

DO BOARD CHARACTERISTICS PROVIDE MORE ENHANCEMENT FOR FIRM FINANCIAL PERFORMANCE? A CORPORATE GOVERNANCE PERSPECTIVE

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How to cite: Alabdullah, T. T. Y., Ahmed, E. R., & Nor, M. I. (2019). Do board characteristics provide more enhancement for firm financial performance? A corporate governance perspective. *New Challenges in Corporate Governance: Theory and Practice*, 89-91. https://doi.org/10.22495/ncpr_25

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Received: 01.08.2019
Accepted: 08.08.2019
DOI: 10.22495/ncpr_25
Keywords: Corporate Governance, Board Characteristics, Firm Financial Performance
JEL Classification: G3, G32

Abstract

The aim of this study is to explore the link of board characteristics as a feature of corporate governance perspective and firm financial performance. This empirical study focuses on non-financial listed firms covering 65 industrial ones of the Jordanian non-financial sector. Multiple regression analysis instruments have been used to investigate the hypothesis on data collected for the year 2017. Accounting-based measurements have been utilized for measuring firm financial performance. On one side, empirical findings of the current study indicate that separation of CEO and chairman of the board is revealed to positively affect firm financial performance that helps in enhancing decision-making to improve firm financial performance, which also prior studies confirm its important (e.g., DeBoskey, Luo, & Zhou, 2019; Hoitash & Mkrtchyan, 2018); on the other hand, the findings indicate that board size is insignificant in its relationship with firm financial performance and this result is in line with some previous studies (e.g.,

Alabdullah, 2018; Alabdullah, Nor, Ahmed, & Yahya, 2018; Alabdullah, 2016a; Alabdullah, 2016b; Alabdullah, Yahya, Nor, & Majeed, 2016; Cabeza-García, Fernández-Gago, & Nieto, 2018; Galbreath, 2018), which in turn doesn't help in enhancing the performance. Results of the current study also reveal that firm financial performance is not related to board independence. The outputs of the analyses supported that firms responding with good corporate governance mechanisms, being as a very ancient system (Alabdullah, Yahya, & Ramayah, 2014a), might achieve higher firm financial performance (Sitorus & Murwaningsari, 2019; Lamoreaux, Litov, & Mauler, 2019; Alabdullah, 2016, 2017; Alabdullah, Yahya, & Ramayah, 2014b). This means that good corporate governance mechanisms alleviate the effect of agency costs. Yet, it leads to the notion that developing countries might possibly promote their firm financial performance by implementing good corporate governance mechanisms. Away from traditional system of previous studies and instead of utilizing a single measurement, a set of measurements of CG and firm financial performance mechanisms are used. Also, the sample of the current study also covers the majority of industrial firms in Jordanian non-financial sector.

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