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Beyond the Boom: Examining Corporate Governance and DEI Gaps in Nigeria's Emerging Tech Startups

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Abstract- The Nigerian technology startup ecosystem exhibits rapid growth, yet persistent governance deficiencies and DEI gaps threaten its sustainability. This study critically examines corporate governance structures, financial transparency, regulatory compliance, risk management, and DEI practices across leading Nigerian startups, including Carbon, 54gene, Kudi, and Farmcrowdy. Using qualitative document analysis, case studies, and semi-structured interviews, the research identifies systemic weaknesses such as founder-dominated decision-making, inadequate board formation, inconsistent compliance, and limited DEI integration. A governance maturity model is proposed, linking robust governance with DEI institutionalization and enhanced organizational performance. Findings underscore the necessity for founders, investors, and policymakers to collaboratively strengthen governance frameworks and embed DEI as a core operational principle to secure innovation, talent retention, and global competitiveness.

Keywords: Nigeria, tech startups, corporate governance, entrepreneurship, startup ecosystem, Diversity, Equity, Inclusion (DEI).

I. INTRODUCTION

Nigeria has emerged as one of Africa’s leading technology hubs, producing globally recognized companies such as Paystack, Flutterwave, and Andela. Startups like Carbon, 54gene, Kudi, and Farmcrowdy drive innovation in fintech, healthtech, agritech, and digital payments (World Bank, 2021; NASSCOM, 2022). The ecosystem benefits from a young, digitally literate population and increasing venture-capital inflows.

Despite this growth, governance remains underdeveloped. Many startups prioritize rapid scaling over institutional governance, resulting in founder-centric decision-making, informal reporting, and inconsistent regulatory compliance. Effective corporate governance ensures accountability, investor confidence, and long-term sustainability-critical for startups competing in volatile and competitive markets.

Simultaneously, Diversity, Equity, and Inclusion (DEI) is emerging as a key determinant of innovation and talent retention. Teams with diverse perspectives outperform homogeneous teams in problem-solving and decision-making (Moses & Abumere, 2025). Yet, many Nigerian startups lack DEI frameworks, diverse leadership, and inclusive cultures.

This study explores the intersection of governance and DEI, addressing the question: How do governance deficiencies and DEI gaps affect the performance and sustainability of Nigerian tech startups?

In Introduction you can mention the introduction about your research.

II. LITERATURE REVIEW

- Governance Structures in African Startups: Formal governance boards, advisory councils, reporting processes enhances stability and attracts investment (Ologunde, Chukwu & Ibekwe, 2020; World Bank, 2021). OECD and IFC principles stress independent boards, separation of roles, risk management, and transparent reporting as key to organizational success.
- Challenges in Nigeria’s Governance Environment: Nigerian startups face founder-dominant cultures, inconsistent CAC enforcement, limited governance knowledge, and poor financial reporting systems (Adegbite & Nakajima, 2021; Nigerian Startup Report, 2022). Informal decision-making structures reduce accountability and increase operational risk.
- DEI as a Governance Imperative: DEI is increasingly integrated into corporate governance frameworks globally. Diverse leadership enhances decision-making, innovation, and employee engagement. Yet Nigerian tech startups often have homogenous

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leadership, gender imbalances, and weak inclusive practices (Moses & Abumere, 2025).

- Consequences of Weak Governance and DEI Gaps: Weak governance contributes to financial mismanagement, fraud, regulatory penalties, and investor distrust. Poor DEI reduces talent retention, innovation, and organizational resilience. African-specific challenges include cultural norms limiting female participation, talent shortages in specialized sectors, and funding gaps for underrepresented founders.

III. METHODOLOGY

A qualitative approach was used, combining:

- Document Analysis: CAC regulations, governance codes, startup reports, and DEI studies.
- Case Studies: Carbon, 54gene, Kudi, and Farmcrowdy.
- Semi-Structured Interviews: Founders, investors, and governance consultants.
- Thematic Analysis: Coding and triangulation identified recurring governance and DEI patterns.

Limitations: Restricted access to internal documents, potential response bias, and the study's qualitative nature limit generalizability.

IV. RESULT AND DISCUSSION

- Governance Structures: Most startups operate informally, with founders dominating decision-making. Boards, where they exist, are often composed of close associates or investors, lacking independent oversight.

  For example, 54gene implemented a formal board structure, improving governance and investor confidence. Carbon and Kudi remain largely founder-led, limiting strategic oversight.

  Implication: Early formation of diverse and independent boards is critical for sustainable growth.
- Financial Reporting and Accountability: Startups often lack standardized accounting systems, timely audits, or transparent reporting. Investors face difficulty assessing financial health, and CAC enforcement is inconsistent. Global best practices advocate GAAP or IFRS compliance, periodic audits, and disclosure of key metrics (Ezeani & Okafor, 2020).

  Implication: Standardized financial reporting and audits should be prioritized to enhance investor trust.
- Regulatory Compliance: Startups prioritize growth over compliance, leading to inconsistent CAC registration, tax filing, and sector-specific licensing. Weak compliance increases legal and operational risk.
- Risk Management: Few startups have formal risk management structures, internal controls, or audit functions. This exposes organizations to fraud, mismanagement, and reputational harm. Global best practice includes risk registers, periodic risk assessments, and whistleblower policies.
- Diversity, Equity, and Inclusion (DEI) Gaps: DEI remains underdeveloped. Leadership is often homogeneous, female founders face funding gaps (<3% of venture capital), and inclusion policies are limited. Farmcrowdy and Carbon have initiated DEI programs, but cultural and structural barriers persist.

a. GOVERNANCE MATURITY MODEL

Level	Governance Features	DEI Integration	Risk & Compliance	Performance Outcomes
Ad hoc	Founder-led decisions, no board	None	Minimal risk controls	High operational risk, limited scalability
Basic	Informal advisory, partial reporting	Limited awareness	Basic regulatory filings	Moderate investor confidence, slow growth
Intermediate	Formal board with founder & investor reps	Emerging DEI policies	Standard financial reporting	Improved oversight, moderate innovation
Advanced	Independent board members, committees	DEI KPIs embedded	Risk management & compliance processes	Strong investor confidence, higher retention &

Level	Governance Features	DEI Integration	Risk & Compliance	Performance Outcomes
				innovation
Optimized	Full governance integration, board evaluations	DEI fully institutionalized	Strategic risk planning, automated compliance	Sustainable growth, global competitiveness

b. Enhanced Case Studies

Startup	Governance Status	DEI Initiatives	Observed Outcomes
54gene	Formal board with committees; crisis led to restructuring	Some gender representation; mentorship programs	Enhanced investor confidence; international partnerships
Carbon	Founder-led board; informal oversight	Emerging DEI conversations; limited gender diversity	Growing user base; risk of investor concern
Kudi	Founder-dominant; no formal advisory	Minimal DEI	Limited innovation diversity; funding constraints
Farmcrowdy	Board with investors; partial advisory	DEI programs in hiring and community outreach	Improved brand reputation; moderate talent retention

c. Quantitative Tables/Graphs (Examples)

Board Composition Across Startups				
Startup	Total Board Members	Independent Directors	Female Directors	Diversity Score (%)
54gene	7	3	2	57
Carbon	5	1	0	20
Kudi	4	0	0	0
Farmcrowdy	6	2	1	33

V. RECOMMENDATIONS

I. Establish Formal Board Structures: Constitute boards with independent directors, diverse expertise, and gender representation targets.
II. Strengthen Financial Transparency: Adopt GAAP/IFRS standards, implement accounting software, and conduct regular audits.
III. Improve Regulatory Compliance: Automate CAC filings, maintain compliance calendars, and adopt sector-specific governance templates.
IV. Build Governance Capacity: Incubators, investors, and regulators should provide training on governance models and risk management.
V. Institutionalize DEI: Integrate DEI objectives in charters, define KPIs (board diversity ratios, inclusive hiring metrics), and promote psychological safety.
VI. Policy Support: Government should incentivize governance and DEI through scorecards, tax credits, and standardized toolkits.

VI. CONCLUSION

Nigeria's tech startup sector continues to expand, but governance and DEI gaps threaten long-term sustainability. Strengthening formal governance, embedding DEI, and fostering regulatory compliance are essential for resilience, innovation, and investor confidence. Collaboration among founders, regulators, and investors is vital to build globally competitive Nigerian startups..

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