

DEVELOPMENT OF BOARD STRUCTURE AND ITS IMPLICATIONS FOR CORPORATE GOVERNANCE EFFECTIVENESS AND FIRM PERFORMANCE

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ABSTRACT

Board structure is a fundamental mechanism of corporate governance, yet its relationship to corporate governance effectiveness and firm performance remains theoretically contested and empirically heterogeneous. This article critically reviews the evolution of board structure, from its foundations in organisational design to its contemporary conceptualisation as a multidimensional governance architecture. Board structure is conceptualised across six interrelated dimensions: board size, board independence, board diversity, leadership configuration, director expertise, and board committee arrangements. Recent evidence indicates that these attributes do not have uniform effects on firm performance; rather, their effects depend on institutional, organisational, cultural, ownership, and measurement contexts. The review further argues that board characteristics are unlikely to affect firm performance exclusively through direct relationships. Their influence is more plausibly transmitted through governance processes that encompass monitoring, accountability, transparency, strategic oversight, information processing, risk management, and decision quality. Corporate governance effectiveness is therefore conceptualised as a critical intervening mechanism linking board structure to firm performance. The review identifies persistent conceptual and methodological limitations, including fragmented treatment of board attributes, inconsistent operationalisation, reliance on single-theory explanations, and inadequate attention to institutional context. It concludes that board structure should be understood not as a collection of compliance-oriented attributes but as an integrated governance capability whose effectiveness depends on the configuration and interaction of board characteristics and the institutional environment in which boards operate. This perspective provides a stronger theoretical basis for examining board structure, corporate governance effectiveness, and firm performance, particularly in emerging-market contexts.

Keywords: *board structure; corporate governance; board independence; board diversity; board expertise; CEO duality; board committees; firm performance; emerging markets*

1. Introduction

Board composition is central to corporate governance, serving as the primary formal link between management, shareholders, and other stakeholders. Despite extensive research, the relationship between board structure and firm performance remains unclear. Recent meta-analyses reveal substantial variation in how board traits affect outcomes across countries and institutional contexts, challenging universal guidelines for effective board design (Ahrens et al., 2026; Farrell et al., 2026). For example, Ahrens et al. (2026) show that the impact of board size on performance depends on specific contextual and methodological factors, while Farrell et al. (2026) find notable differences across 54 countries in how board size, independence, and CEO duality relate to firm performance.

Board structure concepts stem from broader research on organisational design. Chandler (1962) showed that organisational structures change in response to strategy, expansion, diversification, and administrative complexity. Although he didn't develop a specific theory of board structure or corporate governance, his work provides a critical foundation for understanding boards as formal organisational entities that organise authority, communication, information flow, and accountability.

The significance of boards in governance became clearer when the distinction between ownership and control was recognised. Agency theory views the board as an internal control mechanism that minimises agency costs through managerial oversight and accountability (Jensen & Meckling, 1976). Subsequently, resource dependence theory broadened this perspective by emphasising directors' roles in providing expertise, information, legitimacy, networks, and access to external resources (Pfeffer & Salancik, 1978). Together, these theories offer complementary insights into how boards serve as both oversight bodies and strategic resource providers (Makini, 2026).

Modern research has further broadened this idea. Lu et al. (2022), in a review of 511 articles across 69 journals, observe significant diversity in the theoretical and empirical methods used to study board characteristics and corporate outcomes. They also highlight ongoing methodological challenges, including inconsistent definitions and measurements, poor specification of explanatory variables, and a focus on descriptive and single-theory approaches. Similarly, Behlau et al. (2024) show considerable variation in how board diversity is conceptualised and measured.

Against this background, this review examines six dimensions of board structure, namely board size, board independence, board diversity, leadership configuration, director expertise, and board committees, and evaluates their implications for corporate governance effectiveness and firm performance. The central argument is that board characteristics should not be treated as isolated determinants of performance. Rather, their effects are likely to emerge through the interaction of board attributes and the capacity to generate effective governance processes. The analysis consequently shifts attention from the formal characteristics of boards to their substantive governance capability.

2. Conceptual Evolution of Board Structure

Chandler's (1962) analysis provides an important historical foundation for understanding board structure within the broader evolution of organisational design. Organisational structures establish formal authority relationships, communication channels, information flows, and administrative responsibilities. Applied cautiously to corporate governance, this perspective suggests that board structures should reflect the enterprise's strategic, operational, and organisational complexity.

Agency theory subsequently provided a more explicit governance rationale for board structures. Jensen and Meckling (1976) argue that the separation of ownership and control creates agency costs because managers may pursue objectives that diverge from those of owners. Consequently, the board assumes a critical monitoring role, overseeing management, scrutinising managerial decisions, and protecting shareholders' interests. From this perspective, board independence, appropriate leadership arrangements, and effective committee structures are mechanisms for strengthening monitoring capacity.

Resource dependence theory offers a complementary explanation. Organizations depend on their external environments for resources, information, legitimacy, and relationships, and boards can facilitate access to these resources through directors' expertise, networks, and external connections (Pfeffer & Salancik, 1978). Board effectiveness therefore extends beyond managerial monitoring to include strategic advice, resource mobilisation, environmental linkage, and organisational legitimacy.

Contemporary board scholarship reflects this theoretical expansion. Lu et al. (2022) show that board research increasingly draws on economic, governance, regulatory, resource-based, psychological, and sociological perspectives. Accordingly, the literature has progressively moved beyond viewing board structure primarily as a mechanism of managerial control, towards conceptualising it as a multidimensional governance architecture. This evolution is important because it implies that a board's effectiveness cannot be inferred solely from its formal composition. Rather, effectiveness depends on how structural attributes interact to facilitate monitoring, advice, information processing, strategic decision-making, and accountability.

3. Dimensions of Board Structure

3.1 Board Size

Board size refers to the number of directors on the board. Its implications for governance and performance are theoretically ambiguous. Larger boards may offer greater breadth of expertise, experience, networks, and perspectives, consistent with resource dependence theory. However, they may also raise coordination costs, communication difficulties, social loafing, and decision-making delays.

Recent evidence supports a contextual rather than a universal interpretation. Ahrens et al. (2026) report that the relationship between board size and firm performance varies across performance measures and contextual conditions. Their findings therefore challenge the assumption that board size is inherently beneficial or detrimental. Farrell et al. (2026) likewise identify a statistically non-significant overall relationship between board size and firm performance, while documenting substantial variation across studies.

The implication is that board size should be assessed in relation to organisational complexity and the resources required for effective oversight. The relevant question is not whether boards should be large or small per se, but whether the benefits of additional expertise, experience, and external linkages outweigh the coordination and decision-making costs of adding more directors.

3.2 Board Independence

Board independence is the capacity of directors to exercise objective, autonomous judgement without undue influence from management or controlling shareholders. From an agency perspective, independent directors strengthen monitoring and constrain managerial opportunism (Jensen & Meckling, 1976).

However, formal independence does not necessarily translate into substantive independence. Directors may satisfy regulatory or listing requirements yet lack the expertise, information, incentives, or institutional autonomy required for effective oversight. Farrell et al. (2026), based on 513 samples from 54 countries, report a non-significant overall main effect of board independence on firm performance, with substantial between-study heterogeneity.

These findings challenge the assumption that increasing the proportion of independent directors automatically improves organisational performance. Board independence is better conceptualised as a governance capability, the effectiveness of which depends on ownership structure, information access, director expertise, institutional conditions, and directors' actual capacity to challenge management. Thus, the substantive quality of independence may be more consequential than its formal representation.

3.3 Board Diversity

Board diversity encompasses demographic, experiential, professional, and cognitive differences among directors, including gender, age, nationality, education, professional background, experience, and expertise. Diverse boards can broaden the information and perspectives available to decision-makers and may encourage greater scrutiny of established assumptions. Nevertheless, diversity should not be automatically equated with superior governance or firm performance. Behlau et al. (2024) demonstrate substantial variation in the conceptualisation and measurement of board diversity, particularly across structural, demographic, and cognitive dimensions. This variation has important implications for

empirical research, as observed relationships may depend substantially on how diversity is operationalised.

The governance value of diversity therefore lies not merely in numerical representation but in the board's ability to integrate diverse knowledge into collective decision-making. Diversity is more likely to contribute to governance effectiveness when supported by inclusive deliberative processes, appropriate expertise, constructive board dynamics, and an organisational environment capable of translating divergent perspectives into informed decisions. Consequently, diversity should be viewed as a potential governance resource rather than an automatic determinant of superior performance.

3.4 Leadership Configuration and CEO Duality

Leadership configuration involves how authority is divided between the board chair and the CEO. Having one person serve as both CEO and chair, known as CEO duality, can promote leadership unity, align strategies, and enable quick decisions. However, this consolidation might also diminish independent oversight, limiting the board's ability to check executive authority.

Agency theory generally favours the separation of the chair and CEO roles because it creates a formal counterweight to executive authority (Jensen & Meckling, 1976). By contrast, stewardship perspectives suggest that unified leadership may enhance coordination, trust, and strategic coherence under particular conditions.

Recent evidence supports a contingency-based interpretation. Farrell et al. (2026) demonstrate substantial heterogeneity in the relationship between CEO duality and firm performance across national contexts. CEO duality should therefore not be categorised as either effective or ineffective governance. Its consequences depend on the broader governance configuration, including board independence, ownership concentration, director expertise, organisational complexity, and environmental uncertainty.

3.5 Director Expertise

Director expertise represents the human capital embedded within the board and encompasses financial, accounting, legal, industry, technological, strategic, and international competencies. Such expertise can enhance directors' ability to interpret complex information, evaluate strategic alternatives, scrutinise managerial decisions, and oversee organisational risks.

From a resource dependence perspective, director expertise also provides access to knowledge, networks, legitimacy, and external resources (Pfeffer & Salancik, 1978). From an agency perspective, expertise strengthens monitoring, as knowledgeable directors are better placed to interrogate managerial assumptions and challenge questionable decisions.

This dimension highlights the distinction between formal governance structure and substantive governance capability. A board may satisfy requirements for independence and composition

yet remain ineffective if directors lack the competencies to understand the organisation's strategic, financial, technological, or regulatory environment. Director expertise is therefore not merely a compositional characteristic; it is a critical component of the board's capacity to translate information into effective oversight and strategic judgement.

3.6 Board Committees

Board committees provide specialised mechanisms for allocating governance responsibilities. Audit, remuneration, nomination, risk, and other committees enable directors to devote focused attention to technically complex or strategically significant matters.

However, the formal existence of committees does not necessarily ensure effective governance. Their contribution depends on independence, expertise, authority, access to information, meeting quality, and the extent to which committee deliberations inform and influence full-board decisions. Board committees should therefore be evaluated on their substantive functionality rather than on their formal existence.

This distinction aligns with the broader literature's concern that formal governance characteristics may not adequately capture the quality of governance processes (Lu et al., 2022). Consequently, committee effectiveness depends not only on institutional design but also on whether committees possess the authority, competence, information, and independence required to discharge their responsibilities effectively.

4. Board Structure and Corporate Governance Effectiveness

The preceding analysis indicates that board structure operates through interconnected rather than isolated mechanisms. Board size affects the balance between available resources and coordination costs; independence influences monitoring autonomy; diversity expands informational and cognitive resources; leadership configuration shapes the distribution of authority; director expertise determines the board's capacity to process complex information; and committees facilitate specialised oversight.

The absence of uniform performance effects across these dimensions is theoretically significant. Recent meta-analyses show substantial heterogeneity in board–performance relationships across countries and institutional contexts (Ahrens et al., 2026; Farrell et al., 2026). This evidence challenges one-size-fits-all governance prescriptions and suggests that effective board structures are inherently context-dependent and configuration-specific.

Corporate governance effectiveness is therefore a plausible mechanism through which board structure influences organisational outcomes. Board characteristics may strengthen monitoring, accountability, transparency, ethical conduct, strategic oversight, risk management, information quality, and decision-making. These governance processes may subsequently influence financial performance, organisational effectiveness, stakeholder confidence, and long-term value creation.

This mediation perspective is theoretically more defensible than assuming that board characteristics directly produce superior performance. It recognises that structural attributes gain organisational significance through governance processes. In other words, the presence of independent, diverse, experienced directors, or specialised committees does not, by itself, guarantee superior outcomes. Rather, these attributes must be translated into effective monitoring, deliberation, accountability, and strategic oversight before they can plausibly influence organisational performance.

Accordingly, corporate governance effectiveness can be conceptualised as the mechanism through which board structure is converted into organisational value. This formulation also helps reconcile inconsistent empirical findings: similar board characteristics may yield different outcomes because effectiveness depends on institutional, organisational, and relational conditions.

5. Critical Gaps in the Literature

Despite substantial theoretical and empirical development, several important gaps remain. Initially, research on boards is fragmented across characteristics. Lu et al. (2022) show that much of the literature relies on descriptive methods and single theories, with few attempts to integrate different explanations. This fragmentation limits our understanding of how board traits work together and highlights the importance of viewing board structure as a cohesive system rather than as separate variables.

Second, empirical evidence remains mixed. Meta-analyses by Ahrens et al. (2026) and Farrell et al. (2026) show that the link between board characteristics and firm performance differs across various institutional contexts and measurement methods. This variability challenges the development of universal guidelines for board size, independence, or CEO duality and underscores the importance of contingency-based explanations.

Third, measurement issues persist. Behlau et al. (2024) highlight significant variability in how board diversity is measured and operationalised. Additionally, inconsistent definitions and measurement methods hinder cross-study comparisons and may lead to conflicting research results (Lu et al., 2022). Therefore, future research should focus on developing clearer conceptual frameworks and more robust theoretical bases for defining and measuring board characteristics.

Fourth, the literature still lacks sufficient focus on how board structures influence governance outcomes. Many studies move directly from examining board features to company performance, without delving into the governance processes that occur in between. This creates a significant gap in the theory regarding whether and how board structure enhances corporate governance before affecting overall performance.

Lastly, the institutional environment in emerging economies remains relatively underdeveloped. Governance mechanisms that work in developed markets may not be directly

applicable here, given differences in ownership concentration, regulatory enforcement, institutional capacity, capital-market maturity, and organisational norms, all of which can affect their effectiveness. This variation underscores the importance of studying board structures specific to emerging-market contexts such as Kenya.

6. Conceptual Synthesis and Proposition

The evolution of board structures reflects a shift from traditional organisational designs to a broader, multidimensional view of governance. Chandler (1962) offers the basic organisational-structure perspective; agency theory explains how boards oversee management (Jensen & Meckling, 1976); resource dependence theory highlights the importance of expertise, networks, resources, and environmental connections (Pfeffer & Salancik, 1978); and recent research includes structural, demographic, cognitive, leadership, and institutional factors (Behlau et al., 2024; Lu et al., 2022).

Recent evidence shows that no single board characteristic is universally ideal. Instead, the link between board features and performance varies with organisational and institutional contexts (Ahrens et al., 2026; Farrell et al., 2026). This supports a shift from viewing board structure through individual attributes to a focus on overall configurations.

This review treats board structure as a multidimensional governance framework, encompassing board size, independence, diversity, leadership structure, director expertise, and committee arrangements. Together, these factors shape the board's ability to monitor management, exercise independent judgement, provide strategic advice, handle complex information, mobilise resources, manage risks, and ensure accountability.

The central theoretical proposition is therefore: Board structure influences firm performance primarily through the effectiveness of corporate governance processes, but the magnitude and direction of these relationships depend on the organisational and institutional context.

This proposition provides a theoretically coherent basis for examining the relationship:

Board Structure → Corporate Governance Effectiveness → Firm Performance

The framework shifts the analytical emphasis from formal governance compliance to substantive governance capability. It further implies that future empirical research should examine not only whether particular board attributes are associated with performance, but also how, under what conditions, and through which governance processes those attributes generate organisational outcomes.

7. Conclusion

This review demonstrates that the relationship between board structure, corporate governance effectiveness, and organisational performance is considerably more complex than conventional governance prescriptions suggest. The evolution of board scholarship, from organisational

design perspectives through agency and resource dependence theories, has progressively broadened the understanding of boards from instruments of managerial monitoring to multidimensional governance institutions responsible for oversight, strategic advice, resource mobilisation, accountability, risk management, and the integration of organisational and environmental knowledge. Accordingly, board structure is best understood not as a set of independent characteristics, but as an interconnected configuration whose effectiveness depends on how its constituent elements operate collectively within a particular organisational and institutional context.

The review further shows that board size, independence, diversity, leadership configuration, director expertise, and board committees each have plausible theoretical implications for governance, but none can be regarded as a universally superior governance mechanism. The mixed and heterogeneous empirical evidence challenges the assumption that specific structural attributes automatically translate into improved organisational performance. In particular, formal compliance with requirements relating to independence, composition, leadership separation, or committee establishment does not necessarily constitute effective governance. Ultimately, what matters is whether these structural arrangements generate the capacity for independent judgement, informed deliberation, rigorous oversight, constructive challenge, strategic engagement, and effective accountability. The distinction between formal governance structures and substantive governance capability is therefore central to understanding why apparently similar boards may produce markedly different organisational outcomes.

A key contribution of this review is the proposition that corporate governance effectiveness is an important intervening mechanism between board structure and organisational performance. Rather than assuming a direct, deterministic relationship, the proposed framework—Board Structure → Corporate Governance Effectiveness → Firm Performance—recognises that structural characteristics acquire organisational significance through the governance processes they enable. This perspective offers a theoretically coherent explanation for the inconsistent findings reported in the literature: a particular board characteristic may create governance potential, but whether that potential is realised depends on the quality of board processes, director capabilities, institutional conditions, organisational dynamics, and the broader distribution of power and information.

The review also highlights important implications for both scholarship and practice. For researchers, the findings suggest moving beyond predominantly attribute-based models towards integrated, configuration-oriented approaches that examine interactions among board characteristics and the mechanisms through which they influence governance outcomes. Future empirical studies should give greater attention to mediation and contingency effects, employ more consistent measures of board characteristics and governance effectiveness, and incorporate institutional and organisational conditions into their analytical models. This is particularly important in emerging economies, where differences in regulatory enforcement, institutional capacity, ownership structures, market maturity, and organisational norms may substantially condition the effectiveness of formally prescribed governance mechanisms.

For practitioners and policymakers, the principal implication is that effective corporate governance cannot be achieved through structural compliance alone. Regulations and governance codes remain necessary because they set minimum standards and formal accountability arrangements; however, their value ultimately depends on implementation and the capacity of boards and organisations to translate formal requirements into substantive governance practices. Board appointments, independence requirements, diversity provisions, leadership arrangements, and committee structures should therefore be evaluated not merely by whether they exist, but by whether they enhance the board's capacity to question, deliberate, decide, monitor, and hold management accountable.

Overall, the evidence supports a shift from a compliance-oriented conception of board structure towards a capability-oriented conception of governance. The critical issue is no longer simply whether an organisation possesses the prescribed board characteristics, but whether those characteristics collectively create the institutional capacity required for effective governance. This conceptual shift provides a stronger basis for explaining variations in governance and performance and offers a more nuanced foundation for future empirical investigation. The central proposition emerging from the review is that board structure creates governance potential, corporate governance effectiveness converts that potential into substantive governance outcomes, and organisational and institutional context conditions the extent to which those outcomes translate into superior organisational performance.

Future research should therefore test this proposition empirically, particularly in emerging-market contexts such as Kenya, rather than assuming that governance models developed in different institutional environments will produce equivalent outcomes. Such research would advance the literature from asking whether particular board characteristics matter to examining how, when, and under what institutional conditions board structures become effective governance capabilities. This represents a more theoretically rigorous and empirically promising direction for contemporary corporate governance research.

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