COMPOSITION AND CONFIGURATION OF THE BOARD AND FIRM PERFORMANCE

D. N. Ranasinghe
Department of Commerce and Financial Management
Faculty of Commerce and Management Studies
University of Kelaniya
Sri Lanka
dinithi@kln.ac.lk

ABSTRACT

Corporate Governance is an obligatory adherence function in the present turbulent business environment. Evidence reveal that non-compliance have resulted collapse of corporate giants around the world. Composition and configuration (Board Structure) of the board of directors, as a corporate governance component, derived much attention; consequently, practitioners and academia have tried to identify the most appropriate board structure by linking this with performance. Extensive literature on board structure-performance relationship yields mixed results and disregards non-financial aspect of performance. This study tries to determine to what extent the structure of the board affects financial and non-financial performance in listed banks, finance and insurance organizations in Sri Lanka which are exposed to continuous increase in complexity, risk and change in the industry, demanding for intensive corporate governance practices. It is aimed to identify the impact of the board structure on performance measured in terms of both financial and non-financial facets. Board size, non-executive and female director proportion, CEO/Chairman independence, accounting and market based coupled with non-financial performance indicators were employed to measure the comprehensiveness of the board structure and the performance respectively. Application of robust statistical techniques revealed that the relationship between the board structure and financial performance does not have a statistically significant relationship and contradicts the literature while board structure and non-financial performance revealed a significant relationship.

Key words: corporate governance, board structure, financial, non-financial, performance

INTRODUCTION

East Asian financial crisis of 1997, world famous corporate scandals in Enron, WorldCom, Tyco International in U.S.A., HIH Insurance in Australia, Paramalat in Italy and Air New Zealand became evidence of lack and ineffective monitoring mechanisms and governance practices together with failure of Board of Directors (BOD) (Radelet & Sachs, 1998, France & Carney, 2002; Lockhart, 2004). Global financial crisis in 2007, indeed set underpinning alarms for the corporate world that they should adhere to the supreme CG practices.

Plenty of studies have been carried out within the U.S., Europe, Australia and other Asian Countries regarding the CG practices. Those studies have revealed the fact that different continents react differently in terms of the CG practices (Craswell, 1997; Farrar, 2001; Hanson, Dowling, Hitt, Ireland and Hoskissn, 2002; Bonn, 2004). The structure of the Board of Directors is one of the key elements of CG because the effectiveness of BOD in fact decides the future of the firm (Abdullah, 2004; Bonn, 2004). Director board has to perform many responsible tasks within their capacity. Boards are expected to perform different functions, for example, monitoring of management to mitigate agency costs (Eisenhardt, 1989; Shleifer & Vishny, 1997; Roberts, McNulty & Stiles, 2005), hiring and firing of management (Hermalin & Weisbach, 1998), provide and give access to resources (Hillman, Canella & Paetzold, 2000; Hendry & Kiel, 2004), grooming CEO (Vancil, 1987) and providing strategic direction for the firm (Tricker, 1984; van der Walt & Ingley, 2001, Kemp, 2006). Boards also have a responsibility to initiate organisational change and facilitate processes that support the organisational mission (Hill, Green & Eckel, 2001; Bart & Bontis, 2003). Further, the boards seek to protect the shareholder's interest in an increasingly competitive environment while maintaining managerial professionalism and accountability in pursuit of good firm performance (Ingley & Van der Walt, 2001; Hillman & Dalziel, 2003; Hendry & Kiel, 2004; McIntyre, Murphy & Mitchell, 2007).

Past literature has identified several elements such as board chair and CEO positions (Lorsch & MacIver, 1989; Daily & Dalton, 1997), non-executive directors (Bhagat & Black, 1999; Roberts et al., 2005), women on the boards (Burke, 1997; Singh & Vinnicombe, 2004; Huse & Solberg, 2006), performance assessment of board (Lorsch, 1997). Studies related to the impact of board characteristics on firm performance are not conclusive in nature. For example, Dalton, Daily, Ellstrand & Johnson (1998), Weir and Laing (1999) and Weir, Laing & McKnight (2002) found little evidence to suggest that board characteristics affect firm performance. However, other studies have found a positive relationship between certain characteristics of board and firm performance (Bhagat & Black, 1999; Kiel & Nicholson, 2003; Bonn, 2004). Nevertheless, the role played by the board is critical to firm performance as the boards discharge their fiduciary responsibilities of leading and directing the firm (Abdullah, 2004).

Despite magnitude of CG around the world, there have been very limited studies pertaining to the impact of CG variables such as Board Structure (BS) on Corporate Performance in Sri Lanka except the study carried out by Fernando in 2007. Very few studies were carried out by other researchers with respect to the ownership structure and firm performance in Sri Lanka (Senarathne and Gunerathne, 2007; Manawaduge et al., 2005). Hence an investigation of CG practices in Sri Lanka would help to assess whether the prior research findings around the world are applicable to Sri Lanka and will be able to suggest best governance practices suitable to Sri Lankan context.

BACKGROUND AND SIGNIFICANCE OF THE STUDY

This study tries to statistically prove whether there is any significant association between the structure of the board and the firm performance within the financial services organizations in Sri Lanka. Except the study conducted by Fernando in 2007, there were no published research regarding the above issue in Sri Lanka. The main reasons for undertaking this study are discussed below.

Internationally there is a growing recognition of the importance of boards for the success of a firm. Several countries have issued guidelines and recommendations for best governance practices and board composition (Cadbury, 1992; OECD Principles, 1999; ICGN Principles, 1999; Preda Code, 2002; Higgs Report, 2003, Combined Code, 2003). However, whether firms following the best practice recommendations regarding board characteristics will indeed perform better is a question to be examined empirically in Sri Lankan context. Sri Lankan listed firms have to follow a set of guidelines with respect to CG practices (Discussed in the next section). Even though these are not binding on firms, compliance is expected at least by firms listed in the stock exchange. Since the sample of the firms chosen for the current study comes from Sri Lanka, it provides opportunity to examine linkage between board characteristics and firm performance in Sri Lankan context. Board diversity was posited to add value to firms. However, the issue of board diversity, specially arising due to gender diversity has not received enough attention. This study examines the presence of women board members on firm performance. To the best of my knowledge, no empirical study has been undertaken to examine impact of gender diversity on performance of Sri Lankan firms. This study seeks to fill these gaps.

Furthermore this study also focuses on one of the non-financial aspect of performance which has been ignored by almost all the studies carried out previously in Sri Lanka and also around the world. Therefore this study becomes a pioneering effort in analyzing the association between the board characteristics and non-financial aspect of performance.

Financial services organizations in Sri Lanka almost lost the confidence of the general public due to the collapse of a particular financial organization in year 2009, which is one of the sister companies of a chain of financial services organizations including a commercial bank. Many debates pertaining to this issue came up and some view the problem as a Governance issue. It is apparent that investors and depositors in Sri Lanka are unaware that credibility of the BOD is one of the factors that they should be looking into when making a deposit or investing. Therefore this study is believed to contribute to the existing body of knowledge regarding the board composition and give timely signals to investors and depositors. The ambiguity, lack of research in this field in Sri Lanka, suggest that it is important from both academic and practical points of view to examine the following research question; <u>***To what extent the composition and configuration of the Board of Directors affect the financial and non financial performance of financial services industry in Sri Lanka?***</u>

Objectives of the Study

According to the above explanation, the objectives of the study are to;

- Identify the nature of composition and configuration of the Board of Directors (Board Structure) of financial services organizations in Sri Lanka.
- Measure the nature of relationship between board structure and financial performance of the financial services organizations in Sri Lanka.

- Measure the nature of relationship between board structure and non-financial performance of the financial services organizations in Sri Lanka.

THEORIES OF CORPORATE GOVERNANCE

Theories of Corporate Governance go back to as early as 1970's where Adam Smith in his land mark work Wealth of Nations incorporated some distinction about management and ownership. Since then certain theories were developed, Agency theory, Stewardship theory, Stakeholder theory and Resource dependency theory are some of those.

According to agency theory, when there is separation of management and ownership, the manager (i.e., agent) seeks to act in self interest which is not always in the best interests of the owner (i.e., principal) and departs from those required to maximise the shareholder returns. This agency problem can be set out in two different forms known as adverse selection and moral hazard (Eisenhardt, 1989). Adverse selection can occur if the agent misrepresents his ability to perform the functions assigned and gets chosen as an agent. Moral hazard occurs if the chosen agent shirks the responsibilities or underperforms due to lack of sufficient dedication to the assigned duties. Such underperformance by an agent, even if acting in the best interest of the principal, will lead to a residual cost to the principal (Jensen & Meckling, 1976). These costs resulting from sub-optimal performance by agents are termed as agency costs. Agency theory has been very popular in explaining the role of boards in mitigating the agency costs (Berle & Means, 1932; Jensen & Meckling, 1976; Fama & Jensen, 1983). Other theoretical perspectives such as stewardship, resource dependency and stakeholder theories also enhance our understanding of the role of boards (Hillman & Dalziel, 2003; Hendry & Kiel, 2004; Freeman, Wicks & Parmar, 2004). Stewardship theory views agents as stewards who manage their firm responsibly to improve the performance of the firm (Donaldson & Davis, 1991; Muth & Donaldson, 1998). Resource dependency theory considers agents (management as well as the board) as a resource since they would provide social and business networks and influence the environment in favour of their firm (Pearce & Zahra 1992; Johnson, Daily & Ellstrand, 1996; Carpenter & Westphal, 2001). Stakeholder theory expects boards to take into account the needs of an increasing number of different stakeholder groups, including interest groups linked to social, environmental and ethical considerations (Freeman, 1984; Donaldson & Preston, 1995; Freeman et al., 2004). Appreciation of different theoretical perspectives will give insights into the contribution of boards to firm performance.

LEGAL ASPECTS OF CORPORATE GOVERNANCE

There are two streams of disclosure literature in terms of CG, namely voluntary disclosure and mandatory disclosure. Voluntary disclosure can be defined as “disclosures in excess of requirements, representing free choices on the part of company managements to provide accounting and other information deemed relevant to the decision needs of users of their annual reports” (Meek et al., 1995, p.555). Mandatory disclosure refers to compliance with compulsory standards. If a disclosure item is mandatory, the assumption often made is that the item will definitely be disclosed; otherwise, the firm will receive a qualified audit report or some other regulatory sanctions.

The Enron collapse led to enactment of ‘The Sarbanes- Oxley Act 2002’ in the US which enjoins the boards to ensure adherence to regulations and organisational performance standards leading to transparency and integrity. The penalties for non-compliance are targeted to improve the oversight function of the board (Moeller, 2004). The UK commissioned Cadbury report on the financial aspects of corporate governance (1992), Greenbury report on directors' remuneration (1995), Hampel report on corporate governance (1998), Turnbull report on guidance for directors (1999), Higgs report on role and effectiveness of non-executive directors (2003), Tyson Report on recruitment and development of non-executive directors (2003) and Combined Code on corporate governance (2003) are some of the enactments published in different countries. Italy has issued Preda Code (2002) for self regulation by listed firms while South Africa released King Report on corporate governance (2002). CLSA, a Hong Kong based investment banker, started publishing a regular report on Corporate Governance in collaboration with Asian Corporate Governance Association (ACGA) since 2000 (CLSA virtual office, n.d.). This report covers all major firms in the Emerging Markets of Asia, Latin America, Europe, Middle East and Africa. International organisations such as Organisation for Economic Cooperation and Development (OECD) and International Corporate Governance Network (ICGN) have also developed guidelines for corporate governance which focus on the role of boards. These principles have become signposts for corporate governance, board structures and practices, and are being widely endorsed by various organisations, including G-7 countries, International Monetary Fund, the World Bank, the United Nations and other international organisations (ICGN, 1999).

Sri Lanka has first taken steps to bring up some legal enrichment to the CG in year 1997 by developing Code of Best Practice on matters related to financial aspects of Corporate Governance, by Institute of Chartered Accountants Sri Lanka (ICASL), the body that develops and updates accounting standards and concepts. This was done keeping in line with the globally accepted CG practices. This was revised in year 2005, after reviewing Combined Code of U.K., the NYSE Code of U.S., Code on Corporate Governance of Singapore, Principles for Good Governance and Best Practice Recommendations of the Australian Stock Exchange, the Malaysian Code on Corporate Governance and the Corporate Governance Report of the Securities & Exchange Board of India, primarily. The initial drafting of the Code was completed in 2006. Thereafter, the Securities & Exchange Commission (SEC) and the ICASL were instrumental in drafting the Corporate Governance Listing Rules, which are applicable to listed companies via the Colombo Stock Exchange (CSE) Listing Rules. This Code is meant to provide more extensive best practice provisions that corporate are encouraged to adopt in discharging their corporate governance activities.

METHODOLOGY AND RESEARCH DESIGN

This section embraces the selection of the sample, data collection, operationslisation of research variables (i.e. structure of the board, financial performance and non-financial performance), statistical techniques utilized to analyze data.

Sample

The concern of this study is to assess the impact of board structure on both financial and non-financial performance of listed banks, finance and insurance organizations of Sri Lanka. These organizations are categorized by the Colombo Stock Exchange(CSE) as bank, finance and insurance under industry sector classification. Public Companies incorporated under the Companies Act No.7 of 2007 or any other statutory corporation, incorporated or established under the laws of Sri Lanka or established under the laws of any other state (subject to Exchange Control approval) are eligible to seek a listing on the Colombo Stock Exchange to raise Debt or Equity through Public offerings or Introductions. Companies desiring to be admitted to the official list of the Exchange and to secure a listing of their securities will be required to comply with the relevant provisions of the above act and the Securities & Exchange Commission Act No.36 of 1987 (as amended) and the Listing Rules of the Exchange (www.cse.lk). Further more, the firms that have obtained a listing in the CSE have to fulfill the CG requirements laid out by the listing rule.

These organizations are given the authority to collect deposits from the public as they are registered under the regulations of Central Bank of Sri Lanka, the governing body of the financial system in the country. The business of accepting deposits of money and lending and/or investing of such monies are an activity governed by specific laws. The Central Bank has, in terms of the provisions of the Banking Act No. 30 of 1988 or the Finance Companies Act No. 78 of 1988, authorized the following three categories of institutions to carry on such business:

• Licensed commercial banks
• Licensed specialized banks
• Registered finance companies

The insurance organizations are governed by several acts enacted in Sri Lanka, Insurance Corporation Act (Amended) No: 43 of 1986, Insurance Control Act (Amended) No: 42 of 1986 are to name a few (www.insuranceombudsman.lk).

There were thirty three banks, finance and insurance organizations listed in the CSE as at 31st September 2009. As per the scope of the study I have selected these organizations listed in the CSE as the population. Eighteen of these organizations have been selected randomly as the sample of the study.

Data Collection

Variables selected to represent the board structure and the financial performance data could be collected from the annual reports. Therefore all the data was collected from the published annual reports. As a unique feature of this study I have taken the non-financial aspect of performance hence, this was measured using a set of variables that describe the performance measured in terms of other than the financial ratios. The non-quantified nature of the performance compelled to design a questionnaire to collect the data regarding this aspect. Variables which were selected are detailed out in the next section. A member from the Board of Directors was selected to fill this questionnaire since the opinion of the respondents reflects the attitude of the board with respect to existing performance of the firm.

PERFORMANCE

Academic and practical insights into corporate performance go back to as early as 1970's. It has been argued that the best measure of corporate performance is the change in shareholders wealth (Rappaport, 1981). Even though there are disagreements among the theorists pertaining to the accounting measures used to assess performance many studies tried to reflect the change in shareholder wealth. It is crucial that the researchers should be cautious in utilizing the ratios of accounting performance since they are subject to change depending on the industry (Rhyne, 1986). Inappropriate financial performance measures impede the assessment of firm's success (Bracker et al. 1986). It is important to understand what is meant by performance and according to Laintinen (2002), "performance can be defined as the ability of an object to produce results in a dimension determined a priori, in relation to a target". One of the main features or rather the weakness of the previous studies was that, only financial aspect of performance was studied while ignoring the non-financial aspect. Performance should be of two folds namely; financial and non-financial. Hillman and Keim, 2001 has put forwarded the view that non financial aspects of performance are important for the existence and success of an organization. Ever since Kaplan and Norton, (1996) introduced the Balanced Score Card into the field of corporate performance, the importance of non-financial performance was emphasized by both practitioners and academics. Researchers in the sphere of CG have tried to assess the effectiveness of Board, by assessing the financial performance. According to many authors non-financial indicators have become the driving forces of financial indicators hence they argue that non-financial indicators should be published as supplementary to financial reports (Kaplan and Norton. 1996). The literature states that customer satisfaction, a non-financial measure, improves financial performance (Anderson, Fornell and Lehmann, 1994; Fornell, 1992). Mixed evidence also exists as to the performance and customer satisfaction research conclusions (Ittner and Larrcker, 1998). Despite the importance of non-financial performance, the researches those who have conducted studies pertaining to Corporate Governance have ignored this and have only considered the financial ratios to assess performance.

Financial Performance

Traditionally, accounting based performance has been used to measure corporate performance (Mckiernan and Morris, 1994; Robinson and Pearce, 1983). Two measures were used as dependent variables, Return on Assets (ROA) and Market to Book Value (MB) ratio. ROA is calculated as profit after tax divided by total assets where as MB is the ratio between the market capitalization and the current book value of total assets. ROA and MB have been considered as the true measure of financial performance in many of the previous studies (Bonn, 2004).

COMPOSITION OF THE BOARD

It is necessary to identify the variables that best describe the structure of the board, of the selected organizations. This section elaborates the operationslisation of board structure. Previous academic studies pertaining to board structure and performance have considered various components to construct the board structure variable.

Board Size

Researchers have studied the most appropriate absolute number of directors that should be present in a board to obtain better performance and has been regarded as one of the important corporate governance variable (Bonn, 2004; Dalton, Daily, Johnson, Ellstrand, 1999; Pearce, Zahra, 1992). According to Bonn 2004, the effectiveness of the board of directors is depended upon the consensus that the board can achieve based on the level of expertise and knowledge. It has been argued by the scholars that neither too much nor too small, the members of the board derive better performance. Larger boards though can build up better environmental links (Goodstein, Gautum, Boeker, 1994) find it difficult to coordinate (Forbes and Milliken, 1999). Lack of cohesiveness and coordination of larger boards is outweighed by the external links, more knowledge and expertise. Hence it is the opinion of the most of the researchers that larger boards will gain better performance. In contrast, smaller boards can agree on a particular outcome (Lange et al, 2000) and engage in genuine interactions than the larger boards (Firstenberg, Malkiel, 1994).

Fernando in 2005 has found a negative relationship between the firm performance and board size in larger companies in Sri Lanka.

Despite the previous findings, it is still debatable whether the effectiveness can be achieved from a smaller board or a larger board, different conclusions were given by different researchers in various contexts. According to Fernando, 2007, the average number of board members in Sri Lankan companies is 7.56 per board. For the purpose of the present study, the number of members in the board (BSIZE) was taken from the annual reports. And the following hypothesis was developed to be tested.

Hypothesis 01: Board size is positively associated with firm performance

Outside Director Proportion

The outside directors are in a position to exert an intensive influence on the management because they are independent financially and is of different self interest than the inside directors hence are in a position to protect the interest of the shareholders than the inside directors (Bonn, 2005; Daily et. al. 1989; Fama, 1980). This is inline with the agency theory and as opposed to stewardship theory which states managers are not opportunistic and are in a better position to evaluate the strategic decisions and can elect the CEO in a more effective way than the outside directors since they are aware about the firm than the outside directors (Bonn, Janzam, 2005; Wagner, Stimpert, Fubara, 1998; Baysinger, Hoskisson, 1990). It has been suggested by many of the previous research studies that higher number of outside directors can derive better performance (Wagner, Stimpert, Fubara, 1998; Pearce, Zahra, 1992). More creative solutions to environmental problems, balance of power, variety of perspectives have been recognized as the reasons for better performance by the higher proportion non executive directors of the boards (Bonn, 2004). Despite the above findings, the proportion of non executive directors in Sri Lankan firms has no significant impact on the firm performance (Fernando, 2007). According to the Listing Rules published by CSE in 2009, any quoted company should have at least two non executive directors or that number should be one third of the total number of directors which ever is higher.

The impact of the proportion of non executive directors (NEDPRO) in the board on performance was different in various contexts. With the view of the benefits of the NEDPRO and the positive relationship between the performance and NEDPRO, the following hypothesis was developed for this study.

Hypothesis 02: The Proportion of outside directors is positively associated with firm performance.

Female Director Proportion

There have been disagreements among the scholars regarding the presence of female directors in the board. Some have revealed positive relationships between financial performance and presence of female directors in the board (Bonn 2004; Mattiss, 1992; Shrader, Blackburn, Iles, 1997). The women participation in all most all the activities around the world is increasing. Labor force participation, bearing managerial posts, appearance in politics is some of the activities that the women take part actively at an increasing trend in the present day. As a result, the composition of board may not be able to disregard the women representation. Ability to imbed diversity (Fernandez, 1993) and opportunity to achieve competitive advantage (Mattiss 1992) are some of the benefits of having women in the board.

As laid out in the literature, diversity within the board in terms of female director proportion (FMDPRO) has had a positive relationship to the performance. Therefore, this study developed the following hypothesis to be tested whether the diversity matters in Sri Lankan context.

Hypothesis 03: The Proportion of female directors is positively associated with firm performance.

BOARD COMPOSITION AND PERFORMANCE

The first objective of the study is to identify the nature of the BOD within the financial service organizations, in order to deliver this, descriptive statistics were deduced. The following descriptive statistics were obtained with the intention of inferring nature of board characteristics and the status of ROA and MB ratio within the financial services organizations in Sri Lanka.

Table 1: Descriptive of Board Characteristics

Board Characteristics	**Mean**	**Std. Deviation**
Board Size	8.89	2.19
Female Director Proportion	10.58%	9.6%
Non-Executive Director Proportion	64.87%	27.06%
Return on Assets	8.67%	12.68%
Market to Book Value	11.19	22.95

According to the Table 1, it seems that the BOD consists of around nine directors with a variation of around three within the financial services organizations in Sri Lanka. This is fairly a large number for a board in financial services organisation, when compared to average of 7.56 per board for all the listed companies in Sri Lanka (Fernando, 2007). Female directors are about 10.58% out of the total board members which is lower (U.S.A. 12.4% and U.K. 4% Singh & Vinnicombe, 2004), with a very high standard deviation of 9.6%, implying that there are boards with out any female representation. Non executive director proportion in the board is very high which is given by the governance requirement. CEO and the Chairman are held by one person (duality) only in 28% of the boards of the financial services organizations in Sri Lanka.

As per the second objective of this study it is required to measure the association between the board characteristics and financial performance. The board characteristics independent variables and financial performance dependent variables were measured as scale variable.

Previous studies conducted with respect to board characteristics and firm performance have used different statistical techniques to statistically measure the relationship between the variables, multiple regression was one of the popular techniques out of these (Bonn, 2004). Application of multiple regression for the present study gave an F value of 0.445, indicating a very poor model. This may be due to violation of one or some of the prerequisites, normality, linearity, homoscedasticity (Keller, 2005). Therefore it is not suitable to apply multiple regression and a non-parametric statistic, Spearman Rank correlation was applied (Fernando, 2007).

Table 02 depicts a summary of the correlation between the variables and the level of significance. Board size is negatively related with ROA and in contrast positively related with MB ratio. Female director proportion has a negative relationship with the ROA and a positive relationship with MB ratio. The effect of women directors was empirically examined by Carter, Simkins and Simpson (2003), Fields and Keys (2003), Bonn (2004) and Farrell and Harsch (2005). Carter et al., (2003) found a positive relationship between gender diversity and firm performance. However, recent studies by Ding and Charoenwong (2004) and Farrell and Hersch(2005) did not find significant relationship between women directors and shareholder returns. Non-executive director proportion has a positive association with ROA and MB ratio which is in par with other studies such as Fox in 1998; Rhoades et al. in 2000; Chiang in 2005; Fan, Lau & Young in 2007. According to Daily et at. In 1992, it was revealed that small business entrepreneurs prefer to use outside directors in order to obtain the benefits such as acquiring outside resources without relinquishing control of the firm.

Table 02: Association Board Characteristics and Financial Performance

Board Characteristics	Return on Assets	Market to Book Value
Board size		
Correlation Coefficient	-0.165	0.447
Sig. (2-tailed)	0.513	0.063
Female Director proportion		
Correlation Coefficient	-0.213	0.181
Sig. (2-tailed)	0.395	0.473
Non-executive Director Proportion		
Correlation Coefficient	0.275	0.091
Sig. (2-tailed)	0.320	0.746

It is apparent that none of the relationships are statistically significant which is in line with many of the previous studies. A meta-analysis of board composition, leadership structure and financial performance carried out by Dalton et al. (1998) covering 54 studies of board composition and 31 studies of board leadership structure did not provide any systematic relationship between board structure and firm performance.

CEO/CHAIRMAN DUALITY

An important parameter of corporate governance is the existence of CEO duality. CEO duality occurs when the same person holds both the CEO and Chairperson's positions in a corporation (Rechner and Dalton, 1991). The CEO is a full–time position and has responsibility for the day-to-day running of the office as well as setting, and implementing corporate strategy and mainly, the performance of the company. Where as, the position of the Chairman is usually a part-time position and the main duties are to ensure the effectiveness of the board and the evaluation of the performance of the executives (Weir and Laing, 2001). It has been the accepted notion among the researchers that the behavior of the leader affects the behavior and performance of the followers. Leadership literatures claim that the team and the leadership has a two way relationship where, the leadership has the ability to influence the followers and the followers influence the leadership in the same manner. Agency theory argues that operational risk and monitoring effect will be deteriorated by holding the chair of the board by the CEO himself. Despite the theories, the empirical findings reveal that CEO/Chairman duality results better performance (Weir and Laing, 2001).

There are disputes among the scholars whether the CEO and chairman should be the same person or not. As elaborated in the literature, agency theory and stewardship theory lays out different opinions in this regard. This study assesses whether there is any impact on performance when the CEO and chairman is held by different personnel. In the reflection of previous studies the following hypothesis is being developed. This variable is examined using a dummy variable, which takes a value of 1 if the CEO and chairman are the same person and 0 otherwise.

Board leadership structure is characterized as a binary variable coded as "0" for those firms employing the joint structure (duality) and "1" for those firms employing the separate board leadership structure (non-duality), measurement that has been adopted by various researchers (Daily and Dalton, 1993; Rechner and Dalton, 1991; Muth and Donaldson, 1998; Boyd, 1995; Kiel and Nicholson, 2003).

Duality and Financial Performance

Holding both positions of CEO and Chairman by one person jeopardizes the effectiveness of the organizations (Daily et. at. 1997), instead they recommend to an outside director to hold the chairman post. Keeping inline with the previous findings the following hypothesis was developed.

Hypothesis 04: Financial performance is different among duality and non-duality firms.

To test the above hypothesis, two independent samples have to be compared for means with respect to one factor and two conditions (duality and non-duality) which involve interval data. The ANOVA technique can be used in this situation which is an extremely powerful and commonly used procedure (Keller, 2005). Testing the validity of the model and the prevalence of assumption is a prerequisite in applying ANOVA. Table 03 depicts the SPSS output of the ANOVA table and it shows that F = 0.642 for ROA indicates that the model is not valid to test the variances between the two groups with respect to ROA. In contrast F = 4.89 for MB ratio, indicates that ANOVA is a valid model for testing variances between the two groups with respect to MB ratio.

Table 03: CEO and Chairman Duality

CEO Chairman Role	**ROA**	**MB**
Duality	4.7%	28.6
No Duality/Independent	10.1%	4.5
F value	0.649	0.432
P value	4.89	0.042

The ANOVA results above provide interesting insights into the duality and performance. p = 0.042 points out that the null hypothesis is rejected and accept Hypothesis 04 at an $\alpha = 0.05$, financial performance (MB ratio) is different depending on whether the CEO/Chairman posts are held together or separately. With regards to market value measure of performance, MB ratio, firms that follow duality are undervalued 28.6 times than their book value of assets where as non-duality firms are undervalued only 4.5 times than their book value of assets. This finding is in line with the agency theory and other previous studies that concluded better performance through non-duality (Rechner & Dalton, 1991; Fox, 1998;Coles & Hesterly, 2000; Daily et al., 2003). Contrary to the findings, Fernando in 2007 concluded that ROA is higher when duality is in existence for the listed Sri Lankan firms.

Duality and Non-Financial performance

As a unique feature of this study, it is required to measure the non-financial aspect of performance apart from the economic/financial objective performance. It is vital to get a comprehensive representation of performance of organizations that are not financial this should cover all the aspects of the banks to name employees, customers, suppliers, innovation and creativity etc. it is impossible to take into account all the stakeholder aspects for one study hence this study is designed in such away that it focuses only on the employee aspect with respect to non-financial performance. I have analyzed number of previous studies pertaining to this area of non financial performance and identified a set measures of performance requires reflecting the true picture of the firm of which financial statistics are only a part (Venkatraman and Ramanujam, 1986). Four indicators were used to assess the behavioral dimension of non-financial performance (Hussam, Al-Shammari and Hussein, 2007a and b) which has been the focus of this study.

Each respondent was asked to rate the organization on each of these indicators. The indicators and the explanation of each indicator (Table 4) were detailed to each of the respondent verbally by the researcher during the conversation carried out prior to the questionnaire distribution. Any further clarifications were also given to the respondents over the phone during the follow up activity.

A five point Likert Scale was utilized (ranging from very low to very high, 1 – 5), to assess respondents' judgment of their firm adaptability, job satisfaction, attractiveness and retention ability. The measure of non-financial performance based on behavioral aspect is in line with the conventional wisdom hence adds subjective measure of performance to the study.

Table 4: Explanation of Behavioral Indicators

No:	**Behavioral indicator**	**Explanation**
1	Firm adaptability	Ability of the organization to cope with changes that incur in the environment in which the organization exists
2	Job satisfaction	Which reflects the degree to which members of the organization are satisfied with their work
3	Attractiveness	Which measures the ability of the organization to attract and hire quality labor force
4	Retention ability	Which assess the ability of the firm to retain quality people with in the firm

Hypothesis 05: Non-financial performance is significantly different between duality firms and non-duality firms.

To test hypothesis 5, a different technique was employed. Since the dependent variable in this hypothesis was measured using Likert Scale, which is an ordinal level of measurement ANOVA is not an appropriate technique. This is because it requires the dependent variable to be metric. The type of data involved in this hypothesis requires non-parametric technique of Kruskal- Wallis H test. Kruskal- Wallis one way analysis of variance of H test is the non parametric alternative to the univariate one way analysis of variance F test (Mendenhall, Beaver, 1996). It is usually used to assess the significant differences among different groups on specific factors of concern. The results of Kruskal-Wallis one way analysis of variance tests for non financial indicators are presented in Table 5.

Table 5: Results of Kruskal-Wallis H Test

	Firm Adaptability	Job Satisfaction	Attractiveness	Retention
Duality (Mean Rank)	4.00	5.6	4.00	4.5
No Duality (Mean Rank)	11.62	11.00	11.62	11.42
Asymp. Sig.	0.003	0.039	0.004	0.007

Results of this non parametric test provide strong support for accepting Hypothesis 05, and predict statistically that when the CEO and Chairman roles are independently held (no duality), better non-financial performance can be enjoyed than CEO and Chairman roles are held by one person (duality). The mean response for duality firms with respect to Firm Adaptability is 4.00 and 11.62 for no-duality firms, and this difference is significant at .01 alpha level. Consistently, similar pattern of results were found for the remaining three behavioral indicators of performance as well. It was found that the average level of attracting and hiring quality workforce for duality firms is 4.00, while it is 11.62 for non-duality firms. This difference is significant at 0.01 alpha level. It was also found that non-duality tend to have higher levels of job satisfaction among their employees than duality firms, having a mean response for duality firms of 5.6 and it is 11.00 for no-duality firms. Kruskal-Wallis test shows that the ability of no-duality firms to retain their current quality work force (11.42) is better than no-duality firms (4.5). A statistically significant difference is found between duality firms and no-duality firms with regard to their overall behavioral performance supported by all the selected factors and this result provides support to the fifth hypothesis in this study.

LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Even though the study has been laid out to the best of the researcher's knowledge there are some inherent limitations pertaining to different aspects. First, the main limitation of the study is that the data was collected through publicly available data sources such as annual reports and other databases. If there are any problems relating to data disclosures or professional accounting practices, then that would limit the validity of the findings. Second, the entire population comprises of only 33 firms, which is relatively small. Nonetheless, the size of the sample is limited by the number of firms listed on the CSE. Also the external validity of this study is in question, since the data belongs to only Sri Lankan firms.Third, it is possible for the observed firm performance to be highly affected by the government regulations and environmental consequences rather than a result of board characteristics or its effectiveness especially with in the financial services organisations. For example, Vafeas (1999) excluded highly regulated financial services for the same reason. Fourth, non-financial performance was measured using only one member of the board and his/her view may not represent the board view and moreover the subjective nature of the questions may have revealed a bias set of replies for performance questionnaires with the intension of protecting own image. Finally only one aspect has been considered for non-financial performance i.e. only employee satisfaction. In order to obtain an overall performance, all the stakeholder satisfaction should be considered.

Future research should address the limitations of this study. Several extensions to this study are possible. First, only on certain set of board characteristics were focused for their impact on firm performance. While the characteristics covered are important, there are other diversity variables such as age of directors, specialized educational qualifications and ethnicity that could be considered. Future research should consider the role of women on boards and dynamics of their presence on the board, which requires an observational and qualitative study. More importantly, future research should consider the association of board characteristics with non-financial aspects of performance such as customer satisfaction, investor confidence etc.

CONCLUSION

This study has focused on analyzing the nature of the BOD within financial services organizations and the association between the board composition and firm financial and non-financial performance. Board size, Non-executive director proportion, Female director proportion, CEO/Chairman duality were taken as the variables of the board composition where as ROA and MB ratio were taken as the measures of financial performance and employees' satisfaction was taken as the measure of non-financial aspect of performance. Analyzing previous studies indicated that there are mixed findings in different contextual frameworks. Furthermore, the theories that have been developed also reveal different opinions with respect to the structure of the boards. According to the analysis of this study, it was revealed that the selected board composition characteristics have no significant relationship with financial performance, except that when the CEO/Chairman roles are separated, better MB ratio was possible. These findings may be due to the fact that the existence of mandatory requirements for listed financial organizations regarding the compliance of Corporate Governance issues especially with respect to the board structure. Therefore it can be concluded that financial performance is independent of the structure of the board. One of the unique features of this study is that usage of non-financial performance to assess the association of board leadership structure and performance. Interestingly it was revealed that when the CEO/Chairman roles are separately held, the non-financial performance will be improved and this is statistically significant. Hence this study uniquely contribute to the existing knowledge regarding the importance of assessing board composition with respect to non-financial performance rather than restricting to financial accounting measures of performance. It is highly recommended that future research should be focused on non-financial aspects of performance rather than restricing to financial accounting measures of performance. It is recommended for the corporate sector to measure performance in terms of non-financial aspects such as customer satisfaction, employee satisfaction, investor confidence etc. in order to get a holistic performance view rather than restricting to accounting based performance which is based on accounting principles and assumptions since this provide evidence for future success through overall stakeholder satisfaction. It was seen from this study that composing and configuring the board according to the accepted norms reveals better employee satisfaction implying that perception of the board matters to the satisfaction rather than accounting based performance. Due care should be given in structuring the boards because it decides the level of satisfaction of stakeholders significantly.

References

Abdullah, S. 2004. Board Composition, CEO Duality and Performance among Malaysian Listed Companies. *Corporate Governance*, 4 (4): 47-61.

Anderson, Fornell C., Lehmann D. R., 1994, Customer Satisfaction and Market Share and Profitability. *Journal of Marketing*, 56(July):53-66.

Bonn, I. 2004. Board structure and firm performance: Evidence from Australia. *Journal of the Australian and New Zealand Academy of Management,* 10(1): 14–24.

Bart, C., & Bontis, N. 2003. Distinguishing Between the Board and Management in Company Mission: Implications for Corporate Governance. *Journal of Intellectual Capital,* 4(3): 361–381.

Baysinger, B. D., & Hoskisson, R. E. 1990. The composition of boards of directors and strategic control: Effects on corporate strategy. *Academy of Management Review,* 15(1):72–87.

Bhagat, S., & Black, B. 1999. The uncertain relationship between board composition and firm performance. *Business Lawyer,* 54(3): 921–963.

Boyd, B. K. 1995. CEO Duality and Firm Performance: A Contingency Model. *Strategic Management Journal,* 16(4): 301–312.

Bracker J. S., Pearson J. N., 1986, Planning and Financial Performance of small mature firms, *Strategic Management Journal*, 7(6):503-522

Burke, R. J. 1997. Women on corporate boards of directors: A needed resource. *Journal of business Ethics,* 16(9): 909-915.

Cadbury, A. 1992. *Report of the Committee on the Financial Aspects of Corporate Governance.* London: Gee Publishing.

Carpenter, M. A., & Westphal, J. D. 2001. The Strategic Context of External Network ties: Examining the impact of director appointments on board involvement in strategic decision making. *Academy of Management,* 44(4): 639–660.

Carter, D. A., Simkins, B. J., & Simpson, W. G. (2003). Corporate Governance, Board
Diversity, and Firm Value. *Financial Review,* 38(1), 33–53.104

Chiang, H. 2005. An Empirical Study of Corporate Governance and Corporate Performance. *Journal of American Academy of Business,* 6(1):95–101.

Coles, J. W., & Hesterly, W. S. 2000. Independence of the Chairman and Board Composition: Firm Choices and Shareholder Value. *Journal of Management,* 26(2):195–214.

Combined Code on Corporate Governance (2003). Financial Reporting Council, London.

Combined Code on Corporate Governance (2006). Financial Reporting Council, London. 105

Craswell, A. T., Taylor, S.L. & Saywell, R. A., 1997. Ownership Structure and Corporate performance: Australian Evidence, Pacific-*Basic Finance Journal,* 5:301-323.

Daily, C. M., & Dalton, D. R. 1997. CEO and Board Chair Roles Held Jointly or Separately: Much Ado About Nothing? *Academy of Management Executive,* 11(3):11–20.

Daily, C.M., & Dalton, D. R. 2003. Women in the Boardroom: A Business Imperative. *Journal of Business Strategy,* 24(5):8–9.

Daily, C. M., Dalton, D. R., & Canella, A. A. 2003. Corporate Governance: Decades of Dialogue and Data. *Academy of Management Review,* 28(3):371–382.

Dalton, D. R., Daily, C. M., Ellstrand, A. E., & Johnson, L. 1998. Meta-analytic Reviews of Board Composition, Leadership Structure, and Financial Performance. *Strategic Management Review,* 19(3):269–290.

Dalton, D. R., Daily. C. M. Johnson, J. L., & Ellstrand, A. E. (1999). Number of Directors and Financial Performance: A Meta-analysis. *Academy of Management Journal,* 42(6):674–686.

Ding, D. K., & Charoenwong, C. 2004. Women on Board: Is it Boon or Bane? FMA European Conference, Financial Management Association. June 2 – 5, Zurich, Switzerland.

Donaldson, L., & Davis, J. H. 1991. Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management,* 16(1):49–64.
Donaldson, T., & Preston, L. E. 1995. The Stakeholder Theory of the Corporation: Concepts, Evidence, and Implications. *Academy of Management Review,* 20(1):65–91.
Eisenhardt, K. M. 1989. Agency Theory: An Assessment and Review. *Academy of Management Review,* 14(1):57–74.
Fama, E. F. (1980). Agency Problems and the Theory of the Firm. *Journal of Political Economy, 88*(2):288 – 307.
Fama, E. F., & Jensen, M. C. 1983. Separation of Ownership and Control. *Journal of Law and Economics,* 26(2), 301–325.
Fan, D. K. K., Lau, C., & Young, M. 2007. Is China's Corporate Governance Beginning to Come of Age? The Case of CEO Turnover. *Pacific-Basin Finance Journal*, 15(2):105–120.
Farrar, J. 2001. *Corporate Governance in Australia and New Zealand*. Melbourne: Oxford University Press.
Farrell, K. A., & Hersch, P. L. 2005. Additions to Corporate Boards: The Effect of Gender. *Journal of Corporate Finance,* 11(1-2):85–106.
Fernando, A. A. J., 2007. *An Examination of Relationship between Board Structure and Firm Value: A Sri Lankan Experience*. A paper presented at Fourth International Conference on Business Management, Sri Lanka,
Fields, M. A., & Keys, P. Y. 2003. The Emergence of Corporate Governance from Wall St. to Main St.: Outside Directors, Board Diversity, Earnings Management, and Managerial Incentives to Bear Risk. *Financial Review,* 38(1):1–24.
Firsternberg, P. B. & malkiel, B. G. 1994. The twenty first Century Boardroom: Who will be in Charge?. Sloan Management Review.
Forbes, D. P., & Milliken, F. J. 1999. Cognition and Corporate Governance: Understanding Boards of Directors as Strategic Decision-Making Groups. *Academy of Management Review,* 24(3):489–505.
Freeman, R. E. 1984. *Strategic Management: A Stakeholder Approach.* Boston: Pitman.
Freeman, R. E., Wicks, A. C., & Parmar, B. 2004. Stakeholder Theory and "The Corporate Objective Revisited". *Organization Science*, 15(3):364–369.
Fornell C., (1992), A National Customer Satisfaction Barometer: The Swedish Experience, *Journal of Marketing*, 56(January):1-21.
Goodstein, J., Gautam, K. & Boeker, W. 1994. The effect of board size and diversity on strategic change. Strategic *Management Journal,* 15:241-250.
Fox, M. A. 1998. *Boards of Directors: The Influence of Board Size, Leadership and Composition on Corporate Financial Performance.* Canterbury: Commerce Division, Lincoln University.
France, M., & Carney, D. 2002, July. *Why Corporate Crooks Are Tough To Nail*. Business Week, 37–40.
Hanson, D., Dowling, P., Hitt, M. A., Ireland, R. D. and Hoskisson, R. E. 2002. *Strategic Management: Competitiveness and Globalization.* Nelson Thomson Learning, Australia.
Hendry, K., & Kiel, G. C. 2004. The Role of the Board in Firm Strategy: Integrating Agency and Organisational Control Perspectives. *Corporate Governance: An International Re*view, 12(4): 500–520.

Hermalin, B. E., & Weisbach, M. S. 1998. Endogenously Chosen Boards of Directors and Their Monitoring of the CEO. *American Economic Review,* 88(1):96–118.

Higgs Report. 2003. *Review of the role and effectiveness of non-executive directors.* London: Department of trade and industry, HMSO.

Hill, B. Green, M., & Eckel, P. 2001. Navigating the Currents of Change. *Trusteeship,* 9(5), 28–32.

Hillman A. J., Keim G. D., 2001, Shareholders, Stakeholders and Social Issues, *Strategic Management Journal*, 22(2):125-139.

Hillman, A. J., & Dalziel, T. 2003. Boards of Directors and Firm Performance: Integrating Agency and Resource Dependency Perspectives. *Academy of Management Review,* 28(3):383–396.

Hillman, A. J., Canella, A. A., & Paetzold, R. L. 2000. The Resource Dependency Role of Corporate Directors: Strategic Adaptation of Board Composition in Response to Environmental Change. *Journal of Management Studies,* 37(2):235–255.

Huse, M., & Solberg, A. G. 2006. Gender Related Boardroom Dynamics: How Scandinavian Women Make and Can Make Contributions on Corporate Boards. *Women in Management Review,* 21(2):113-130

Hussam A., Al-Shammari and Hussein R. T. 2007 a. Strategic Planning in Emergent Market Organizations: Empirical Investigation, International Journal of Commerce and Management, 18 (1):47-59, http//www.emeraldinsight.com/1056-9219, (September 2009).

Hussam A., Al-Shammari and Hussein R. T. 2007 b. *Strategic Planning – Firm Performance Linkage: Empirical Investigation from an Emergent Market Perspective*, Advances in Competitiveness Research.

ICGN 1999. *ICGN Statement on Global Corporate Governance Principles*. London: International Corporate Governance Network. 111

ICGN 2005. *ICGN Statement on Global Corporate Governance Principles.* London: International Corporate Governance Network.

Ingley, C. B., & Van der Walt, N. T. 2001. The Strategic Board: The Changing Role of Directors in Developing and Maintaining Corporate Capability. *Corporate Governance: An International Review,* 9(3):174-185.

Ittner, D., Larcker D. F., 1998, Are Nonfinancial measures leading indicators of financial performance: An analysis of customer satisfaction, Journal *of Accounting Research*, 36

Jensen, M. C., & Meckling, W. 1976. Theory of the firm: Managerial behaviour, agency costs and ownership structure. *Journal of Financial Economics,* 3(4):305–360.

Johnson, J. L., Daily, C. M., & Ellstrand, A. E. 1996. Boards of Directors: A Review and Research Agenda. *Journal of Management,* 22(3):409–438.

Kaplan, R. S., Norton, D. P., 1996. The Balanced Scorecard, Boston, Harvard University Press.

Keller, G. 2005. Statistics for Management and Economics. 2005. Thompson Learning. Kemp, S. 2006. In the Driver's Seat or Rubber Stamp? The Role of the Board in Providing Strategic Guidance in Australian Boardrooms. *Management Decision,* 44(1):56–73.

Kiel, G., & Nicholson, G. 2003a. *Boards that Work: A new guide for directors.* Sydney: McGraw Hill.

Laitinen, E. K., 2002. A Dynamic Performance Measurement System,: Evidence from small Finish Technology companies. *Scandinavian Journal of Management*, 18:65-99.

Lange, H., Ramsay, I & Woo, L. A. 2000. Corporate governance and anti takeover devices: Evidence from Australia. *Corporate Governance: An International Review*. 8 (3):227-243.

Lockhart, J. 2004. *Kicked for Touch: How Compliance Killed Strategy at Air New Zealand and NZRFU.* Director, 51(4), 8

Lorsch, J. W. 1997. Should Directors Grade Themselves? *Across the Board,* 34(5):40–44.

Lorsch, J. W., & MacIver, E. 1989. *Pawns or Potentates: The Reality of America's Corporate Boards.* Boston: Harvard University Press.

Mattis, M. C. 2000. Women Corporate Directors in the United States. In R. J. Burke and M. C. Mattis, (eds.). *Women on Corporate Boards of Directors: International Challenges and Opportunities:* 43–56.

McIntyre, M. L., Murphy, S. A., & Mitchell, P. 2007. The Top Team: Examining Board Composition and Firm Performance. *Corporate Governance,* 7(5):547–561.

McKiernan P., Morris C., 1994, Strategic planning and financial performance in UK SMES: does formality matter? *British Journal of Management,* 5(Special Issue):s31-s41.

Moeller, 2004. *Sarbanes-Oxley and the New Internal Auditing Rules.* New Jersey: John Wiley & sons, Inc.

Muth, M. M., & Donaldson, L. 1998. Stewardship Theory and Board Structure: A contingency approach. *Corporate Governance: An International Review,* 6(1): 5-28.

OECD (1999). *Principles of corporate governance*. OECD: Paris.

OECD (2004). *Principles of corporate governance*. OECD: Paris.

Pearce II, J. A., & Zahra, S. A. 1992. Board Composition from a Strategic Contingency Perspective. *Journal of Management Studies,* 29(4):411–438.

Preda Code 2002. *Self Regulatory Code.* Committee for the Corporate Governance of Listed Companies. Borsa Italiana.

Radelet, S. & Sachs, J. 1998. *The East Asian Financial Crisis: Diagnosis, Remedies, Prospects*. Harvard Institute for International Development. [on line] http://www.cid.harvard.edu/archive/hiid/papers/bpeasia.pdf Retrieved October 15, 2009.

Rechner, P. L., & Dalton, D. R. 1991. CEO Duality and Organisational Performance: A Longitudinal Analysis. *Strategic Management Journal,* 12(2): 155–160.

Rhoades, D. L., Rechner, P. L., & Sundaramurthy, C. 2000. Board Composition and Financial Performance: A Meta-analysis of the Influence of Outside Directors. *Journal of Managerial Issues,* 12(1):76–91.

Rhyne L.C., 1986. The Relationship of Strategic Planning to Financial Performance. *Strategic Management Journal,* 7 (5):423-43

Roberts, J., McNulty, T., & Stiles, P. 2005. Beyond Agency Conceptions of the Work of Non-Executive Director: Creating Accountability in the Boardroom. *British Journal of Management,* 16(1), 5–26.

Robinson R. B., Pearce J A., 1983. The Impact of Formal Strategic Planning on Financial Performance in Small Organizations. *Strategic Management Journal,* 29: 329-346.

Samarakoon L. P. 1999. The Ownership Structure of Sri Lankan Companies. Sri Lanka Journal of Studies. 4 (3 & 4).

Shrader, C. B., Blackburn, V. B., & Illes, P. 1997. Women in Management and Firm Financial Value: An Exploratory Study. *Journal of Managerial Issues,* 9(3):355–372.

Senarathne S. & Gunerathne P. S. M. 2007. *Ownership Structure and Corporate Governance of Sri Lankan Listed Coimpanies*. Fourth International Conference on Business Management, Sri Lanka,2007

Shleifer, A. & Vishny, R. W. 1997. June. *A Survey of Corporate Governance. Journal of Finance*, 52(2):737–783.

Singh, V., & Vinnicombe, S. 2004. Why so Few Women Directors in Top UK Boardrooms? Evidence and Theoretical Explanations. *Corporate Governance: An International Review,* 12(4): 479–488.

Tricker, R. 1984. *Corporate Governance: Practices, Procedures and Powers in British Companies and their Boards of Directors.* London: Gower Press.

Vancil, R. 1987. *Passing the Baton: Managing the Process of CEO Succession.* Boston: Harvard Business School Press.

Venkatraman N., Ramanujam V., 1986. Measurement of Business Performance in Strategy Research: A Comparison of Approaches, *The Academy of Management Review*, 11(4), pp. 801-814, http//www.jstor.org/stable/258398 (July 2009)

Wagner, III. J. A., Simpert, J. L. & Fubara,. . *1999. Board Composition and Orgnasiational Performance: Two Studies of Insider/Outsider Effect. Journal of Management Studies, 35 (5). 655-677.*

Weir, C., & Laing, D. 1999. Governance Structures, Size and Corporate Performance in UK Firms. *Management Decision,* 37(5):457–464.

Weir, C., Laing, D., & McKnight, P. J. 2002. *Internal and External Governance Mechanisms: Their Impact on the Performance of Large UK Public Companies*.