

## **Board Governance and Firm Performance: the Sri Lankan case**

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**Abstract:** This research seeks to reduce a gap in the extant literature on the relationship between board composition and firm performance in Sri Lanka as an example of emerging markets. The board composition is a key internal control mechanism directed at aligning the interests of shareholders and managers and/or disciplining/ removing ineffective management, it is important to understand how board composition impacts on firm performance in an emerging market. This study uses quantitative techniques to assess the board composition and firm performance of Sri Lankan firms. A 150-firm sample, from the Colombo stock exchange (CSE)-listed firms. The secondary data for independent variables are collected for 2016, providing for a one-year lag to the 2017 performance data. The findings indicate a significant positive role of the board size and board independence in the performance measures (i.e., ROA and ROE), while female participant, board meetings and CEO duality are not significantly associated with any of the firm performance measures. The results extend academic research attempting to enhance understanding of the role of board composition in the different aspects of firm performance.

**Key words:** board composition, board directors, governance, performance

### **1 INTRODUCTION**

The Corporate Governance Committee (1997, pp.1) asserts that: "...directors are entitled to govern the firm, and to supervise and monitor the firm's management in order to promote effective management and ensure prudent accountability to the shareholders". Corporate governance is a way in which suppliers of finance to corporations assure themselves of getting a return on their investment (Shleifer & Vishny, 1997). The importance of corporate governance arises in a firm because of the separation between those who control and those who own the residual claims (Epps & Cereola, 2008). McCullers and Schroeder (1982) argue that the agency

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theory assumes an opportunistic behaviour where individuals want to maximise their own expected interests and are resourceful in doing so. There will be a conflict of interest between managers and stakeholders (Macus, 2008). Agency theory suggests corporate governance as a mechanism to reduce these conflicts by monitoring managers' performance and aligning management's goals with those of the stakeholders (Brickley & James, 1987). However, the way in which corporate governance is organised differs between countries, depending on the economic, political and social contexts (Heenetigala, 2011). Rose (2007) argues that the corporate board plays a key role in supervising management and aligning their interests with the interests of shareholders. The board composition is considered to be a primary internal corporate governance mechanism (Brennan & McCafferty, 1997), because the board monitors and supervises management, and gives management strategic guidelines. The board reduces agency conflicts by separating the management and control aspects of the decision-making process; since corporate governance varies significantly from country to country, it is likely to play an important role in determining severity of agency problems arising between managers and shareholders and, in determining firm performance. Prior statistical evidence of board composition and firm performance has mainly been explored in developed economies (Kang & Shivdasani, 1995; Gompers, Ishii, & Metrick, 2003; Guest, 2008) and output is also somewhat mixed (Aldamen, Duncan, Kelly, McNamara, & Nagel, 2012; Bhagat & Bolton, 2008; Arora & Sharma, 2016). Although Berkman, Zou, and Geng (2009) argue that a firm's governance plays an important role in the probability of accounting frauds and firms which have a weak governance structure being more prone to accounting frauds. The contextual settings of emerging markets differ vastly from those of developed markets. It is argued that the empirical findings of studies regarding developed markets have limited applicability in emerging markets (Guest, 2008). The mixed outcomes in the extant literature and a dearth of emerging country studies suggest a significant gap in understanding board composition and firm performance. This study seeks to fill this gap by examining the impact of board composition and firm performance of the listed firms in Sri Lanka. Sri Lanka is an emerging economy; it is still considered developing. Since the conclusion of the civil war in 2009, Sri Lanka has witnessed considerable economic progress despite some ongoing political issues. This study would hopefully benefit academics, researchers, policy-makers and practitioners of Sri Lanka and other similar countries through exploring the impact of corporate governance on firm performance and pursuing strategies to improve the current status of it.

## 2 LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

The Cadbury Committee (1992, p.15) defines corporate governance as ‘the system by which firms are directed and controlled’. Due to its importance in protecting the interest of a firm’s shareholders, the issue of corporate governance has received increasing global attention during the last decade (Pillai, 1997). The institute of chartered accountants of Sri Lanka has been at the forefront of issuing corporate governance codes in Sri Lanka. The code of best practice on matters related to financial aspects of corporate governance was issued 1997. Thereafter, in 2003, 2008, 2013 and 2017 the codes were reviewed and revised through a consultative process (CA Sri Lanka, 2017). This section reviews the empirical foundations for the association between board composition and firm performance.

### 2.1 Board Governance

The composition of corporate boards and board diversity has been a growing area of research in recent years (Kang, Cheng, & Gray, 2007). Therefore, this study developed hypotheses regarding the board composition (board size, independent directors, female participation, board meeting and CEO duality) and firm performance.

#### 2.1.1 Board size

The number of directors may influence the board functioning and hence corporate performance (Van den Berghe & Levrau, 2004). The board size can have positive and negative effects on performance. An expanding number of directors provides an increased pool of expertise because larger boards are likely to have more knowledge and skills at their disposal. Besides, large boards may be able to draw on a variety of perspectives on corporate strategy and may reduce domination by the CEO (Forbes & Milliken, 1999; Goodstein, Gautam, & Boeker, 1994). On the other hand, the board-size effects are: increased problems of communication and coordination as group size increases, and decreased ability of the board to control management, thereby leading to agency problems stemming from the separation of management and control (Yermack, 1996). In Sri Lanka, the code of best practice on corporate governance (2017) recommends that every public firm should be headed by an effective board, which should direct, lead and control the firm; although, there is no precisely recommended size for a board. Though, Spain regulatory requirements seem to suggest five to 15 members (Rodriguez-Fernandez, Fernandez-Alonso, & Rodriguez-Rodriguez, 2014), Lipton and Lorsch (1992) argue that the preferred board size is eight or nine with ten being the limit in order for a board to be effective. There is a question whether a larger board would lead to more effective monitoring/higher performance. Empirical studies provide mixed outcomes on the role of the board size in various aspects of organisational

endeavours. Some studies find board size to be associated with higher performance (Dalton, Daily, Johnson, & Ellstrand, 1999; Adams & Mehran, 2005), whilst others fail to find a significant relationship with performance (Yermack, 1996). Based on this discussion, Hypothesis 1 is:

*H<sub>1</sub>: There is a significant relationship between the size of the board and firm performance.*

### 2.1.2 Independent directors

According to the CSE (2013) listing guidelines, independent board members should not relate to a key employee, are independent from management, and have never worked at the firm or its subsidiaries or for its consultants or major stakeholders. The ASX Corporate Governance board notes that a majority of the board should be independent directors. Similarly, the New York stock exchange (2003) requires all listed firms to have a majority of independent directors on their boards. The UK Combined code of 2004 provides that at least half of the Board members be independent directors. The Malaysian code on corporate governance (2000) recommends that there needs to be balance on the board of directors with at least a third of the board directors should be independent directors. It is consistent with corporate governance rules as required by section 7.10 of the listing rules of the Colombo Stock Exchange (CSE). In India, the Birla committee (2004) requires the board of directors of a firm to have a mix with not less than half of them being independent. Agency theory suggests that a board comprised of a greater proportion of independent directors, due to their presumed independence, may theoretically lead to better firm performance (Jensen & Meckling, 1976; Shleifer & Vishny, 1997). Similarly, resource dependence theory argues that independent directors are likely to bring useful resources from other organisations (Pfeffer, 1972). On the other hand, institutional theory argues that appointing independent members to the board may merely represent firms' attempts to comply with institutional pressures, and, therefore, may not necessarily result in better firm performance (Dimmaggio & Powell, 1983). Based on this discussion, Hypothesis 2 is:

*H<sub>2</sub>: There is a significant relationship between the proportion of independent directors and firm performance.*

### 2.1.3 Female participation

Gender diversity has become a major issue within corporate governance where a number of studies seek to explore the impact of diversity on firm performance (Rose, 2007). The proportion of females reaching top positions is still very low in most countries, though it has been increasing for instance, in the US and in some European countries (Smith, Smith, & Verner, 2006). Prior evidence indicates continuing difficulties for females to reach the very top of major firms in the UK (Singh, Vinnicombe, & Johnson, 2001) and the USA (Daily, Certo, & Dalton, 1999). Some governments, like in Sweden and Norway, have even introduced regulations of the gender composition of the boards of directors of private firms in order to

improve equal opportunities. In Norway, the government has decided that for large Norwegian firms, at least 40% of the members of the boards of directors must be female in 2005 (Smith, Smith, & Verner, 2006). A more gender diverse board may also improve the image of the firm and in this way have positive effects on firm performance and shareholder value if the positive image has positive effects on customers' behaviour (Singh & Vinnicombe, 2004; Erhardt, Werbel, & Shrader, 2003). Contrary to a number of other studies, Rose (2007) reveals that there is an insignificant link between female board representation and firm performance. Based on this discussion, Hypothesis 3 is:

*H<sub>3</sub>: There is a significant relationship between the proportion of female directors and firm performance*

#### **2.1.4 Board meeting**

The boards of directors carry out critical roles, and thus are deemed to be an important corporate governance mechanism (Lipton & Lorsch, 1992). The Sri Lankan best practices on corporate governance (2017) in recent times suggest that board meetings should be held at least once in every quarter of the financial year. Lipton and Lorsch (1992) suggest that a greater frequency of meetings is likely to result in superior performance. Conversely, Jensen (1993) says that routine tasks engage much of a board's meeting time and thus limit the opportunities for independent directors to exercise meaningful control over management. Jensen also suggests that boards should be relatively inactive and evidence of higher board activity is likely to symbolise a response to poor performance. Conversely, Vafeas (1999) demonstrates that firms that are efficient in setting the right frequency of board meetings, depending on its operating context, will enjoy economies of scale in agency costs, and thereby enhance firm performance. The literature advises that there are various aspects of board meetings such as quality, role of the chairman and the decisions taken that need to be considered in terms of the impact on firm performance (Van den Berghe & Levrau, 2004). Based on this discussion, Hypothesis 4 is:

*H<sub>4</sub>: There is a significant relationship between number board meetings and firm performance*

#### **2.1.5 CEO duality**

There has been extensive debate in both academic and practitioner forums over the effect of CEO duality on firm performance. Duality offers the clear direction on a single leader, and a concomitantly faster response to external events (Boyd, 1995). Prior literature acknowledges that the type of board leadership and role of the CEO can have an influence on firm performance (Jackling & Johl, 2009). Adams, Almeida, and Ferreira (2005) argue that the ability of a CEO to influence decisions can have an impact on firm performance. Using agency theory, it would be anticipated that the separation of the chairman and CEO roles leads to greater scrutiny of managerial behaviour and thus leads to better performance (Lorsch & MacIver, 1989). In the

agency perspective, the roles of CEO and chair of the board should be separated. The stewardship theory argues that authoritative decision-making under the leadership of a single individual (as both chairman and CEO) leads to higher firm performance (Donaldson & Davis, 1991). Based on this discussion, Hypothesis 5 is:

*H<sub>5</sub>: There is a significant relationship between CEO duality and firm performance*

### **2.1.6 Control variable**

The potential interaction between board composition and firm performance can be influenced by other firm factors including the ownership structure, firm size, profitability and other governance-related indicators such as leverage (Bhagat & Bolton, 2008). As a result, in addition to board composition proxies, this study controls for other variables such as firm age and leverage according to the prior research (Agrawal & Knoeber, 1996).

## **3 METHODOLOGY**

This study lies within the positivism paradigm and adopts a quantitative approach. The population of interest in this study is (initially) the 291 listed firms on the Colombo Stock Exchange (CSE). In selecting the population, this study excludes financial, investment and securities sector firms because their unique financial attributes, intensity of regulation, and/or intensive use of leverage are likely to confuse and/or foul the outcomes being studied. Also, the risk of missing data was minimised by excluding firms that were not listed the review period. After the eliminations, 150 Sri Lankan listed firms remained in the population. Data on corporate governance and firm performance were collected from secondary sources which were extracted from annual reports and the database from CSE. The quantitative data were analysed using SPSS (version 23.0) to produce descriptive statistics and regression analysis.

In the empirical analysis, the data for independent variables were collected for 2016, providing for a one-year lag to the 2017 performance data. Thus, 2017-full-year data are used for performance data of Sri Lankan firms. Return on assets (ROA) and return on equity (ROE) are measures of firm performance. ROA is a measure of performance used in the corporate governance literature (Klapper & Love, 2004; Bhagat & Bolton, 2008). ROE is used in existing studies to measure company performance (Johnson & Greening, 1999; Hutchinson & Gul, 2004). In independent variables, board size, proportion of independent directors, female participation, board meetings and chief executive officer (CEO) duality are used to measure corporate governance. In control variable, the potential interaction between corporate governance and profitability can be influenced by other organisational elements (Lemmon & Lins, 2003). As a result, in addition to

corporate governance proxies, this study controls for other proxies such as firm age and leverage.

**Table 1: Variable measures**

Variables	Measures	Symbols
<b>Corporate governance</b>		
Board size	Number of directors	BS
Independent directors	Independent directors/total directors	ID
Female participation	Female directors to total directors	FP
Board meetings	Frequency of annual meetings	BM
CEO duality	Dummy variable equals 1 when CEO doubles as board chair and 0 otherwise.	CEO <i>dual</i>
<b>Firm profitability</b>		
Return on Assets	Net Income after Taxation /Total Assets	ROA
Return on Equity	Net Income after Taxation/Equity Capital	ROE
<b>Control variables</b>		
Firm age	Present year – incorporation year	FA
Leverage	Borrowings/total assets	LE

## 4 RESULTS AND DISCUSSION

### 4.1 Descriptive analysis

#### ***Board Size***

As reported in Table 2, the average is 11.66, with a minimum of two and a maximum of 32. In Sri Lanka, the last code of best practice on corporate governance published by CA Sri Lanka (2017) recommends that every public firm should be headed by an effective board, which should direct, lead and control the company. There is no precisely recommended size for a board in Sri Lanka. The Australian code of corporate governance (2014) recommends that a listed firm should have a board of an appropriate size, however, the Spain regulatory requirements seem to suggest five to 15 members (Rodriguez-Fernandez, Fernandez-Alonso, & Rodriguez-Rodriguez, 2014). Lipton and Lorsch (1992) who argued that preferred board size is eight or nine with ten being the limit in order for a board to be effective. From a resource availability perspective, bigger boards should be relatively more effective. Van den Berghe and Levrau (2004) suggest that increasing the number of board directors provides an increased pool of expertise and thus larger boards are likely to have more knowledge and skills at their disposal. Similarly, resource dependence

theory suggests that larger boards may have a better ability to form environmental links and secure critical resources (Goodstein, Gautam and Boeker, 1994). Conversely, overly large boards can experience such issues as a lack of cohesion, coordination issues, and fractionalisation (Pratheepkanth, Hettihewa, & Wright, 2016).

### ***Independent Directors***

The average proportion of independent director is 77.08 percent, suggesting that board directors in the majority of firms are comprised of directors who are independent. Also, firms seem to have met the requirements of the code of best practice on corporate governance, sample firms' independence ranging from 18 to 89 percent. The ASX corporate governance board notes that a majority of the board should be independent directors. Similarly, the New York stock exchange (2003) requires all listed firms to have a majority of independent directors on their boards. The UK combined code (2004) provides that at least half of the Board members be independent directors. The Malaysian code on corporate governance (2000) recommends that there needs to be balance on the board of directors with at least a third of the board directors should be independent directors.

### ***Female Participation***

As shown in the Table 2, female board members in Sri Lankan firms averaged 11.99 percent and ranged from 0 - 41.12 percent. In recent years, there have been various quota systems designed to increase representation of females (Kang, Cheng, & Gray, 2007). Indeed, there exists some evidence that females on the board can increase a firm's value. It has been suggested that there are two advantages of having female board members (Brennan & McCafferty, 1997). Firstly, females are not part of the 'old boys' network, which allow them to be more independent. Second, they may have a better understanding of consumer behaviour, the needs of customers, and opportunities for firms in meeting those needs. In the USA, recognising the value of females on boards, it has been revealed that 87 percent of the Fortune 500 firm had at least one female member on the board (Hyland & Marcellino, 2002). The current representation of females on boards in other countries, however, is not very encouraging, even in egalitarian havens like Norway and Sweden. For example, 65 percent of Norway's largest 600 firms don't have a single female on their boards and in Sweden, only 2 percent of CEOs are female (Ripley, 2003). Hyland and Marcellino (2002) found low gender representation on boards in Japan, with only three percent of directors being female. Sheridan (2001) found few female directors in Australian-listed firms (i.e. few of the 857 firms examined, had female directors and 25 had predominantly male Boards). It is, however, slightly higher than the female representation reported in some European and Asian countries. Undoubtedly, there is still a gender imbalance in the higher-level governance positions in Sri Lanka.



### ***Board Meetings***

For the number of annual meetings, the average is 4.91 with a maximum and minimum of 9 and one, respectively. The Sri Lankan code of best practices on corporate governance (2017) recommends firms to hold at least one board meeting once in every quarter of a financial year. The boards that meet more frequently would have more time to perform the role of monitoring the management process efficiently. In order to have an effective and constructive board meeting, several conditions need to be fulfilled including information, quality, role of the chairman and the way the decisions are taken (Van den Berghe & Levrau, 2004). Overall, the results show that the sample firms comply with the board meetings mandatory requirements detailed in the 2017 code of best practices on corporate governance except one firm didn't meet the requirements embedded in the Sri Lankan best practices.

### ***CEO Duality***

As for the leadership of the board, in 60 percent of the firms, there exists duality between the chairperson and the chief executive officer (CEO) of the firm. The code of best practices on corporate governance (2017) makes no recommendation on whether or not both posts should be held by the same person, but it does recommend that in case of duality, a decision to combine both posts of chairman and CEO in one person should be justified and highlighted in the annual reports. Similarly, Hampel Report (1998) points out that, in some circumstances, the top two roles can be combined, but it recommends that the reasons for combining the roles be publicly disclosed. However, the Cadbury Report (1992) recommends that the role of the board chairman and the CEO be separated. The Malaysian Code on Corporate Governance (2011) also recommends a similar board structure. Proponents of the CEO duality structure argue that combining these two roles (chairman and CEO) provide a clear focus for objectives and operations (Anderson and Anthony, 1986). Separate individuals for the post of chairman and CEO leads to better corporate governance. However, the real issue is whether this leads the board to be a better monitor and thus, is capable of increasing the value of the firm as stated by Abdullah (2004).

### ***Control variable***

In terms of the control variables, the results also show that the average listing age is 7.57 years with a minimum of three and a maximum of 13, whilst the average leverage is 35.08 percent, ranges between 9.09 and 66.67.

**Table 2:** Descriptive analysis

	Minimum	Maximum	Mean	SD
Board size	2	32	11.66	4.97
Independent directors (%)	18.18	88.89	77.08	1857
Female participation (%)	0	41.12	11.99	12.53
Board meetings	1	9	4.91	1.95
CEO duality	0	1	0.60	0.492
Firm age	3	13	7.57	2.280
Leverage	9.09	66.67	35.08	13.57

## 4.2 Multiple regression results

Table 3 presents findings of regression analysis with information on the impact of an independent variable on the dependent variable. The model R<sup>2</sup> value of two performance ratios indicate that 54 - 76.9 percent of the observed variability in firm performance can be explained by the board composition. The F-statistics and significance levels (Table 3) show that both ROA and ROE models generate statistically significant outcomes.

**Table 3:** Multiple regression

	Model 1 ROA	Model 2 ROE
Constant	2.687	1.126
	(0.009)	(0.263)
Board size	1.939	2.262
	(0.050)	(0.047)
Independent directors	1.325	2.048
	(0.046)	(0.043)
Female participation	0.939	0.114
	(0.171)	(0.910)
Board meetings	0.753	0.337
	(0.643)	(0.667)
CEO duality	1.733	1.1287
	(0.056)	(0.201)
Firm age	16.080	4.028
	(0.000)	(0.000)
Leverage	0.795	1.416
	(0.428)	(0.379)
R	0.735	0.877
R Square	0.540	0.769
F	91.693	43.837
Sig	0.000	0.000

In Table 3, the regression results of the relationship between the board composition and performance are presented. The impact of board size on ROA and ROE is significant at the 5 percent level, suggesting that Sri Lankan firms have more directors (refer to Table 2 for descriptive statistics) on their boards, and that more directors, correspond to increase in total assets. These findings are consistent with studies conducted by Alves and Mendes (2004) and Rodriguez-Fernandez, Fernandez-Alonso, and Rodriguez-Rodriguez (2014) who observed that there is a significant relationship between board size and financial variables. However, Yermack (1996) revealed that there is a negative relationship between board size and a firm's market value, using USA listed firms. Eisenberg, Sundgren, and Wells (1998) also found a negative correlation between the size of board and the firm's profitability. The independent directors significantly and positively impact on ROA and ROE, which implies that the presence of independent directors on the board improves the monitoring of management actions as well as performance of the firms. These findings are consistent with studies by Baysinger and Hoskisson (1990) and Rosenstein and Wyatt (1990). In contrast, a greater representation of independent directors on the board has a negative impact on firm performance as measured by Tobin's Q (Agrawal & Knoeber, 1996) and on market value added (Coles, McWilliams, & Sen, 2001). However, the other variable: female participation in that equation, is not statistically significant, demonstrating that the participation of females on board is low in Sri Lanka. Similarly, Rose (2007) does not find any significant link between firm performance as measured by Tobin's Q and female board representation. Erhardt, Werbel, and Shrader (2003) state that board diversity is positively associated with financial indicators of firm performance. The impact of board meetings on ROA and ROE is insignificant at the 5 percent level, suggesting that holding more meetings does not guarantee greater financial returns; the board can effectively establish its strategic lines of business by meeting at least one board meeting once in every quarter of a financial year as recommended by the Sri Lankan code of best practices on corporate governance (2017). Rodriguez-Fernandez, Fernandez-Alonso, and Rodriguez-Rodriguez (2014) note that a higher number of meetings of the board does not necessarily lead to higher level of financial profitability; the board should meet on demand to carry-out their functions effectively. CEO duality also is not statistically significant with performance measures though it shows positive signs that suggest separate individuals for the post of CEO and chairman (non-duality structure) leads to a better performance as compared with duality structure. These results are broadly consistent with the findings in other studies (e.g., Abdullah, 2004; Bhagat & Bolton, 2008). Firm age is found to be significant at the 1 percent level with ROA and ROE. While there is no significant relationship between leverage and ROA and ROE which implies that leveraged firms have high risks as debt holders have possibilities to take over the firm.

## 5 HYPOTHESES TESTING

This study aims to investigate the relationship between board composition and firm performance of listed Sri Lankan firms. Focussing on the board size, the mean size is approximately 12 directors and that has a significant positive effect on ROA and ROE. This is consistent with findings from Alves and Mendes (2004) and Rodriguez-Fernandez, Fernandez-Alonso, and Rodriguez-Rodriguez (2014) on firm performance but not with Yermack (1996) on firm performance. The results affirm the assertion that *H<sub>1</sub>: there is a significant relationship between the size of the board and firm performance*. The average proportion of independent director is 77 percent. On the whole, the study observes that 92 percent firms are compliant with the recommendation of the Sri Lankan best practices (2017). The proportion of independent directors is significantly associated with both performance measures (i.e., ROA and ROE) at the five percent level, thus supporting *H<sub>2</sub>: there is a significant relationship between the proportion of independent directors and firm performance*. The study also observes that Sri Lankan boards are still to a large extent dominated by men and female participants is not significantly associated with performance measures. These results are inconsistent with prior expectations in *H<sub>3</sub>: there is a significant relationship between the proportion of female directors and firm performance* and contradict other previous studies (e.g., Erhardt, Werbel, & Shrader, 2003) showing a board diversity is significantly associated with firm performance. The results for the number of board meetings are positive and insignificant at five percent level, thus *H<sub>4</sub>: there is a significant relationship between number board meetings and firm performance* is not supported. The study also notes that boards meet, on average, about five times per year. This number of meetings might be related with the Sri Lankan culture, where social and personal relations are deeply rooted and play a significant role. The study notes that CEO duality is not significantly associated with any of the performance measures, the results support the findings of Abdullah (2004) who also failed to find detect a significant relationship. Conversely, proponents of the CEO duality argue that combining these two roles provide a clear focus for objectives and operations (Anderson & Anthony, 1986). Hence, *H<sub>5</sub>: there is a significant relationship between CEO duality and firm performance* is not supported.

## 6 CONCLUSION

The findings of this study provide a number of interesting implications for policy makers and academics. Regarding the implication of the results of this research, as the Sri Lankan firms are aware of the vital role of board composition according to the findings reached. Therefore, it is important to concentrate more on board

composition and corporate governance. The results extend academic research attempting to enhance the understanding of the role of board composition in the different aspects of firm performance. For academics, the results suggest that perhaps accounting educators should start broadening students' views towards the scope of board composition, such that board composition is not necessarily only about corporate governance, but it also extends to cover other aspects of firm performance. Future research should consider including many countries. The effect of board size on firm performance should be more fully examined in future research.

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