

Independent Directors and Board Decisions

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Abstract : Research Question: The study, based on a survey, empirically tests the impact of the board's engagement in the decision-making process on firm outcomes. It also examines the moderating effect of board leadership and board independence on the relationship. Research Findings: Boards' engagement in the decision-making process is found to be vital for firm performance, wherein effective monitoring by the board outperforms their strategic guidance role in achieving desired outcomes. The separation of CEO and Chairman positively moderates the board's engagement in protecting stakeholders' interests, but lack of independence and passive behaviour of independent directors raises concern on the efficacy of independent directors. Theoretical Implications: The study provides the framework for process-oriented corporate governance research, where investigation of boards' behaviour inside the boardroom develops a deeper understanding of board processes. Practitioner Implications: The study highlights the necessity of developing boards' focus in a company on monitoring managerial actions. It suggests the need to separate the position of CEO and Chairman for addressing the interest of all stakeholders. It recommends policymakers review the existing mandate on board independence and create alternate monitoring mechanisms for addressing agency conflict.

Keywords : board, decision-making process, engagement, independence, leadership, innovation, stakeholders, firm performance, qualitative, India

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