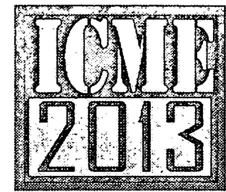

BOARDROOM COMMUNICATION AND FIRM PERFORMANCE: THE ROLES OF CEO LEADERSHIP AND BOARD MONITORING

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Abstract

This paper examines the moderating effects of CEO leadership and board monitoring on the relationship between frequency of board meetings and firm performance. Analytical results based on a sample collected from 212 publicly-listed companies in the Colombo Stock Exchange in Sri Lanka show that frequency of board meetings exerts a positive effect on firm performance. More importantly, consistent with the proposition of agency theory, CEO's excessive leadership power shows a negative moderating effect while, out of our prediction, CEO duality reveals a positive moderating effect, supporting the stewardship perspective. Moreover, board ownership plays a positive moderating role. The research contributes corporate governance literature by identifying CEO leadership and board monitoring as critical moderating mechanisms and thus explicate the inconclusive relationship between board activities and firm performance. By examining the governance issues in an Asian developing economy, our study also provides a critical step toward deeper understanding of managerial contexts where the power dynamics between CEO and board of directors would be largely different from those in Western countries.

Keywords: Corporate Governance; Firm Performance; Frequency of Board Meetings

1. Introduction

Among the corporate governance monitoring instruments, frequency of board meetings, typically known as board activities, has received a significant attention in achieving corporate objectives. The two major players involved in the determination of board activities are Chief Executive Officer (CEO) and board of directors. Since the CEOs and executives have the dominant controlling power over corporate information (Nowark & McCabe, 2003), the CEO's power obviously tends to determine the level of corporate activities (Rutherford & Buchholtz, 2007). On the other hand, as the corporate governance controlling mechanism, board of directors suffers from lack of information in order to perform monitoring tasks (Walsh & Seward, 1990). Therefore, it is critical to reveal how agency abuses arise in boardroom activities as a consequence of the CEO's leadership power, and, on the other hand, how effectively governance mechanisms control and monitor the CEO's entrenchment in order to protect shareholders' interests.

Investigating the association between frequency of board meetings and firm performance has been a remarkable theme in board governance research due to the scant attention has been paid on this setting. Particularly, only a limited effort has been made to find which factors would moderate the relationship. For instance, Tuggle, Sirmon, Christopher, and Bierman (2010) investigated board of directors' attention to monitoring, with the moderating effects of prior firm performance and the CEO duality, utilizing board meeting transcripts. Vafeas (1999) examined the association between frequency of board meetings and firm performance. Brunding and Nordqvist (2008) conducted a qualitative study examining the role of emotions in boardroom communications, while Johnson (2004) and Samra-Fresricks (2000) examined the impact of board meeting observations.

This research extends multiple theoretical and empirical contributions to the corporate governance literature, illustrating the applications of agency theory and information asymmetry. Firstly, we determined the relationship between frequency of board meetings and firm performance relationship, answering the inconsistent results produced by previous studies. Secondly, we address the research gaps on the information asymmetry between the CEO and board members, which arises as a result of the CEO's excessive power in determining board activities, and availability of limited information for directors. Thirdly, our particular approach finds what factors would explain the influence of frequency of board meetings on firm performance. Next, given the focus for the roles of the CEO's leadership power and board monitoring, as the responsible authorities in setting efficient and effective board activities, this study emphasizes the importance of the governance applications. Finally, we conclude the applicability of corporate governance practices in the Asian context, identifying existing trends and addressing future outlooks. For instance, in the Asian driven studies, "while most leadership studies focus on supervisor-subordinate relationships only, the effect of CEO on firm behavior is not yet well researched. The process by which the CEO affects firm performance has not yet been addressed in the literature" (Bruton & Lau, 2008: 654).

2. Theoretical Framework and Hypotheses

2.1 Frequency of Board Meetings and Firm Performance

It has been widely recognized that the higher interaction between boards and top management is an effective monitoring mechanism that reduces agency cost. For instance, Lipton and Lorsch (1992) proposed that boards that meet more frequently have the higher potential to act effectively and diligently in order to maximize shareholders' interests. Examining the relationship between board activities and firm performance, Vafeas (1999) concluded that one of the ways that board react to poor corporate performance is to increase the frequency of board meetings, which in turn enhance corporate performance. In a recent study on the corporate governance for emerging economies, Jackling and Johl (2009) hypothesized that board's response to poor performance by increasing the level of board activities, which indeed upgrade corporate performance. However, on the other hand, research has also argued that frequency of board meetings is not an effective governance mechanism, referring to matters such as the limited time availability of outside directors to extend their duty for the betterment of shareholders (Jensen, 2010). Taken together, this study argues that firms in which boards that meet more frequently have the high potential to respond corporate implications effectively and upgrade firm performance.

Hypothesis 1: Frequency of board meetings has a positive impact on firm performance

2.2 Moderating effect of CEO's Leadership Power

2.2.1 CEO Duality and Frequency of Board Meetings

Holding CEO-Chairman positions by one person is identified as the CEO duality. With the agency theoretical perspective, board of directors prefer non-duality due to the fact that the CEO's capacity to govern both agenda and board meetings while positioning as the chair of the same board (Finkelstein & D'Aveni, 1994). Jensen (2010) argued that it is impossible for the CEO to perform chairman's tasks without personal obligation while the duality exits. This is because chairman's responsibilities towards the firm involve conducting board meetings and supervise the process involves hiring, firing, and determining the CEO's compensation and so on (Beasley, 1996). Therefore, agency theoretical advocates propose that the CEO duality negatively moderates the relationship between frequency of board meeting and firm performance.

However, as per the opposite view proposed by the stewardship theory, which determines that combination of CEO-chair positions would enhance firm performance, CEO duality is a best mechanism to utilize firm information in an efficient way since the CEO is well aware of firm activities, and further behave as a steward. Thus, integration of two positions would improve firm performance with the CEO's stewardship behavior towards the corporate performance as proposed by stewardship proponents (Donaldson & Davis, 1991). In sum, the following hypotheses are derived.

Hypothesis $_{2a}$: With the Agency perspective, CEO duality negatively moderates the relationship between frequency of board meetings and firm performance

Hypothesis $_{2b}$: With the Stewardship perspective, CEO duality positively moderates the relationship between frequency of board meeting and firm performance

2.2.2 CEO Tenure and Frequency of Board Meetings

It is obvious that the CEO's ability to acquire leadership power having a dept understanding and closer networking with internal and external environment depends on the CEO's tenure in a particular organization. Hence, the higher the CEO's power, together with experience, knowledge, and networking which let the CEO to make decisions based on the judgment, rather than having comprehensive board meetings and discussions decrease board activities. Moreover, when the CEO's longer tenure influences directors' recruitments, it is more likely to build a close interrelationship with board members (Westphal & Zajac, 1995), which force directors to over trust the CEO unconditionally (Shen, 2003). As a result, the higher the CEO's tenure, it causes to decline board of directors' independent judgments (Hermalin & Weisback, 1998). This power is also used to determine boards' compensation package and discourage board members to inspect management. Therefore, the following hypothesis is predicted.

Hypothesis $_3$: CEO tenure will negatively moderate the relationship between frequency of board meetings and firm performance, with the negative relationship being stronger in firms with the CEO is appointed with longer tenure

2.2.3 CEO Busyness and Frequency of Board Meetings

The practice that holding multiple directorships by individual directors or CEOs, defined as the "busyness", has become a controversial issue in current corporate practices. In particular, even among the majority of

directors themselves have opposing views to appoint positions with number of board directorships (Ferris et al., 2003). This is partly because the availability limited time in extending the directors' professional capability in designing and resolving corporate strategic choices (Lipton & Lorsch, 1992). For instant, "Indeed, some WorldCom directors were on more than ten boards, so how well prepared could they be" (Sonnenfeld, 2002: 106).

The CEO as the central decision maker for a firm, the higher number of positions holds in a company, it is the limited capacity available for the CEO to concentrate on central corporate objectives. Since the CEO sets the agenda for the board meeting, when the CEO holds more subcommittee positions, it is more likely to delegate functions related to board activities to board subcommittees, which in turn reduces the necessity of having frequency of board activities. As a whole, we argue that the CEOs holding more board subcommittees would negatively moderate the relationship between frequency of board meetings and firm performance. For this ground, the following hypothesis is projected.

Hypothesis $_4$: CEO busyness will negatively moderate the relationship between frequency of board meetings and firm performance, with the negative relationship being stronger in firms with the CEO is represented in higher number of board committees

2.3 *Moderating Effect of Board Composition*

2.3.1 *Board Independence and Frequency of Board Meetings*

Conceptual assumptions of the agency theory expect that the independent directors should have the free access to necessary corporate information in order to fulfill their monitoring tasks (Nowak & McCabe, 2003). Conversely, "Board of directors typically possesses far less information than CEOs, due to the limited amount of time board spend with their firms and it is largely this asymmetrical distribution of information that allows CEOs to act opportunistically" (Rutherford & Buchholtz, 2007: 577). According to their study, one option available for the board of directors to avoid information disadvantages is to increase the frequency of interactions which refers to as board activities. Similarly, Jesen (1993) concluded that independent outside directors have less opportunity to provide managerial comments and views in board meetings since much of the time is allocated to routine tasks. Therefore, we argue that the proportion of independent directors on the board will positively moderate the relationship between frequency of board meetings and firm performance. As a whole, the following hypothesis is derived.

Hypothesis $_5$: Board independence will positively moderate the relationship between frequency of board meetings and firm performance, with the positive relationship being stronger in firms with higher proportion of independent directors in the board

2.3.2 *Board Ownership and Frequency of Board Meetings*

As per the agency assumptions, ownership mechanism assumes directors to have a higher involvement when they have invested on firm. So, board members are likely to take all necessary actions in order to assure that top management performs tasks for the betterment of shareholders. However, Vafeas (1999) argued that the boards' insider shareholding as a governance mechanism could be substituted for the board activities. Therefore, he suggests that it is not wise to have costly monitoring systems simultaneously, such as board activities since insider ownership itself has the incentive to keep vigilant on management. Indeed, this argument applicable under some circumstances where individual board of directors actively

participates for monitoring, and board activities are well established and trustable. In this sense, research has found that "... board members do not consistently monitor management in order to protect shareholder value, a proposition often assumed within governance research; rather...monitoring behaviour are contextually dependent. Further, it is believed that, directors having equity ownership of the firm have a higher interest on firm decisions and greater awareness on management contradictions (Finkelstein, 1992). Thus, it is fair to argue that directors who have higher personal interest require more board activities. Based on this argument, the following hypothesis is proposed.

Hypothesis 6: Board's equity ownership will positively moderate the relationship between frequency of board meetings and firm performance, with the positive relationship being stronger in firms with higher percentage of board shareholding

2.3.3 Board Size and Frequency of Board Meetings

As per the organizational theory, when the group size increases, the possibility to take an effective decision decreases (Vafeas, 1999). Furthermore, previous scholars have also accepted that when a corporate board expands the average board size of seven or eight members, such a board is less likely to control effectively (Jensen, 2010; Lipton & Lorsch, 1992). Supporting to this argument, Yermack (1996) explained that small boards are prefer, and benefits of such a board outweighs the associated cost due to the communication and decision making barriers involved with larger boards.

Referring the resource dependence theory, it is suggested that increased number of directors who have external link to the firm would improve corporate performance due to the ability of accessing variety of external resources (Jackling & Johl, 2009). Contrary to inverse relation of the board size and firm performance, researches (Dalton, Daily, Ellstrand, & Johnson, 1998; Pearce & Zahra, 1992) have supported that board size is positively related to corporate performance. Hence, Vafeas (1999) suggested that when the board size increases, it is also expected to increase the frequency of board meetings, respectively, in order to allocate enough opportunities to respond corporate decisions. As a whole, following this perception, we propose that the board size has the influence to moderate the relationship between the frequency of board meetings and firm performance. Therefore, the following hypothesis is derived.

Hypothesis 7: Board size will positively moderate the relationship between frequency of board meetings and firm performance, with the positive relationship being stronger in firms with higher number of board members

3. Study Design and Methods

3.1 Sample and Data

Sample for the study was drawn from Sri Lankan publicly listed companies registered in the Colombo Stock Exchange (CSE) for the year ended March 31, 2009. The sample was randomly selected with 212 firms which accounts for 92 percent of the population, and fairly distributed among the 20 industries that avoids common method bias in selecting the sample. Publicly listed firms were utilized in this study because the regulatory requirements from the Securities and Exchange Commission (SEC) to publish audited financial and other related corporate information. Data for the study were collected from the corporate annual reports published in the CSE website and from the corporate databases published by CSE, such as "Fact

Book-2008" and "Data library – (2009)". Table 1 provides descriptive information for the sample, including the industry wise average board meeting frequencies.

Table 1: Descriptive Information for the Study Sample

Industry Segments	Firms		Market Capitalization	Turnover to Avg; Market Capitalization	Avg; Board Meetings Frequency
	Total	Sample			
Trading	9	8	1.0	22.27	7.67
Hotels and Travels	32	28	7.4	12.59	5.89
Plantations	18	18	2.3	20.79	5.61
Services	6	5	0.3	3.86	6.40
Banking and Finance	33	31	16.8	9.00	10.84
Diversified holdings	13	12	15.7	10.87	6.67
Beverage Food and Tobacco	18	17	12.4	8.25	5.06
Chemicals & Pharmaceuticals	9	9	1.1	34.41	4.67
Constructions & Engineering	3	3	0.8	15.06	5.0
Footwear and Textiles	3	2	0.5	10.40	6.33
Health care	6	6	2.7	3.23	10.33
Information Technology	1	1	0.1	56.91	7.0
Investment Trusts	7	6	0.8	11.46	4.83
Land and Property	20	18	2.1	15.12	6.0
Manufacturing	32	28	6.9	17.79	6.79
Motors	6	6	2.7	85.66	7.17
Oil Palms	5	5	2.5	3.40	4.0
Power and Energy	3	3	2.3	15.87	6.0
Stores Suppliers	5	5	0.5	7.75	5.80
Telecommunication	2	2	21.4	28.81	11.50
Total/Average	231	212	5%	19.68%	6.83times

3.2 Variable Definitions and Measurements

3.2.1 Independent Variable

Typically, board activities, boardroom communication, and board interactions are measured by availability of board subcommittees or frequency of board meetings. For instance, "Operationally, the richness of board information can be measured in terms of characteristics such as frequency of board meetings, number of subcommittees..." (Eisenhardt, 1989: 65). Following this perception, we applied frequency of board meetings, which is also known as board activities, measured as the number of board meetings held during the financial year 2008/2009 (Jackling & Johl, 2009).

3.2.2. Dependent Variable

Two performance variables, namely Return on Equity (ROE) and Earning per Share (EPS), were simultaneously utilized evaluating the hypotheses derived on the relationship as those performance variables are highly involved with corporate profitability, boards' and managements' responsibility towards the shareholders' interests. ROE primarily measures the effective utilization of corporate resources while EPS determines the capability of firms to run the business in order to enhance corporate profit and shareholders' earnings (Pearce & Zahra, 1992).

3.2.3 Moderating and Control Variables

CEO duality was coded as a binary variable, where firms with duality are coded as 1 otherwise as 0 (Finkelstein & D'Aveni, 1994). CEO tenure was recognized as the number of years that the CEO serves for the position (Walters, Kroll, Wright, 2007). CEO busyness was identified as the CEO being a member of boards subcommittees; the representation of one or more of audit, nomination or remuneration committees (Finkelstein & D'Aveni, 1994; Jackling & Johl, 2009). A firm in which the CEO represents the committee is coded as 1 otherwise coded as 0. Independence directors were determined as the total number of

independence outside directors represent to the board (Finkelstein & D'Aveni, 1994). Board shareholdings were measured as the percentage of the total corporate shareholding (Jackling & johl, 2009). Board size was measured as the number of members on the board of directors as mentioned in the annual financial statements (Jackling & johl, 2009). This study controlled several variables, such as firm age, firm size, past firm performance, current ratio, debt ratio, independent board committees, boards' remuneration, management team, and industry segments, which were found to be associated with firm performance.

3.3 *Analytical Approach*

We tested hypotheses and moderating effect on the two dependent variables by using hierarchical multiple regression analysis. For the interaction terms, means were centered in avoiding multicollinearity, which makes it difficult to separate the effect of independent variables in the multiple regression analysis. Mitigating potential threat of multicollinearity, it is important to mean-centering for independent variables that has interaction terms (Aiken & West, 1991). The first model was tested with only control variables, and the influence of independent variable was analyzed in the model 2. As the third step, moderating variables were examined, while the full model including the interaction terms represented in the model 4.

4. Results

Table 2 presents the results of regression analysis for EPS and ROE, respectively. As shown in the model 1a and 1b, control variables account for 34.2 percent of the total variance in firm performance for EPS, and 46.9 percent for ROE, respectively. Among the controlled variables, past firm performance, current ratio, availability of board committees, and management team show a positive significant association to the firm performance, while debt ratio and boards' remuneration are negatively and significantly related. Firm age and industry segments are not significant at any stage. Testing multcolinearity, we examined the variance inflation factor (VIF). The maximum VIF recorded was 3.35, which is well below the commonly accepted standard of 10 which asserts that multicolinearity is not presented among the considered variables.

Table 2 Results of Regression Analysis [a]

	Variables	Earnings Per Share				Return on Equity			
		M- 1a	M-2a	M-3a	M-4a	M-1b	M-2b	M-3b	M-4b
Control	Firm age (log)	.032	.033	.006	.001	-.046	-.047	-.048	-.050
	Firm size (log)	-.010	-.044	.045	.051	.209**	.176**	.121†	.110
	Past firm performance(log)	.495***	.477***	.498***	.460***	.160**	.169**	.178**	.174**
	Current ratio	.038	.056	.019	.029	.087	.101†	.102†	.091†
	Debt ratio	-.308***	-.349***	-.320***	-.308***	.662***	-.698***	-.692***	-.698***
	Board subcommittees	.075	.067	.091	.108	.241***	.230***	.205**	.212***
	Board Remuneration(log)	-.073	-.072	-.057	-.065	-.108†	-.106†	-.129*	-.133*
	Management Team	.165*	.134*	.159*	.213***	.237***	.210***	.205***	.247***
Independent	CEO Promoter	.010	.016	-.082	-.085	-.059	-.052	.076	.077
	Industry Service	-.059	-.003	-.009	.023	-.048	-.003	.028	.043
	Industry Manufacturing	.026	.053	.031	.015	-.111†	-.087	-.052	-.066
	Freq: of Board Meetings (H1)		.193**	.198**	.276***		.163**	.138*	.124†
Moderating	CEO Duality			.189*	.211*			-.168†	-.176*
	CEO Tenure			-.047	-.045			-.004	-.014
	CEO Busyness			-.037	-.051			.101†	.078
	Board Independence			.134†	.145†			.083	.082
	Board Ownership			.178**	.181**			-.048	-.039

	Board Size			-.324***	-.336***			.044	.040
Interactions	Freq: of BM x Duality (H2a & H2b)				.189**				.029
Interactions	Freq: of BM x CEO Tenure (H3)				-.024				-.067
Interactions	Freq: of BM x CEO Busyness (H4)				-.125†				-.141*
Interactions	Freq: of BM x Independence (5)				.058				.046
Interactions	Freq: of BM x Ownership(H6)				.128†				.131*
Interactions	Freq: of BM x Board Size(H7)				.018				.053
R^2		34.2	36.8	44.0	47.9	46.9	48.8	51.3	54.0
Model F		9.15***	9.35***	8.17***	6.95***	15.57***	15.30***	10.95***	8.85***

[a] n= 212. Standardized coefficients are reported. † p ≤ .10, * p ≤ .05, ** p ≤ .01, *** p ≤ .001 (Freq: of BM= Frequency of Board Meetings)

Hypothesis 1 predicted that the frequency of board meetings would be positively related to firm performance. As expected, model two of both performance variables reflects a positive significant association, for EPS, β= .193, t = 2.81, p ≤ .01, and for ROE, β= .163, t = 2.65, p ≤ .01, respectively. Furthermore, the addition of frequency of board meetings to the model two increases the variance of firm performance significantly in both cases. For instance, the variance for EPS is increased by 2.6 percent and for ROE by 2.0 percent, respectively. Consistent with the assumption of hypothesis 2b which predicted that the CEO duality positively moderates the relationship between frequency of board meetings and firm performance; results for the both performance indicators represent a positive relationship. Moreover, the relationship for the EPS is significant at p ≤ .05 (β= .189, t = 2.59), which confirms that explanations given in the stewardship theory to combine the CEO-Chairman positions in order to enhance corporate performance. Hypothesis 3 predicts that the relationship between frequency of board meetings and firm performance would be negatively moderated by the CEO's tenure. As expected, both performance measurements depict a negative interaction (for EPS, β= -.024, t = -.409 and, for ROE, β= -.067, t = -1.22), however the relationship is insignificant. Thus, reported results do not support for the hypothesis 3. Hypothesis 4 predicts that the CEO busyness will negatively associate in the effect of frequency of board meetings on firm performance. As hypothesized, the interactions for both performance dimensions document a negative significant (for EPS, β= -.125, t = 1.84, p ≤ .10 and, for ROE, β= -.141, t = 2.22, p ≤ .05) relationship. This determines that CEO's committee membership negatively moderates the effect of frequency of board meetings on firm performance.

In the boards' monitoring perspective, hypothesis 5 predicts that the availability of higher proportion of outside board members on the board would positively moderate the relationship between frequency of board meetings and firm performance. As assumed, outcomes of the regression association portray a positive moderating effect for both performance measurements (for EPS, β= .058, t = .586 and, for ROE, β= .046, t = .493); however, the effect is not significant. Thus, hypothesis 5 is not supported. Hypothesis 6 predicts that boards' personal shareholding would positively moderate the relationship. Supporting to the expectations, results indicate a positive significant relationship for both performance variables, with the significant level of β= .128, t = 1.96, p ≤ .10 for EPS, and β= .131, t = 2.20, p ≤ .05 for ROE, respectively. Hypothesis 7 tests a positive interaction effect of board size on the association. Model 4 of both performance variables indicate a positive interaction (for EPS, β= .018, t = .200 and, for ROE, β= .053, t = .642); however the effect is not significant. In consequence, hypothesis 7 is not supported.

5. Discussion and Conclusion

This study contributes corporate governance practices in theoretical and practical standpoints by examining the moderating effects of the CEOs leadership power and board monitoring power on the relationship between frequency of board activities and firm performance. As the literature review illustrated, there is a growing sentiment to explore the phenomenon that affect to determine the boardroom information communication and firm performance. This necessity has emerged partly because the inconsistent results generated by previous empirical research on this setting. In resolving this concern, we argued that that frequency of board meetings is positively related to firm performance. Hypothesis 1 confirmed our prediction, with reference to agency and resource dependence theories for both performance measurements complying with previous findings (Vafeas, 1999). In contrast, opposite outcomes were found by Jackling and Johl (2009) and Rutherford and Buchholtz (2007). Thus, our conclusion supports the current corporate governance acceptance that frequency of board meetings enhances corporate performance. Then, our next question was to determine what factors would intensify or weaken the relationship. To address this proposition, we employed two moderating approaches with different perspectives.

Firstly, showing a positive significant interaction effect of CEO duality on the relationship between frequency of board meetings and firm performance, findings support hypothesis 2b, with reference to the explanations proposed by stewardship theory. These findings provide a deep insight about the Asian business context which depicts a stewardship association on the CEO duality relationship. Our conclusion is supported by prior finding (Tuggle et al., 2010), which suggests that the presence of the duality reduces the boards' attention to monitoring. Previous research has also found that the CEO duality is positively related, but insignificant to frequency of interactions, in terms of availability of board subcommittees (Rutherford & Buchholtz, 2007). Although the findings for the moderating effects of the CEO tenure is consistent and negative for both measurements, as expected, the relationship is insignificant, which indicates that the CEO's tenure alone does not have a significant influence to affect the frequency of board meetings. Thirdly, supporting the agency theory, findings for the CEO's power with busyness provides a significant explanation on the impact of the CEO's leadership power in determining the level of board activities. Our findings conclude that the busy CEOs tend to decide corporate decision based on judgment and individual consent, regardless of accepted governance mechanism, which in turn brings unfavourable outcomes.

On the other hand, we examined the effectiveness of internal corporate governance mechanism to intensify the frequency of board activities, in terms of board of directors' monitoring power. Firstly, it was predicted that proportion of independent outside directors has a greater involvement in deciding firm activities, and strengthen the relationship. Although similar positive findings were generated for both measurements, the insignificant nature of results outlines the practical evidence on the employed proportion of outside directors and level of independence of the boards. In one aspect, these findings could be rationalized to some extent considering the available of expert outside directors in developing economies, such as in Sri Lanka. Also, these findings somewhat support for the existing criticisms on the high family ownership in the Asian contexts that influence the listed companies to minimize the employment of outside directors. Our results also comply with previous research (Ruigrok et al., 2006; Walsh & Seward, 1990), determining that board involvement characteristics such as board size and percentage of outside directors have no considerable relationship with strategic decision making and corporate performance. Secondly, boards' personal equity holding portrays a significant contribution in order to monitor corporate information mechanism. Hypothesis 6 asserts the conclusion. As a corporate governance mechanism, board ownership structure demonstrates a strong control influence over board activities, the higher the proportion of

ownership, directors promote higher regularity of board activities in order to ensure the transparency and accountability of managerial performance, and in taking necessary actions timely. Finally, although the board size does not reflect a significant moderating effect, steady positive findings indicate insights of theoretical applications.

One reason for the insignificant findings may be the lack of adequate board members in the listed companies in developing economies which diminishes the boards' ability to monitor senior managers' corporate behaviour. In fact, the mixed findings of this study reveal the real nature of corporate governance applications in the developing economies as some governance mechanism are well established and matured with the inherited nature of the Asian business context, while application of rest of the practices are at the primary stage. Findings of this study also contribute to the criticisms on the universal applicability of corporate governance principles. For instance, "This focus on the Anglo-Saxon model of governance leads to suggestions for more outsiders on the board of directors, CEO compensation connections to the firm performance, and the CEO having a level of ownership in the firm. However, it has been found that this is not necessarily true in the Asian context (Bruton & Lau, 2008, p 653). Interestingly, the three highly supported governance factors prove contextual situations obviously, in terms of charisma of the CEO duality, CEO busyness, and directors' ownership, which are some the prominent characteristic in the Asian business practices. These outcomes may beneficial for policy makers, regulatory bodies, and corporate practitioners in recognizing practical implications of corporate governance performance in emerging economies.

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