and Kiel (2007) noted that the question "what constitutes an important resource in an organization?" has long generated debate on the board's resource acquisition role.

Hence, from the arguments, directors' role in resource acquisition can be categorized into; the extent of their knowledge and experience, the links they have with the external environment, which may augment management's ability to acquire scarce and critical resources and their independence from management and the CEO. By and large, resource dependence theorists emphasize monitoring ability and resource acquisition advocate for a majority outside representation, diversity in the board, and larger board size (Hillman & Dalziel, 2000; Pfeffer, 1972, 1973; Pfeffer & Salancik, 1978; Zahra & Pearce, 1989).

2.1.3. Service Role

The boards' service role emphasizes a more comprehensive role, moving away from the traditional role perceived by the need for control whereby the board is regarded as a rubber stamp to a more active role whereby the board is regarded as a think tank who are expected to be experts to shape the strategic vision, mission and objective of the firm. At the center of the service, the role is a strategic decision, whereby the board advice and counsel the CEO (Johnson et al., 1996), approving, monitoring and reviewing strategy,

assuming a leadership role, guiding strategy and strategic thinking (Ingley & Van Der Walt, 2001).

Under this role, directors acting as monitors or controllers and resource providers is only part of the wider role expected of the board. Emphasizing the strategy, directors are expected to serve as a think tank, those responsible for shaping overall corporate strategy based on their vast knowledge and experience at various levels. To demonstrate this, argued under stewardship theory, the board acting as steward is expected to give support and advice to the CEO and top management (Van Ees, et al., 2009). Similarly, as argued under resource dependence theory, Albrecht et al. (2004) noted that in their strategic role, the board of directors serve and exist in other to make sure the CEO can have critical resources of which he/she would not have ordinarily have access to. Under agency theory, Fama and Jensen (1983) posited that to enhance boards' control role, knowledgeable directors provide important and valuable advice in the form of strategies in trying for effective evaluation of management proposals and achieving corporate objectives. Therefore, to achieve this role, different board attributes have been adopted from arguments advanced by the combined provision of agency, stewardship, and resource dependence theory.

2.2. BOARD ATTRIBUTES

While several studies have been undertaken in an attempt to identify the right board attribute, there is still a lack of consensus on what constitutes an effective board to improve corporate outcomes and consequently risk management. As argued by, Letting et al. (2012), the increasing interest in board attribute research is mainly because of the control, resource acquisition, and service role of the board. One fundamental issue in articulating board attributes is that the board is expected to be made up of individuals with the right experience and skills, which is expected to have an effective structure in protecting shareholder interest and corporate objectives.

To this end, for instance, Srivastav and Hagendorff (2016) defined board attributes to incorporate the numerous competencies and skills of the members of the board and the role such attributes play in affecting the corporate decisions. Similarly, Karkowska and Acedański (2019) defined board attributes to mean structure and quality of the board. The former relates to the size, independence, and affiliation of the board members while the latter emphasizes on the experience, skills and background of directors and their role in risk-taking. Therefore, as boards are considered a critical element of internal governance mechanism, this study aligns with the classification of board attributes advanced by Zahra and Pearce (1989). Previous studies either used single component, board characteristics (Garcia-Torea et al., 2016), several attributes without a comprehensive classification (Srivastav & Hagendorff, 2016), or few attributes; board structure and board quality (Karkowska & Acedenski, 2019) to explain board attributes.

By and large, to understand and explain board attributes from the board's role of control, resource acquisition, and service and in accordance with the theoretical foundation of agency, stewardship, and resource dependence theories, a more comprehensive definition

and better representation of what constitute an effective board attribute is required. Hence, this study defines board attributes as the board structure, characteristics and process that complements the statutory composition, including foreign and female directors of the board. Therefore, board attribute is proposed to be measured by composition, characteristics, structure, and process of the board (Fig. 1).

2.2.1. Board Composition

Board composition implies the make-up of the board of directors. It refers to the board's size, the mixture of directorship, and demographic representation. Board size denotes the total directors serving on the board. Directorship refers to the inside vs outside director dichotomy. Inside directors refer to the executive management charged with the everyday operations of the company. In contrast, outside directors represent the non-management board members who do not engage in the company's day-to-day management. Meanwhile, demographic representation refers to the female and nationality representation of board members (Fig. 2).

Fig. 2. Proposed PLS-SEM Path Model

In the empirical literature, Maruhun et al. (2018), Tai et al. (2018) and Zhou et al. (2019), Adelina et al. (2020) and Otero-Gonzalez et al. (2020) reported that a positive and significant effect of board size and risk management, while Karkowska and Acedanski (2019), Su et al. (2019) and Mukhibad et al. (2020) reported a negative and significant effect of board size on risk management. Karkowska and Acedanski (2019) and Adelina et al. (2020) could not find

any significant effect of outside directors on risk management, while Tai et al. (2018) and Mukhibad et al. (2020) reported a positive and significant effect. On the other hand, Boateng et al. (2019) reported a negative and significant effect on outside directors and risk management. Nakano and Nguyen (2012) reported a negative and significant effect of inside directors on risk management, while Dong et al. (2017) could not find any statistically significant impact. On the effect of foreign directors on risk management, Zigraiova (2016) reported both a positive and negative significant effect while Yang et al. (2019) were not able to report a significant effect. However, Yang et al. (2019) and Otero-Gonzalez et al. (2020) reported a negative and significant effect of gender diversity on risk management, Al-Maghzom et al. (2016) reported a positive and significant effect of gender diversity on risk management. On the other hand, Tran et al. (2020) reported both a negative and positive significant effect of female CEO on risk management. Therefore, from these reported findings, it is proposed that;

H_0 Board composition does not affect risk management

2.2.2. Board Characteristics

Making a clear distinction of board indicators between composition and characteristics of the board, this study proposes from the standpoint of view of agency and resource dependence theories a clear conceptualization of board characteristics. Therefore, board characteristics, as defined by Ben-Amar et al. (2015), entails the skills and general competence of the board of directors that directly impact their ability to make strategic decision making by and large enhancing firm outcome. This definition centers on the ability of directors to advice and give social support top management and the CEO. As a source of strategic decisions, the board is responsible for developing and selecting creative minds among the pool of options in trying to advance the objective of the firm. Therefore, this study identified tenure, education, and professional background as the competencies, skills, and capabilities that are expected to be possessed by board members (Fig. 2).

From the empirical literature, Sheikh (2019) and Bernile et al. (2018) reported a significant negative effect of CEO age and average board age on risk management, while Zigraiova (2016) was not able to find any significant effect and Yang et al. (2019) found a positive and significant effect of outside director on risk management. On the effect of board education on risk management, Dionne et al. (2019) and Yang et al. (2019) reported a positive and significant effect, Bernile et al. (2018) were not able to establish any considerable effect while Berger et al. (2014) reported a negative and significant effect. On the effect of professional background on risk management, Maruhun et al. (2018) reported a positive and significant effect of professional expertise on risk management, while Karkowska and Acedanski (2019) were not able to find a significant effect. With the aforementioned findings, this study proposed that.

H_0 Board characteristics do not affect risk management

2.2.3. Board Structure

As was noted by Fama and Jensen (1983), the board is saddled with the responsibility of setting the objectives, monitoring and controlling the activities of the firm. Therefore, it is

expected that the board is going to put in place adequate structures that will help in fulfilling this responsibility. Accordingly, Kumar and Zattoni (2017) noted that in ensuring board effectiveness, apart from board composition and characteristics, board structure is assumed to enhance the understanding of how the board works. By and large, the board's effectiveness is not only affected by the makeup of the board, its size and various skills and capabilities of the board, but also by the existing internal administrative structures.

In trying to achieve effective and efficient board control and monitoring, for example, it has been recommended by the Code of Good Corporate Governance for Insurance Industry (CGCGII) in Nigeria 2009, among others for insurance companies to have Establishment and Governance Committee, Audit and Compliance Committee, and Enterprise Risk Management Committee. More so, Kula (2005) noted that board committees are a source from which the board's decisions emanate, hence, conceptualizing board committees as the splitting up of tasks within the board in an orderly manner in which corporate matters and agendas are discussed. The presence of board committees is anticipated to enhance and reduce the entire board's workload, thereby making the board more effective. Based on the similarity-attraction paradigm, this study proposes that the background composition and the characteristics of directors in board sub-committees (Figure 2) will determine the extent to which a firm can have the right combination of directors in attaining corporate objectives hence, effective risk management.

Therefore, in the empirical literature, Adelina et al. (2020) reported a positive and significant effect of audit committee independence on ERM disclosure index on the one hand and a positive but not significant relationship between financial backgrounds of audit committee members with ERM disclosure index. Furthermore, Dionne et al. (2019) reported a positive and significant effect of audit committee index and risk management. Mukhibad et al. (2020) showed that audit committee size has a negative relationship with risk management disclosure. While Al-Hadi et al. (2016) reported a positive and significant effect of risk committee index and the existence of risk committee on risk disclosure, Adelina et al. (2020) were not able to find a significant effect but reported a positive relationship between the existence of risk management committee and ERM disclosure index. Hutchinson et al. (2014) and Armeanu et al. (2017) were unable to establish any significant effect of the nomination committee and risk management. Therefore, from these findings and as board effectiveness is affected by the internal administrative structures of the board, the study proposed the following hypothesis:

H₀ Board structure does not affect risk management

2.2.4. Board Process

The boarding process is an aspect of the board that shows the extent of corporate board activity. It is an aspect of governance activity that deals with how directors as a group relate to each other, the interaction between the board and the management, and how resolutions are reached within and outside of the boardroom (Leblanc & Schwartz, 2007; Pearce & Zahra, 1991; Zahra & Pearce, 1989). To fully understand the need for board process, an understanding of how a board operates and the understanding of some essential questions in governance technically has been argued in Wan and Ong (2005) as well as in

Zona and Zattoni (2007). Specifically, with the growing power of institutional investors, ownership concentration and board ownership, moving away from the traditional understanding of the boards as passive, serving as rubber stamps, shareholders and regulators demand boards to portray an active role in corporate affairs.

Given the aforementioned, Kula (2005) noted that the policymaking procedure, board style, the regularity and length of board proceedings, and the directors' evaluation are achieved through board meetings. Therefore, in this study, it is proposed that to understand the dynamics in board decision making, the board meeting, as well as committee meeting attendance of directors (Fig. 2) will be used to understand and explain the inner workings of the board and its committee. Thus, in representing the boarding process, the meeting attendance of executive, non-executive directors, female, and foreign directors will be employed both at board and committee levels. From the literature, Battaglia and Gallo (2017) reported a negative and significant effect of the board meetings on risk management, while Nzioki (2016) reported a positive impact. Rao and Jirra (2017) were not able to report any significant effect of risk committee meetings on risk management, while Tai et al. (2018) found a positive and significant effect of audit committee meetings on risk management. Therefore, given the importance of understanding the internal workings of the board and its committees, the following hypothesis is formulated:

H_0 Board process does not affect risk management

2.3. ENTERPRISE RISK MANAGEMENT

The debate on what risk management entails has been the subject of discussion, especially after the 2007/2008 financial crises, giving risk management a new focus and importance from the nature of the crises and their consequential effect on the global economy. Before then, in the business context, specifically in the US, during the 1950s, the insurance industry was among the first to initiate risk management, as many businesses tried to reduce possible hazards through insurance (Perera, 2019). In the wake of various issues, scandals and bankruptcies witnessed worldwide in the early 2000s, primarily attributed to poor risk management, regulations and in the United States, for example, the Sarbanes–Oxley (SOX) Act was enacted. However, all the regulations enacted did not stop another wave of corporate failure globally, leading to the 2008 financial meltdown. One certain thing is that the regulations gave an entirely new meaning and shape a new understanding of risk management (Dionne, 2013).

Consequently, the financial crises provided the need for a complete shift in paradigm from the individual and silo view of risk management to a holistic, more robust, and comprehensive risk identification, assessment, and evaluation. To this end, Kirkpatrick (2009) noted that this situation necessitated firms to have a broader understanding of risk management, primarily through ERM. Hence, ERM, and other essential changes about development in risk management, captured an interest from Scholars, practitioners, rating Agencies, legislatures, regulators, stock exchanges, international standards organizations, and consultants (Bromiley, 2015; Mafrolla, 2016). The framework of ERM advanced by The Committee of Sponsoring Organizations of the Treadway Commission (COSO, 2004)

became the most widely accepted and recognized framework adopted by firms to manage risk. The committee defined ERM as “a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives”.

Therefore, this study proposed using the ERM framework developed by COSO (2004) in measuring risk management. The framework comprises eight (8) dimensions, namely, Internal environment, Objective setting, Event identification, Risk assessment, Risk response, Control activities, Information and communication, and Monitoring. Following previous studies (Desender & Lafuente, 2009; Khalik & Sum, 2019; Mohd-Sanusi, et al., 2017; Maruhun et al. 2018), this study proposed the framework developed by these studies.

2.4. OWNERSHIP STRUCTURE

The foundation for research into ownership structure has been grounded in the works of Berle and Means (1932). However, the work of Jensen and Meckling (1976), through the introduction of agency theory, shape and extended the understanding around ownership structure. The main argument advanced in these studies centers around the separation of ownership and control. Centering on the differences in the risk preferences between decision agents and owners' preferences, as well as the control ability, resource acquisition and service roles, inform the current study. With the increased search on how owners can have effective control over the affairs of the firm they invest their wealth by reducing agency cost, Panda and Leepsa (2017) argued that various internal contractual mechanisms such as nature of corporate boards, board ownership and ownership concentration, as well as foreign ownership has emerged to understand how board and ownership role help in shaping the outcome of a firm. Accordingly, it is suggested that in understanding the board attributes-risk management relationship, shareholders with the largest share are likely going to use their controlling ability in satisfying their risk appetite by determining the make-up of the board, thereby altering the board's decision on risk management.

Similarly, directors are offered shares to reduce agency costs thereby, aligning their interest with that of the shareholders. Therefore, with the extent of their shareholding, directors are likely to align their risk incentive with the overall corporate objective using their skills, abilities, and capabilities in determining the appropriate risk management. In the same vein, with the need for expansion and cross-border experience and capital formation, foreign ownership in a firm can be a tool for influencing the board's decision towards risk management. Foreign ownership in this respect reflects the choices made on the board from their wealth of experience, skills, and resources in the global competitive environment.

In the empirical literature, quite several studies have demonstrated how ownership structure influences the board's action on the various firm outcomes. For instance, Desender et al. (2009), showed how controlling shareholders influenced the priorities of the

board, Gallucci et al. (2015) showed how female ownership influence the effect of female directors on financial performance. Aliyu et al. (2016) demonstrated how the relationship between corporate governance and performance is moderated by board equity ownership control ability. Therefore, it is suggested that ownership structure, through ownership concentration, board ownership, and foreign ownership (Fig. 2) influences board choices towards risk management via board composition, characteristics, structure, and process. The goal of the current study is, therefore, to propose a conceptual model on how ownership structure can moderate the board attributes-risk management relationship. Hence the following hypothesis is proposed:

H₀ Ownership structure does not moderate the relationship between board composition and risk management.

H₀ Ownership structure does not moderate the relationship between board characteristics and risk management.

H₀ Ownership structure does not moderate the relationship between board structure and risk management.

H₀ Ownership structure does not moderate the relationship between board process and risk management.

2.5. THEORETICAL FRAMEWORK

Using quantitative methods, testing predictions into governance research has always focused on agency theory assumptions, adopting a rigorous explanatory methodology and deductively testing theoretical predictions on the firm outcome (Kumar & Zattoni, 2016; Zattoni & van Ees, 2012; Zattoni et al., 2013). The theory dominates the knowledge system to understand, explain, and fortify the efficacy of governance mechanisms aimed at protecting shareholders. By and large, Udayasankar (2008) maintained that theoretical and empirical inquiry into governance research has been dominated by agency theory, to the level that inquiry by other theoretical advances tends to rely on measures and methods provided by agency theory. The theory may as well be accountable for some of the empirical contradictions recorded in governance research. Hence, following the methodological requirements and design proposed by Jaakkola (2020), this study proposed that in addition to agency theory, stewardship theory, as well as resource dependence theory, are suggested to inform and shape the knowledge system within the board attribute research, as well as provide explanations as to the relationships between the knowledge systems within board attributes, ownership structure, and risk management research (Fig. 1).

Mainly arguing from the control role, agency theory tries to understand how shareholders appoint directors to act on their behalf and oversee the decision-making by the CEO and other management in the firm, creating the principal-agent relationship (Albrecht et al., 2004). This relationship has traditionally been assumed to be characterized by a conflict of interest between the principal and the agent. Under this understanding, Jensen and Meckling (1976), Albrecht et al. (2004), and Pastoriza and Arino (2008) noted that agents are motivated by self-interest, opportunistic behavior, and self-preservation whereby given a choice, a rational manager, is assumed to choose the option that most increase his or her

economic benefit than the interest of the organization, hence, creating the type I agency conflict. This conflict so created results into agency cost whereby decision agents in their self-interest tendencies provide tangible benefits for themselves, for example, large offices, expensive holidays and flying first class and pursuing personal motivations such as pursuing personal growth at the place of corporate profit, thereby increasing agency cost (Fama & Jensen, 1983). Accordingly, Eisenhardt (1989) argued that agency theory provides mechanisms into which this cost can be reduced.

Therefore, through the control and monitoring activities of the agent, appropriate governance structures have been proposed to safeguard the principal's interest (Donaldson & Davis, 1991; Eisenhardt, 1989; Fama & Jensen, 1983). Thus, it is proposed by the current study that the adoption of a regulated monitoring role by the board from maintaining some attributes by examining the effects of various board composition and structures, such as board size, non-executive board members, female and foreign directors, audit/risk committee and nomination committee on risk management will thus bring clarifications to into the problems in an agency theory-based framework. Similarly, with the perceived need for control by the largest shareholders, ownership concentration is proposed to influence the board attribute-risk management relationship.

Like agency theory, stewardship theory also emphasizes the alignment of the principal's interest with that of the agent. To this end, stewardship theory is often referred to as the principal-steward model or principal-steward relationship (Letting et al., 2012). Among the critics of agency theory, Donaldson and Davis (1991, 1994) argued that despite the control assumptions of the theory, economic agents could deceive, cover up, and are narrowly focused on financial gains. Thus, reliance on non-executive directors (NED) for control purposes might not protect shareholder interest since the NED are not in a position to have complete and adequate information regarding the operations of the firm. In line with this, Van Ees et al. (2009) noted that stewardship theory's behavioral assumptions tend to complement agency theory rather than being a competing or challenging theory in shaping the understanding of effective board governance. Hence, building on this assumption, inside directors under stewardship theory in divergence to the agency have been prioritized to outside directors. Furthermore, inside directors are known to spend most of their time on the organization's day-to-day running, making them have superior in-depth knowledge and a better understanding of the firm, hence, their ability to make excellent, right, and effective decisions regarding the company's affairs. By and large, Baysinger & Hoskisson (1990) noted that a key phenomenon that leads to effective governance and protecting shareholder interest is making the right choice in the decision-making practice, from access to the right and timely information for long-term value actions. In addition to the presence of inside directors, characteristics of the directors and the CEO, social ties, and demographic similarities among directors have also been advanced under stewardship theory to affect the firm outcome (Van Ees et al., 2009).

The resource dependence theory is deviating from the principal-agent model of agency and stewardship theories assumption and conflict of interest centers on the board of directors serving as an essential link for providing resources. As advanced by Pfeffer (1973), Pfeffer and Salancik (1978), resource dependence theory suggest that the board of directors

serves as a crucial connection agent between the firm and the external environment by providing necessary but yet critical resources to the firm in order to maximize shareholder value. Hillman and Dalziel (2003) noted that resource dependence theory regards the board as a supplier of resources. In this regard, the board can contribute to the board through their expertise, experience, knowledge, reputation, and skills.

Hence, Pfeffer and Salancik (1978) and Udayasankar (2008) argued that resource dependence theory centers on these roles and that competitive advantage basically comes from governance heterogeneity. For instance, using this theoretical lens in board research attributes used to represent the board includes board size, outside directors, foreign and female directors as indicators of the ability of the board to provide essential resources to the firm on the one hand and the ability of the board members to contribute to the firm through their inherent characteristics such as experience and expertise and knowledge and skills. Therefore, from the propositions of both stewardship and resource dependence theories, board characteristics and process through the educational and professional background, age, and board meeting is expected to affect risk management decisions. And it is also proposed that the need for strategic decisions from an in-depth and breadth of knowledge, skills, and foreign expertise in this relationship is proposed to be affected by the board and foreign ownership.

2.6. PLS-SEM AND ACCOUNTING RESEARCH

Given the nature of variables proposed in this study, involving multiple dependent, independent, and moderator indicator variables as well as the simultaneous assessment of relationship among these interconnected variables, the structural equation modeling (SEM) method of analysis from the second generation of multivariate analysis is proposed as the procedure to be used when testing the framework empirically (Davvetas et al., 2020; Licerán-Gutiérrez et al., 2019). Therefore, board attributes, ownership structure, and risk management are proposed as unobserved (latent) variables in the structural model were as their indicators (Fig. 2) are proposed as observed variables in the measurement model (Fig. 2).

Nevertheless, the most applied and used analytical SEM technique centers on the choice between CB-SEM and PLS-SEM. Ali, Rasoolimanesh et al., (2018), Kock (2018), and Hair, Risher et al., (2019) noted that CB-SEM had been the dominant method employed, not until around 2010, the application of PLS-SEM increased significantly, making it widely accepted and applied in several social science disciplines. The application of PLS-SEM has also been adopted in the field of accounting, including management accounting (Lee et al., 2011; Nitzl, 2016), earnings quality (Licerán-Gutiérrez & Cano-Rodríguez, 2019), capital structure (Ramli et al., 2018; Ramli et al., 2019) and risk management (Gadzo et al., 2019).

Specifically, this study proposed the use of PLS-SEM to answer the call made by Lee et al., (2011), Nitzl (2016), Hair et al., (2020) on the need to investigate the potential benefits of using PLS-SEM in archival financial accounting research. By and large, PLS-SEM has been demonstrated to have effective, more advanced measurement model specification, sampling choice, effective use of formative measurement indicators, especially when

dealing with secondary data, distributional assumptions, and higher statistical power (Henseler et al., 2009; Hair, Risher et al., 2019; Hair et al., 2011; Hair, Sarstedt et al., 2014; Reinartz et al., 2009; Rigdon et al., 2010).

2.7. NIGERIAN INSURANCE COMPANIES

Insurance serves as a mechanism for transferring risk to a larger pool managed across a wider risk pool. Torbira (2018) noted that insurance involves the transfer of loss exposures to an insurance pool and the redistribution of losses among the pool members. Accordingly, Fadun and Shoyemi (2018) noted that the insurance industry plays an active and leading role in the stability and efficient diversification of risks, thereby protecting and contributing to national economic development. Nonetheless, Obalola et al., (2014) noted that insurance companies in Nigeria; have been hampered by pitfalls in traditional approaches to risk management. By and large, risk management is barely undertaken in a systematic and integrated manner across firms. Therefore, the need for a holistic view and managing of all these risks throughout the organization, from top to bottom, overseen by a competent board of directors charged with monitoring and setting limits of risk measures and the overall company risk appetite. Hence, Adeyele et al., (2019) posited that ERM has become a high priority, a standard part of the management infrastructure in the insurance industry, and most importantly, the need to meet new regulatory requirements for insurance companies. Thus, ERM is significant for an insurance company because the primary function of an insurance company is the management of risk.

3. METHODOLOGY

The goal of this research is to propose a framework in two folds. First, to understand the relationship between board attributes and risk management. And how ownership structure moderates this relationship. Gilson and Goldberg (2015), Jaakkola (2020) and Vargo and Koskela-Huotari (2020) noted that the main focus in the conceptual paper is on the integration and proposing logical and complete arguments for new relationships among variables rather than testing the relationships empirically. However, in a conceptual-only study, no commonly accepted research design provides the structure for developing vital elements of the research (Jaakkola, 2020; Vargo & Koskela-Huotari, 2020). Nevertheless, MacInnis (2011), Jaakkola (2020), and Vargo and Koskela-Huotari (2020), for example, have provided a systematic approach to follow in developing a conceptual paper. Thus, this study adopted the methodological approach for the conceptual-only article outlined in Jaakkola (2020).

Outlining four approaches in the research design of a conceptual paper; theory synthesis, theory adaptation, typology, and model (Jaakkola, 2020), the present study adopted the model approach. Similarly, a theoretical framework is advanced to explain a proposed relationship between concepts (Qureshi et al., 2021; Gilson & Goldberg, 2015). By identifying previously undiscovered relationships, the model approach introduces new concepts (Cornelissen, 2017) in explaining relationships between concepts. In the light of this, Jaakkola (2020) identified three steps; explain and justify the choice and role of the variables and theories and make the chain of evidence logical and easy to understand.

Explicating and justifying the choice of concepts and theories involves explaining how and why concepts and theories grounded in the study were selected (Jaakkola, 2020). Thus, explaining concepts and theories through focal logical arguments, justifying their value and why the concepts and theories were adopted in the study. As a conceptual paper can adopt multiple concepts and theories in framing its analysis, it is necessary to explain the role of each variable and the theory used in building the argument (Jaakkola, 2020). In this regard, leveraging on drawing from Lukka and Vinnari's (2014) distinction between domain theory and method theory, the current study explained the role of its concepts as domain theories and theories as method theories. Finally, making sure the chain of arguments stands out and is easy to understand (Gilson & Goldberg, 2015). Adopting the framework in Hirschheim (2008), this study provided the claims, ground, and warrants in justifying a logical argument on the objective of this study.

4. DISCUSSION

The purpose of this study is to propose a model for the investigation of the relationship between board attributes and risk management and how ownership structure can moderate this relationship. In trying to achieve this, the study utilizes the limited approaches available in writing a conceptual article. Employing the steps in making conceptual advancement proposed by MacInnis (2011), this study discusses the objective of this study in terms of constructs, relationships/theories, procedures, domain, and discipline. Thus, analyzing these advances in the steps proposed in Jaakkola (2020).

Constructs are hypothetical concepts operationalized and measured within a given dimension in a specific sequence (MacInnis, 2011). Similarly, in the words of Vargo and Koskela-Huotari (2020), conceptualization is the *sine qua non* of thought. Therefore, to understand the conceptualization of board attributes, this study argued that board composition, board characteristics, board structure, and board process are all defined to provide an understanding of what board attributes mean. Furthermore, understanding the roles (control, resource acquisition, and service) expected of an effective board helps to articulate board attributes along these dimensions. Similarly, the ownership structure is conceptualized in this dimension to include ownership concentration, board ownership, and foreign ownership.

As argued by MacInnis (2011), studying and developing concepts is significant for several reasons. For instance, seeing and understanding phenomena according to available variables; identifying, comparing, and distinguishing different dimensions of variables; conceptualizing new concepts in other not to study the same variable over and over; conceptualization provides the basis in which measures of variables are defined and theories tested. Arguing from relationship/theories, MacInnis (2011) noted that knowledge advancement comes from conceptualizing relationships between concepts by specifying why, when, and how one variable affects another. Hence, this process is what is known as a theory. Vargo and Koskela-Huotari (2020) opined that a theory shows the inter-relatedness and logical consistencies between concepts that help in scrutinizing their implication.

Consequently, the study suggested that board attributes affect risk management (for example, Adelina et al., 2020; Mukhibad et al., 2020; Otero-Gonzalez et al., 2020; Sheikh, 2019; Tai et al., 2018) and that this relationship is affected by the nature of ownership structure available in a company. Hence, measures of board attributes are the independent variables. Risk management is the dependent variable, and ownership structure is the moderator variable. Similarly, these relationships are justified to be informed by agency, stewardship, and resource dependency theories used as method theories. Further, this study proposed that these relationships are better empirically investigated using PLS-SEM. As noted by Ali et al., (2021), Lee et al., (2011), Nitzl (2016), Hair et al., (2020), the use of PLS-SEM in the accounting discipline is minimal. Therefore, this study proposed that using Smart-PLS these relationships (see Fig. 2). The dimensions of board attribute: board composition, characteristics, structure, and process, are suggested as unobserved variables. Ownership structure and risk management are suggested as unobserved variables. Hence, their indicators as observed variables (see Fig. 2).

As an area of study, the present work advanced the arguments and proposed a framework in the "domain" of corporate governance. MacInnis (2011) conceptualizes a "domain" to represent an area of study within which specific concepts, theories, and procedures can be logically synthesized, providing this study an opportunity to conceptualize the meaning of board attributes, ownership structure, and risk management. Secondly, propose what relationship exists between these concepts. Thirdly, the study suggests a "procedure" through which empirical inquiry into the connections between the variables can be tested. Specifically, how board attribute is defined provided to academics in the "domain" of corporate governance a new perspective and dimensions of board attributes. Similarly, given that the domain and procedure employed in a field of research constitute a discipline (MacInnis, 2011), the proposed framework may help shape research priorities and direct future discussions in the field of accounting.

5. CONCLUSION, RECOMMENDATION AND FUTURE RESEARCH

5.1. CONCLUSION

The current study proposed a framework on the effect of board attributes and risk management and how the relationship can be moderated by ownership structure. This study argued from three methodological steps, adopting the "model" approach, explaining and justifying the choice of concepts and theories, their roles, and providing a logical synthesis of evidence. The argument advanced in this study is anchored on the board ability to fulfill their risk management function, the control, resource provision, and service role of the board determine the composition, characteristics, structure, and process of the board as explained by agency, stewardship, and resource dependence theories. Thus, as agency and stewardship theories focus on discussions surrounding principal-agent conflict relationship and providing ways of mitigating such conflict through the adoption of different board attributes, resources dependence theory tries to focus more on the characteristics and the appropriate combination of board members in trying to attain the overall organizational objective(s) by providing the most critical and valuable resources to

the firm. While agency theory emphasizes the control aspect of the board role, stewardship theory argues against the opportunistic self-centered assumption in agency theory, and resource dependency theory emphasizes the resources acquisition role of the board. Finally, ownership structure through ownership concentration, board ownership, and foreign ownership influences the board attributes-risk management relationship. Hence, these relationships are best tested through the use of PLS-SEM because board attributes, ownership structure, and risk management cannot be measured directly, however, through other observed indicators.

5.2. RECOMMENDATION

Conceptualization is a critical aspect of any academic discipline. However, most works focused on empirical evidence in the accounting discipline, often overlooking theoretical understandings. Therefore, as a discipline, accounting research should emphasize developing conceptual studies to guide credible scientific arguments. Similarly, even in empirical studies, focusing discussions on conceptual contributions allow the accounting discipline to advance its own set of theories than allowing the field to borrow from other disciplines. Vargo and Koskela-Huotari (2020), in empirical studies, it is simple to conceal contributions under methodological elegance and statistical exactness. However, theoretical contributions play a vital role even in empirical studies. Focus on conceptualization will also allow for critical evaluation and advances in different domains of accounting which will allow for the concepts tested using sophisticated procedures. Hence, leading to the development of more frameworks.

5.3 Future Research

This study suggested a framework on the relationships between board attributes, ownership structure, and risk management. Thus, providing an opportunity for further research. First, the approach used in this study center around the methodological steps provided by Jaakkola (2020). Similarly, MacInnis (2011) and Vargo and Koskela-Huotari (2020) provide motivating papers on how to write a conceptual study. Therefore, further similar studies should undertake using these approaches. Secondly, studies on conceptualizing board attributes, ownership structure, and risk management relationships should consider other variables. For example, director age can play a significant role in risk management. Other ownership structure variables, like institutional ownership, should be considered. Yet, future studies can concentrate on sector-specific risk management frameworks in understanding the relationship. Lastly, it's hoped that future research will test this framework empirically to allow for generalization.

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