The effect of Board Composition on Capital Structure among listed firms in Kenya

Article history: *Revised format: 10th April 2022, Available online:29th April 2022*

Ednah Jelagat Tanui [1]; Joel Tenai[2]

Abstract:

Purpose: *The study sought to establish the effect of board composition on capital structure among listed firms in Kenya.*
Material/methods: *The study adopted explanatory research design. The target population for the study was 60 companies listed at Nairobi securities exchange. The study analyzed data for six years between 2007 and 2012 drawn from a sample of 34 companies.*
Findings: *The findings indicated that non-executive directors had negative and significant effect on capital structure. Thus, with higher number of non-executive directors will have low gearing levels. Also, board tenure significantly affects capital structure, this implies that increase or decreasing board tenure has an effect on capital structure.*
Value: *The presence of non-executive directors improves the firm's reputation hence making more profits which is the major concern of shareholders. Further, as directors acquire firm specific knowledge early in their tenure, the result is better firm performance. Eventually as tenure continues to advance, boards lose their oversight and firms engage in more value-destroying activity.*

Keywords: *Capital structure; non-executive directors; board composition; board tenure; firm performance*

Paper Type: *Research Article*

Recommended citation: *Tanui, E., & Tenai, J. (2022). The effect of Board Composition on Capital Structure among listed firms in Kenya. Journal of Economics, Management Sciences and Procurement, 2(1), 38–48.*

1. Introduction

Firms use a mix of debt and equity in order to minimize the cost of capital (Tekker *et al.,* 2009) and maximize owners' wealth. The use of leverage has been identified in the literature as a way of reducing agency costs. For instance, more leverage reduces agency cost of shareholder principal, the diversion of resources reduces when a firm has more debts because of the pressure to meet debts obligations but increases agency cost of debts. The debt holders are likely to suffer when more debts are issued because shareholders are likely to short change them (Jensen and Meckling, 1976). Capital structure decision is essential in maximizing value of the firm (Abor and Biekpe, 2005).

[1] *Phd Student, School of Business and Economics, Moi University, Kenya*

[2] *Senior Lecturer, Department of Accounting and Finance, Moi University*

The capital structure of a company entails the way in which the company finances itself through debts, equity and securities (Chou and Lee, 2010). Capital structure decisions are very important as these could lead to an optimal financing mix which maximizes debt holder value. Capital structure may affect the valuation of a firm with more leveraged firms, being valued lower than leveraged firms.

According to Gompers *et al.,* (2003) good corporate governance influences company's strategic decisions. Kajola (2008) observed that corporate governance is making sure the business is well managed and stakeholder's interest is protected at all times. Organization for Economic Cooperation and Development (OECD) (2004) claimed corporate governance is broad in practice. It defines corporate governance as the system by which business corporations are directed and controlled. It further states that the corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation such as, the board, managers, shareholders and other stakeholders; and thus, spells out the rules and procedures for making decisions on corporate affairs. It also provides the structure through which the company's objectives are set and the means of attaining those objectives and monitoring performance (Akinsulire, 2006). Good corporate governance practices may have significant influence on the strategic decisions of a company, for example external financing, that are taken at board level. Therefore, corporate governance variables like size of board, gender diversity, CEO duality may have direct impact on capital structure decision.

Boards of directors are entrusted with the responsibility to make economic decisions affecting the well-being of investors' capital, employees' security, communities' economic health, and executive power and perquisites (Banks, 2004). The board of directors is charged with oversight of management. Agency theorists argue that in order to protect the interests of shareholders, the board of directors must assume an effective oversight function (Uadiale, 2010). It is assumed that board performance of its monitoring duties is influenced by the effectiveness of the board, which in turn is influenced by factors such as board composition and quality, size of board, duality of chief executive officer, gender diversity, information asymmetries and board culture (Brennan, 2006). Hence, boards of directors have the ultimate internal authority within a company (Renton, 1994). Board of directors is concerned with determining the best financing mix or capital structure of a company. According to Saad (2010), board of directors is considered as one of the major two components of the corporate governance which provides an efficient regulatory and controlling mechanism to decrease agency problems.

In Kenya it is a requirement for public listed company to disclose on an annual basis, its annual report, a statement of the directors as to whether the company is complying with corporate governance guidelines with effect from the financial year ending 2002, as prescribed under the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002. The 2002 guidelines indicate that the board should compose of a balance of executive directors and non-executive directors (including at least one third non-executive directors) of diverse skills or expertise in order to ensure that no individual or small group of individuals can dominate the boards' decision-

making processes. The board of directors of a firm has to fulfill its fiduciary obligations to the stakeholders by maintaining control over the strategic, financial, operational and compliance issues. The Board provides direction and guidance on strategic and policy matters.

Boards of directors have been largely criticized for the decline in shareholders' wealth and corporate failure (Uadiale, 2010). They have been in the spotlight for the fraud cases that had resulted in the failure of major corporations, such as Enron, WorldCom and Global Crossing. The Kenyan corporate history is littered with a number of companies that have gone into bankruptcy but only a handful of companies have managed to come of out of it in sound financial health. At the moment a number of public and private companies among them Kenya Planters Co-operative Union KPCU (2010), Ngenye Kariuki Stockbrokers (2010), Standard Assurance (2009), Invesco Assurance (2008), Hutchings Beimer (2010), Discount Securities (2008), Uchumi Supermarkets (2006) and Pan Paper Mills (2009) are under statutory management (NSE, 2010). Some of the reasons stated for these corporate failures are the lack of vigilant oversight functions by the board of directors, the board relinquishing control to corporate managers who pursue their own self-interests and the board being remiss in its accountability to stakeholders. As a result, various corporate governance reforms have specifically emphasized on appropriate changes to be made to the board of directors in terms of its composition, structure and ownership configuration (Abidin, Kamal and Jusoff, 2009).

Previous studies on capital structure are mostly based on traditional determinants of capital structure such as size and growth. It is obviously observed that there are not many researches in developing countries about the association between the corporation's board of directors and leverage of the firm (Uadiale, 2010; Wen *et al.,* 2002; Abor, 2007). The shortage and need of this study in emerging markets including Kenya which is a quickly developing economy is more observable due to necessity of sustainable growth and maintenance in global market. This study tries to bridge the research gap through investigating the association between the board of director's features and capital structure decisions of firms listed in NSE. The result of this study could be very vital and helpful for sustainability of Kenyan firms in global market. This study sought to provide empirical evidence on the effect of board composition on capital structure. The study hypothesizes that:

H_{o1}: *Non-executive directors have no significant effect on capital structure*

H_{o2}: *Board Tenure has no significant effect on capital structure*

1.1 Theoretical Perspective

In corporate governance theory, the board is seen as an important corporate governance mechanism that can influence and add to the governance and performance of the firm. The role of boards has been seen as an important area of research. Indeed, researchers have used different organizational theories to understand the roles of boards. The theories can be broadly classified into two main groups. The first is agency theory which focuses on the boards monitoring role and the second consist of theories that

emphasize the central role of the board as a provider of resources in a broad sense such as strategy service and legitimacy.

Agency theory has been used as the predominant approach to the role of boards. It has been developed to address the problem of the conflicting interests of owners and managers. This problem is particularly relevant in large listed companies (Zahra and Pearce, 1989). According to agency theory, boards should act as watchdogs to align the manager's interests with the shareholders' interests (Fama and Jensen, 1983) and monitoring and control of the management is seen as the main role of the board thus reducing agency costs.

The second group of theories focuses on the board as a human capital resource and sees it as the primary task of the board members to use their power, knowledge and skills internally to advise the management of the firm (Prahal and Hamel, 1990). Boards play an important external role. According to the resource dependence theory, the board members have an external function linking the firm to its external environment, such as through networking (Pfeffer and Salancick, 1978). Boards and especially outside board members can bridge the research gap between the firm and its environment and serve as a mechanism for attracting resources.

Stewardship theory falls into this second category. Stewardship theory was propounded by Davis and Donaldson(1977) managers as stewards whose motives are aligned with the objectives of the organization (Corbetta and Salvato, 2004).Consequently, board members who are part of the controlling organ are not inclined to indulge in opportunistic behavior but will instead pursue the interests of the owners. According to stewardship theory the main task of the board is to serve and advise and to contribute by bringing different competences and experiences that can help managers in decision making (Minichilli, 2009).

2. Empirical Review

Non-executive director is a member of the board of directors of a company or organization but does not form part of the executive management team. The role of the non-executive directors has traditionally been informed by a variety of considerations and theoretical perspectives. Thus, the separation of ownership and control that characterizes the Anglo-Saxon model has highlighted the stewardship and monitoring aspects of non-executive directors' functions. Agency and managerial perspectives focus on the role of the board, and independent non-executive directors in particular, as a key mediating influence in protecting shareholder wealth from self-serving managers (Abor 2007).

In recent years one of the principal developments in the evolution of the governance regime has been the extent to which it has come to be accepted that non-executive directors ''have a crucial part to play as custodians of the governance process (Higgs, 2003). Indeed, such has been the focus on the role of the non-executive director as a monitor of corporate governance that many have now felt it necessary to re-emphasize the strategic and value-creation aspects of their function (Stiles,2001; Carpenter and Westphal, 2001; Higgs, 2003).

Non-executive directors are a cornerstone of modern corporate governance. The relationship between presence of non-executive directors and capital structure has been

explored by few researchers but evidence in this regard is mixed. Non-executive directors play a pivotal role in enhancing the capability of a company to get recognition from external stakeholders. This leads to reduction in uncertainty about company and enhance ability of the company to raise funds. They find that higher level of representation of non-executive directors on board leads to higher gearing levels. Companies with higher gearing levels rather have relatively more non-executive directors whereas companies with lower representation of non-executive directors experience lower leverage (Abor 2007).

Abor and Biekpe (2007) provide evidence about the presence of positive relationship between capital structure and non-executive directors. Companies that have more outside directors at board generally have higher level of gearing. Young *et al*. (2001) suggest that the appointment of non-executive directors on the board and the CEO duality is a key factor in improving the effectiveness of the monitoring and service functions of the board.

On the other hand, researchers like Wen *et al.,* (2002) provides evidence about the existence of significantly negative relationship between gearing level and representation of non-executive directors on the board. The possible reason is that non-executive directors monitor the managers more efficiently and effectively so managers are forced to seek lower gearing levels for achieving superior results. Similarly, companies with higher representation of non-executive directors are bound to follow low financial leverage with a high market value of equity.

The resource dependence theory emphasizes that external directors enhance the ability of a firm to protect itself against the external environment, reduce uncertainty, or co-opt resources that increase the firm's ability to raise funds or increase its status and recognition (Pfeffer and Salancick, 1978). Outside directors tend to monitor managers more actively, causing these managers to adopt lower leverage for getting improved performance results. Also, firms with higher proportion of outside directors tend to pursue low financial leverage with a high market value of equity (Jensen, 1986; Berger, *et al*.,1997; Abor, 2007).

Board tenure refers to the number of years members serve in a board of directors of a company. The tenure of a firm's directors at the aggregate level affects both the level of the board‘s firm-specific knowledge as well as the extent of its independence. On the one hand, firm-specific knowledge can be accumulated as tenure increases over time and this on-job learning improves firm value (Celikyurt *et al.,* 2012). On the other hand, increased familiarity between the board and management can undermine independence (Fracassi and Tate, 2011). Anecdotal evidence suggests that long board tenure is negatively associated with firm performance, and that debt holders are concerned about boards with long tenure (Hwang and Kim, 2009). However, empirical evidence on how board tenure affects corporate decisions and firm performance is scarce. Empirically, Wahid (2012) uses the coefficient of variation of a director‘s tenure as a proxy for board tenure diversity and finds that boards with more heterogeneity in director tenure exhibit higher CEO performance-turnover sensitivity and lower excess compensation.

3. Material and methods

The study adopted explanatory research design aimed at collecting information on board composition and capital structure of all non-financial companies. The target population for the study comprised 60 listed firms trading at the NSE. The study sampled all firms that have been listed on the Nairobi Stock Exchange (NSE) during the eight-year period, 2004–2012. However, only the companies which were trading have for six years. Thirty-four firms qualified to be included in the study sample. The number of observations was 204. The researcher adopted census technique in choosing all the non-financial firms in Nairobi Securities Exchange. The study employed secondary data based on the financial statements of the listed non-financial firms in the Nairobi Securities exchange. Document guide was employed in collecting data. Data for the study covered the six-year period from 2007 to 2012. The Capital Market Authority (CMA) library was a major source of data for the study.

Measurement of variables

Capital structure was measured by using debt/equity ratio. This is given as total debt divided by total equity. Non-executive directors were measured by the number of non-executive directors divided by total number of directors. Board tenure was measured by the average number of years members have been in the board.

Data analysis

Both descriptive and inferential statistics was used to analyze the relationship between board composition and capital structure. Multiple Linear Regression analysis was applied in order to test the hypotheses of the relationship between board composition and capital structure. Multiple Regression analyzes the relationship between single dependent variable and several independent variables (Mugenda and Mugenda, 2003).

The regression equation that was used to estimate the association is:

$$y_{it} = \alpha_{it} + \beta_1 x_{1it} + \beta_2 x_{2it} + \varepsilon_{it}$$

Y = Capital structure
x_1= non-executive directors
x_2=Board tenure
ε=Error term
α= alpha-constant
ß= beta- the regression coefficients or change induced in Y by each X.

Results and discussion

Descriptive statistics

The results in Table 1 revealed that average board size for firms in all sectors is 8 members with 76% of them being non-executive directors; the maximum board size among firms was reported to be 17 while minimum number being 1. It was also found that CEO duality exists in 14% of the firms. In average, listed firms had gender diversity at 13%. More findings revealed that firms had an average of 5 years of board tenure with maximum of 15 years.

Table 1: Descriptive statistics

	N	Mean	Std. Deviation	Kurtosis	Skewness	Min	Maxi
Non-executive directors	180	0.7624	0.16174	4.904	-1.872	0.03	0.99
Board tenure	180	5.718	2.88216	0.072	0.54	0	15.04

Source; Authors' compilation

Statistical test

The study tested the normality of the regression model to determine whether the assumption of normality of distribution was attained. The Kolmogorov-Smirnov statistic was not significant (p>0.05) and therefore the distribution is normal. In addition, also Shapiro Wilk was not significant (p>0.05) indicating that the distribution of the data was normal. Moreover, tolerance was greater than 0.2 rule and those of VIF were less than 4. This shows lack of multi collinearity among independent variables. Therefore, omitting variables with insignificant regression. Durbin–Watson statistic is substantially less than 2, there is evidence of positive serial correlation, although positive serial correlation does not affect the consistency of the estimated regression coefficients, it does affect our ability to conduct valid statistical tests, as such we conclude that the significant statistics are valid.

Correlation results

Table 2 represent Pearson correlation results used to assess the linear relationship between dependent and independent variables. This was necessary to detect simple linear relationship and multi collinearity and because it also acts as a building block for multiple regression model (Anglim, 2007). Findings revealed that non-executive directors also weakly correlated to capital structure (r = -0.187). Further, board tenure was negatively and significantly correlated to capital structure (r = -0.426). This implies that only two variables are expected to influence capital structure namely: non-executive directors and board tenure.

Table 2: Correlation results

	Capital structure	Non-executive directors	Board tenure
Capital structure	1		
Non-executive Directors	-.187*	1	
Board tenure	-.426**	0.006	1

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).

Hypotheses Testing

Table 3 illustrates the model summary of multiple regression models; the results showed that the five predictors (board tenure, non-executive directors) explained 34.3 percent variation of capital structure. This showed that considering the two study independent variables, there is a probability of predicting capital structure by 34.3% (R squared =0.343). Study findings in ANOVA Table 4 indicated that the above discussed coefficient of determination was significant as evidence of F ratio of 17.921 with p value 0.000 <0.05 (level of significance). Thus, the model was fit to predict capital

structure using board tenure and non-executive directors.

Table 3: Hypotheses Testing

	Unstandardized Coefficients		Standardized Coefficients			Collinearity Statistics	
	B	**Std. Error**	**Beta**	**T**	**Sig.**	**Tolerance**	**VIF**
(Constant)	1.66	0.387		4.291	0.000		
Non-executive directors	-1.374	0.376	-0.230	-3.66	0.000	0.971	1.03
Board tenure	-0.1	0.021	-0.299	-4.716	0.000	0.951	1.052
R Square	0.343						
Adjusted R Square	0.323						
Std. Error of the Estimate	0.81154						
Durbin-Watson	1.397						
F	17.921						
Sig.	0.000						

a Dependent Variable: capital structure

Hypothesis 1 postulated that non-executive directors have no significant effect on capital structure. However, results in Table 3 indicated that the coefficient of the Non-executive directors is -1.374 and significant at ($\rho<0.05$), hence the null hypothesis is rejected. The study concludes that non-executive directors have negative and significant effect on capital structure. This suggests that increase in non-executive directors with one unit is expected to decrease capital structure with =1.374 units. This suggests that firms with higher number of non-executive directors will have low gearing levels. Contrary to the study findings, Pfeffer and Salancick (1978) assert that non-executive directors play a pivotal role in enhancing the capability of a company to get recognition from external stake holders. This way, there is an overall reduction in uncertainty about the company's ability to raise funds leading to higher gearing levels.

Contrary to the findings, Abor and Biekpe (2007) provide evidence about the presence of positive relationship among gearing levels and CEO duality, board tenure and non-executive directors. Therefore, companies that have more non-executive directors generally have higher level of gearing. Similarly, Wen *et al*., (2002) provides evidence about the existence of significantly negative relationship between gearing level and representation of non-executive directors on the board since non-executive directors monitor the managers more efficiently and effectively so managers are forced to seek lower gearing levels for achieving superior results.

Hypothesis 2 postulates that board tenure does not significantly affect capital structure. Results in Table 3 indicate that board tenure coefficient is -0.100 and significant at ($\rho<0.05$), hence hypothesis 5 is rejected. The study therefore concluded that board tenure significantly affects capital structure, this implies that increase or decreasing board tenure has an effect on capital structure. Contrary to the results, knowledge accumulates as tenure increases over time hence firm value improves (Celikyurt, Sevilir, and Shivdasani, 2012). Precisely, the tenure of a firm's director affects the level of the board's firm specific knowledge as well as the extent of its independence. Concurrently; anecdotal evidence suggests that long board tenure is negatively associated with firm performance. As a result, shareholders are overly concerned about

boards with long tenure since it is detrimental to firm performance. Further, Wahid (2012) reports that boards with more heterogeneity in director tenure exhibit higher CEO performance and lower excess compensation.

Conclusion and recommendations

The presence of non-executive directors is an added advantage to the firm. For instance, through non-executive directors, the firm is able to get recognition from external stakeholders. Additionally, non-executive directors increase the firm's better reputation hence making more profits which is the only concern of shareholder. Finally, the results of the study suggest that board tenure exhibits a mixed relationship with capital structure. Specifically, long board tenure is associated with declined firm performance. As directors acquire firm specific knowledge early in their tenure, the result is better firm performance. Eventually as tenure continues to advance, boards lose their oversight and firms engage in more value-destroying activity.

There is therefore need for the board directors' to be independent, which would, better protect stakeholders. The board should also be composed of independent outsiders. This is because a board with majority of insiders is likely to be stacked with sycophants especially where the CEO is also the chairman of the board. Study findings have also affirmed that board tenure has a negative effect on the capital structure. Therefore, as tenure increases, there is need for firms to increase on-job learning so as to allow the board to make better decisions which will in turn improve firm value. However, it should increase to a level whereby monitoring capacity of the board is not affected. The target of this research is to explore the linkage between the board of directors and company's capital structure among firms listed in NSE and it did not cover the unlisted firms. Hence, the result may not represent the population of all Kenyan companies. So another study with a greater number of unlisted firms in Kenya indifferent sectors is highly recommended.

References

Abor & Biekpe *2005,* Does Corporate Governance affect the Capital Structure Decision Of Ghanian SMES? *University of Stennenbosch. Business School, South Africa*.

Abor, J. (2007) Corporate Governance Decisions of Ghanaian listed firms, Corporate Governance: *International journal of Business in society,* 7, 37-48

Akinsulire, O (2006): *Financial Management* 4thEdition, Lagos, El-Toda Ventures.

Anglim, J. 2007. Cluster Analysis and Factor Analysis. Online posting (PowerPoint).

Banks, E. (2004). *Corporate governance: Financial responsibility, control and ethics.* New York: Palgrave Macmillan.

Berger P.G, Ofek E &Yermack. D.L (1997) Managerial entrenchment and capital structure decisions*, "Journal of Finance 52, 1411-1438*

Brennan, N. (2006). Boards of Directors and Firm Performance: is there an expectations gap? *Corporate Governance: An International Review*, 14(6), 577-593

Carpenter, M. A. and 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 Journal*, Vol. 44, No. 4, pp. 639-661.

Celikyurt, U. M. S., and Anil S., 2012, "Going Public to Acquire? The Acquisition Motive in IPOs," *Journal of Financial Economics* 96, 345-363.

Chou, S and Lee, C (2010) "The Research on the Effects of Capital Structural Firm Performance and Evidence from the Non-Financial Industry of Taiwan 50 and Taiwan Mid-CAP 100 from 1987 – 2007", Department of Financial Operation, National Kaohsiung First University of Science and Technology, Staff Working Paper

Corbetta, G. & Salvato, C. (2004). Self-serving or self-actualizing? Models of man and agency costs indifferent types of family firms: A commentary on "Comparing the agency costs of family and non-family firms: Conceptual issues and exploratory evidence." *Entrepreneurship Theory and Practice*, *28*(4), 355–362

Davis, J., Donaldson, L. & Schoorman, D. 1977, 'Towards a stewardship theory of management', *Academy of Management Review*, vol. 22, No. 1, pp. 20–47

Fama E. and Jensen M: 1983, 'separation of ownership and control*, Journal of Law and Economics 26, 301-305*

Fracassi, C. and G. Tate, (2011). "External Networking and Internal Firm Governance", *Journal of Finance*, *Internal Firm Governance*.

Higgs, D. (2003), *Review of the Role and Effectiveness of Non-Executive Directors,* London: DTI.

Hwang, B., and Seoyoung K., 2009, "It pays to have friends", *Journal of Financial Economics* 93, 138-158.

Jensen M.C and Meckling W.H, 1976, Theory of the firm: Managerial Behaviour, Agency costs and ownership structure*, Journal of Financial Economics*. 3,305-360

Kajola, G. 2008*,* Corporate Governance and Firm Performance, The case of Nigeria listed firm*. European Journal of Economics, Finance and Administrative Sciences. ISSN* 1450-2887.

Minichilli .A (2009) Making boards effective: an empirical examination of board task performance, "*British Journal of Management* 20, 55-74

Minichilli, A., Zattoni, A. and Zona, F. (2009), ''Making boards effective: an empirical examination of board task performance'', *British Journal of Management,* Vol. 20, pp. 55-74.

Mugenda & Mugenda (2003) Research Methods: Acts Press, Nairobi

Organization of Economic Corporation and Development 2004, The OECD Principle of Corporate, Viewed 26 November 2008.

Pfeffer .J. and Salancick, G.R (1978), The external control of organizations: a Resource-dependence perspective*: Harper and Row New York*.

Renton, N. E. (1994). Company directors: Masters or servants. North Brighton: Wright books Pty Ltd.

Saad NM, 2010. Corporate Governance Compliance and the Effects to Capital Structure in Malaysia. International Journal of Economics and Finance. 2(1): 105-114

Stiles, P. and Taylor, B. (2001a), Boards at Work: How Directors View their Roles and Responsibilities, Oxford: Oxford University Press.

Stiles, P. and Taylor, B. (2001b), `The Impact of the Board on Strategy', *Corporate Governance*, Vol. 4, No. 1, pp. 3-10

Tekker, D. Tasseven, O. and Takel, A. (2009). "Determinants of Capital Structure for Turkish Firms: A Panel Data Analysis", *International Journal of Finance and Economics* 29 (180- 87**)**

Uadiale, O. M. (2010). The Impact of Board Structure on Corporate Financial Performance in Nigeria. *International Journal of Business and Management*, Vol 5, No 10, 155-166

Wahid, Aida Sijamic, 2012, Director heterogeneity and its impact on board effectiveness, Harvard Business School working paper.

Wen .Y, Rwegasira .K and Bilder B.J 2002) Corporate Governance and Capital Structure Decisions of Chinese listed companies. *Corporate Governance: An international Review* 10, 75-85

Young S. Lin, S., &Pope P.F. (2000), 'The Appointment of Outside Directors and their Impact on Shareholder Wealth', Working Paper.

Zahra S.A and Pearce J.A (1989)Boards of directors and corporate financial performance: a review and integrative mode*," journal of management.* 15, 219-334