The Impact of Corporate Governance on Corporate Performance – A Study of Technological Companies on the FTSE 250 London Stock Exchange

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Abstract: - The significance of effective corporate governance cannot be overemphasized, since it directly affects the entire functioning of a firm. Corporate governance is a brand theory concerned with the alignment of management and shareholder interests. This study examined the impact of corporate governance on corporate performance using the technological companies listed on the FTSE 250 London Stock Exchange. Board size, Board independence, and CEO duality were used to measure corporate governance while Return on Assets were used to proxy corporate performance. The research adopted a positive epistemological stance and an objective view of ontology as its guiding philosophy as these are most suited for this paper. Secondary data were obtained from the companies' annual reports and the London Stock Exchange website for a period of 5 years (2018 – 2022). The literature reviwed revealed that board size and CEO duality have a positive impact on the performance of technological companies in the UK FTSE 250. Hence, we concluded that corporate governance is one of the few ways of enhancing a company's performance. The study however, recommended that technological companies should assess their current board composition and consider appointing individuals with diverse backgrounds and skills. The focus should be on obtaining a balance that promotes innovation and informed decision-making without becoming unwieldy.

Key-Words: - Corporate governance, board size, CEO duality, board independence, corporate performance, Technological, FTSE 250.

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1. Introduction

Corporate governance is crucial in determining how businesses operate and succeed across industries. It includes a collection of guidelines, procedures, and mechanisms that direct organizational decision-making and control processes. The efficiency of corporate governance has a significant impact on a company's performance, affecting its long-term viability, financial stability, and capacity for expansion. The Cadbury report defines corporate governance as the framework that covers the procedures and techniques by which firms are directed and governed. Corporate governance is largely concerned with the obligations and duties of the board of directors, as well as their interaction with stakeholders, to attain success for the organization.

The [1] defines corporate governance as the intricate network of relationships between a company's management, board of directors, shareholders, and other pertinent stakeholders. Moreover, it functions as a structure for defining the objectives of the firm, as well as deciding on the tactics and approaches utilized to accomplish those objectives and assess advancement. Corporate governance refers to the application of systems within a firm with the objective of directing the organization toward boosting the long-term value of stakeholders and eventually improving overall company performance. The "Principles of Corporate Governance" are a set of guidelines established by the organization to aid policymakers in evaluating and improving the institutional, legal, and regulatory framework pertaining to corporate governance. The aim is to promote market confidence and integrity, economic efficiency, long-term growth, and financial stability. However, the six (6) principles of corporate governance are interlated there is can the structured as follows.

Source: [2]

The significance of effective corporate governance cannot be overemphasized, since it directly affects the entire functioning of a firm [2]. Transparent and resilient governance frameworks are crucial for instilling trust among many stakeholders, including investors, employees, consumers, and regulatory authorities[2], [3]. Such a high degree of confidence enables greater availability of financial resources, enhanced commercial collaborations, and improved operational efficiency. In contrast, inadequate corporate governance standards can lead to ethical violations, financial mismanagement, and reduced competitiveness, consequently jeopardizing the organization's reputation and future growth prospects [1].

This paper seeks to examine the impact of corporate governance on the corporate performance of technological companies listed on the FTSE 250 of the London Stock Exchange for a period of 5 years from 2018 – 2022. Board size, independence ratio, and CEO duality were used as a proxy for corporate governance while return on assets (ROA) was used as a proxy for corporate performance.

2 Background of the Study

The emphasis on corporate governance has varied over the century in response to different concerns and crises that have emerged in the corporate business sector. Over time, the concept has evolved to encompass a more comprehensive perspective, encompassing the entirety of corporate management. The convergence of management and shareholder interests has encountered challenges pertaining to legal and ethical matters [4]. In the twentieth century, there were many attempts to address these problems related to the delegation of authority and develop a robust framework for managing corporations. The Enron collapse in the US in December 2001, which resulted in the dissolution of Andersen, a former member of the Big-Five accounting firms, and subsequent scandals such as the collapse of WorldCom, has prompted discussions regarding the need for stricter regulation, not only in corporate governance but also in accounting and audit practices. This occurrence led to many countries in the world establishing corporate governance standards to regulate the activities of companies. Also, the collapse of the Bank of Credit and Commerce International (BCCI) gave birth to the evolution of corporate governance in the United Kingdom. The UK government thereby set up a committee responsible for issuing corporate governance standards that companies are voluntarily required to comply with. The UK Corporate Code does not establish a rigid set of rules, rather it provides flexibility through the application of Principles called the 'comply or explain' principle.

This principle enables companies to comply or gives reasons for non-compliance and provides a clear rationale for the action the company has taken. According to the Financial Reporting Council, there was a decline in full compliance from 2020 – 2022. While 58 companies claimed full compliance in 2020, 36 companies claimed in 2021, and 27 companies claimed in 2022. Also, the Council reported that there was no significant change in the rate of non-compliance with provisions compared to 2021 to 2022. However, there was a significant increase in non-compliance to the principle of compliance and explain as the companies either give no or inadequate reasons for non-compliance.

In 1992, the Financial Reporting Council, which serves as the regulator of the accounting profession, released a Cadbury Report to regulate and monitor the activities of companies listed on the London Stock Exchange (LSE). The London Stock Exchange enables companies to issue capital for expansion and the listed companies' performances are measured with indexes. The LSE indexes comprise of All share index, FTSE 100, FTSE 250, and FTSE 350. The Financial Times Stock Exchange (FTSE) Group is a financial institution that focuses on overseeing asset exchanges and developing index solutions for the worldwide financial markets. It is owned by the

London Stock Exchange (LSE). The FTSE 250 index comprises the top 101st to 350th companies by market capitalization and for the purpose of this research, we will be considering only the technological companies on the FTSE 250 index. The technology industry has experienced quick improvements and disruptions, necessitating robust governance systems to manage new risks, guarantee moral behavior, and promote sustainable growth.

2.1 Purpose of the Study

The purpose of this study is to examine the influence of corporate governance factors on the financial performance of companies. The results obtained from this study will be relevant to a variety of stakeholders, including investors, regulators, executives, and legislators to make an informed decision. Investors may make wise investment decisions, manage risks, and optimize portfolio allocation with the help of a thorough grasp of how corporate governance affects company performance in the technology industry. Additionally, it can increase accountability and openness in the investing process, boosting investor confidence. For example, [3], discovered that better-governed firms are generally more profitable, are more valuable, and pay out more cash to their shareholders, especially those with better executive and director compensation. [4] also discovered that firms with better governance experience a much higher improvement in their ROA after receiving a CEO award.

Furthermore, it can help regulators and legislators improve current corporate governance laws, establish sector-specific regulations, and successfully deal with new difficulties. Regulatory agencies may create an atmosphere that is favorable for good corporate governance practices, fostering financial stability and sustainable growth, by having a thorough awareness of the unique dynamics and requirements of the technology sectors.

Finally, the findings derived from this study will contribute significantly to the current body of information concerning the influence of corporate governance on the success of technology firms in the United Kingdom and globally.

2.2 Aims of the Study

The aim of this study is to examine and evaluate the impact of corporate governance on the performance of technological companies listed on the FTSE 250 London Stock Exchange. The evaluation will entail the examination of diverse governance issues and elucidate the influence on key performance indicators and financial metrics.

2.3 The Research Questions

This study aims to provide answers to the following research questions:

1. What impact does the board size have on the performance of technological firms on the FTSE 250 LSE?
2. What are the effects of the board independence ratio on the performance of technological firms on the FTSE 250 LSE?
3. How does CEO duality impact the performance of technological firms on the FTSE 250 LSE?

2.4 The Research Objectives

Based on the research questions, this study aims to achieve the following objectives:

1. To determine the impact of board size on the performance of technological firms on the FTSE 250 LSE.
2. To assess the effects of the board independence ratio on the performance of technological firms on the FTSE 250 LSE.
3. To evaluate how CEO duality impacts the performance of technological firms on the FTSE 250 LSE.

3 Conceptual Framework

The paper aims to examine and evaluate the impact of corporate governance on corporate performance. Corporate governance serves as the independent variable while corporate performance serves as the dependent variable. Board size, board independence, and CEO duality serve as proxies for corporate governance while corporate performance is a proxy by return on assets. A visual representation of the framework is presented below.

3.1 Impact of Board Size on Corporate Performance

Board size is an important variable that has been significantly used by many researchers to proxy corporate governance. Upon reviewing previous research, it was noted that authors such as [2], [3], [4], [5], [6] and [7] utilized board size as a variable in their studies. The board size refers to the number of directors serving on the board. Extensive studies have been conducted on the correlation between the size of a company's board and its profitability, as measured by Return on Equity (ROE) and Return on Assets (ROA). An understanding of this connection is crucial for achieving optimal board composition and effective decision-making inside organizations. Once the idea of boards is acknowledged, it is commonly assumed that a bigger board is more desirable. This allows for the inclusion of a wider range of board members with diverse areas of expertise. However, a larger board also leads to greater challenges in terms of coordination and communication. As a result, the effectiveness of the board in overseeing agents is compromised [7].

[8] found that large board size had a strong negative impact on profitability and share returns in the UK. They examined a sample of 2746 firms listed in the UK from 1982-2002 and found evidence, using various econometrics models, that the problems of poor communication and decision-making undermine the effectiveness of large boards.

[3] examined the influence of board size on the financial performance of companies in the manufacturing industry of Borsa Istanbul (BIST). The [9] robust estimator was utilized to determine a positive correlation between board size and return on assets. However, [10] conducted a study using a sample of 372 businesses from the US S&P 500 index between 2013 and 2017. They employed empirical research methodologies to examine the correlation between the size of corporate boards and corporate performance. The findings indicate an adverse relationship between the size of the board of directors and the performance of the corporation.

[11] also examined the impact of board composition on financial performance by analyzing forty-six firms that were listed on the Nairobi Securities Exchange in 2011. The board size was utilized as a proxy for the board composition, while the financial performance was assessed using return on assets, return on equity, and dividend yield. The study utilized multivariate regression analysis on panel data and discovered a negative correlation between board size and financial performance. In contrast, [12] discovered a favorable association between the size of the board and financial performance using regression analysis, descriptive statistics, and correlation. The study employed Corporate Sustainability Disclosure Compliance (CSDC) data from Nigeria over the years 2011 to 2017. The study employed board size, board independence, gender diversity, and audit committee as independent variables, while employing return on assets and return on equity as dependent variables. The study suggests doing qualitative research utilizing interviews to investigate other aspects that impact CSDC. The data should be collected directly from stakeholders in the Nigerian private sector.

[5] argues that an increase in board size will make it increasingly challenging for board members to establish an agreement, mostly because of the greater variety of viewpoints and ideas. Consequently, boards that are of a larger size have a slower pace and less effectiveness in decision-making. These acts have the potential to exacerbate agency conflicts since less coordination and communication might diminish the board members' capacity to oversee and regulate management, perhaps leading to subpar business performance. Similarly, [7] contends that the generation and acceptance of novel ideas and the consensus on divergent viewpoints are less probable in larger boards. Consequently, this hinders the enhancement of the board's efficacy in furnishing managers with valuable ideas and contributions.

[13] employed fixed-effects models to show a U-shaped relationship between board size and company value and discovered that tiny or big boards might be harmful. However, [14] discovered a nonlinear relationship between board size and ROE, highlighting the significance of choosing the right board size.

According to [15], big boards are characterized by less coherence and worse communication, which might hinder the board members' capacity to effectively supervise the management. This leads to a more significant agency problem and incurs expenditure, ultimately leading to decreased business performance. This leads to a more significant agency problem and incurs expenditure, ultimately leading to decreased business performance. Therefore, in relation to the issue of agency, having many board members results in an increased occurrence of directors' free-riding difficulties, which in turn leads to higher expenses associated with sharing responsibilities and greater internal disputes among directors. Consequently, these issues will lead to a rise in the agency’s problems, resulting in reduced returns and poorer business performance. Nevertheless, smaller boards tend to exhibit CEO domination, as the heightened authority of CEOs in these boards allows them to disregard decisions made by the board that align with their own interests. This exacerbates agency issues and consequently weakens the firm's performance [16]. This finding further supports the proposition of resource dependency theory, suggesting that larger boards, in part because of their effective connections and diversity, enhance the likelihood of a firm's performance by improving its ability to adapt to a volatile environment.

According to resource dependency theory, having a diverse and cohesive board of directors can improve a company's performance, especially in difficult market conditions. This idea is supported by studies conducted by [16], [17] and [18]. On the other hand, smaller boards that lack strong connections may struggle to access credit. In addition, the presence of big boards helps to address the agency's problem by enhancing their ability to carry out strategic functions more efficiently. This is particularly important during times of financial instability or difficulty, as it helps to minimize agency difficulties [19].

According to [20], larger boards afford directors the ability to participate in more substantive deliberations and facilitate more extensive prospects for collaboration with external stakeholders. An additional critical function of a sizable board is to enhance decision outcomes through the facilitation of ideas and contribution sharing. Consequently, novel concepts and viewpoints are formed, potentially aiding in the mitigation of the agency problem and ultimately enhancing performance [21]. Regarding the correlation between the extent of a company's board and its success, the available data is equivocal. An inverse correlation was identified by [22] between the magnitude of the board and the value of the organization. They stated that financial markets exhibit a favorable reaction when a reduction in the size of the board is announced. On the other hand, the declaration of augmenting the quantity of directors on the board results in a decrease in the equity value. They asserted that this is not a universal framework that can be universally applied to all firms, as it does not follow a linear pattern. It was determined that small and medium-sized enterprises were adversely impacted, but large companies were unaffected by the same issue.

3.2 Impact of Board Independence on Corporate Performance

In the realm of corporate governance, an independent director refers to a board member who lacks direct affiliation with the company, does not have a position in its executive team, and is not engaged in the day-to-day functioning of the organization [7] The board aims to preserve its independence by appointing external directors, often known as independent directors, to serve on the board. Independent directors can oversee the actions of executive directors and other important staff members to safeguard the interests of stakeholders [5] and [23]. Independent directors primarily fulfill the role of monitoring the activities of executive directors. Hence, the membership of the board necessitates a suitable balance of dependent and independent directors to promote efficient board governance [24]. The competence of the directors is also a crucial aspect that requires consideration. The selection of the director should be based on their experience, skills, knowledge, and qualifications. While the concept of board independence is commonly employed by academics, others utilize terms such as board composition, independence ratio, and non-executive directors (NEDs) to convey the same concept.

[26] assessed the relationship between board characteristics and financial performance of 50 companies listed on the Nairobi Stock Exchange. The study used board size, board composition, and CEO duality as a proxy for board characteristics while ROA and Tobin's Q were used for financial performance. The study sourced data from annual reports and financial statements and then analyzed them through regression analysis and descriptive statistics. It was revealed that board composition positively impacts financial performance. Hence, the result indicates that outside directors in the board composition will influence the performance of companies. Meanwhile, a research study of listed companies listed on the Nairobi Stock Exchange found an insignificant impact of independent board members on financial performance. The research was conducted by [27] used a census survey for data collection and multivariate regression analysis on panel data for data analysis.

In a study conducted by [28], the correlation between the membership of the board of directors and the performance of Chinese companies was assessed. The study focused on all 530 firms that are listed on the Shanghai and Shenzhen Stock Exchange. The research proxy returns on equity and sales growth to assess business performance. The researcher utilized the weighted generalized least squares approach to analyze the data and determined that the increase in the number of independent members on the board had no impact on either the return on equity (ROE) or sales growth. Furthermore, certain studies have discovered an adverse correlation between board independence and financial performance. These studies contend that an addition in non-executive directors (NEDs) does not influence a company's performance since NEDs are only part-time and lack the necessary insider knowledge about the business. Consequently, they may not possess the competence required to fulfill their assigned responsibilities.

[29] did a study examining the correlation between board independence and the financial performance of industrial businesses listed in Nigeria. The study included a combination of primary and secondary data, utilizing both descriptive and inferential statistical methods. The findings have shown the existence of a substantial positive linear correlation between board independence and the financial performance of industrial businesses listed in Nigeria. The study determined that the implementation of a comprehensive board has a beneficial influence on the financial performance of organizations.

Agency theory asserts that effective monitoring systems are essential to safeguard shareholders of the self-interest of management, and the most optimal regulators for this purpose are non-executive directors (NEDs). Consequently, a greater percentage of non-executive directors (NEDs) on board is anticipated to result in enhanced oversight and, as a result, decreased agency issues [18], [30] and [31]. Several writers have referenced other characteristics of NEDs, namely, [32], [33] and [34]. [34] contended that executives bring valuable expertise and specialized knowledge to boards, but their actions may be driven by self-interest, which can harm the firm and its shareholders. On the other hand, non-executive directors (NEDs) offer impartial oversight and contribute to enhancing firm performance, although they possess less in-depth understanding of day-to-day business operations compared to executives. Research suggests that a board of directors that is diverse, diligent, and powerful has a beneficial influence on the value of a corporation. This is mostly because it leads to better strategic decision-making and innovation [37].

[36] recognized the enhanced monitoring role of non-executive directors (NEDs) and their duty as enforcers of managerial discipline. However, they could not discover any substantial correlation between the proportion of NEDs on board and business performance. According to [37], having a higher percentage of non-executive directors (NEDs) increases the control that boards have over CEOs. This aligns with the monitoring role of boards in agency theory, which supports the idea that having NEDs is beneficial for protecting shareholders' interests and supervising executive actions [18] and [38].

Additional theoretical approaches, beyond agency theory, have been utilized to elucidate the functions and structure of boards. The resource-based approach emphasizes the service function of boards, where they act as a strategic resource to fulfill essential business needs and are accountable for managing inter-organizational interdependence [39] and [40]. From the perspective of resource dependence, the internal resources and capabilities of firms are crucial for gaining a competitive advantage. The board, especially non-executive directors (NEDs), plays a fundamental advisory role in this regard by bringing external knowledge and skills to the management team. From the resource-dependence perspective, non-executive directors (NEDs) primarily serve to support the CEO by addressing the CEO's resource and service requirements [41]. This includes compensating for whatever shortcomings the CEO may have [42]. The board's advising function is closely linked to its service role and strategic networks [38].

Non-executive directors (NEDs) serve as intermediaries between the external and internal contexts of companies to improve management operations [43] and [44]. This elucidates the reason why non-executive directors (NEDs) are usually influential and distinguished individuals who utilize their personal connections to enhance the standing, credibility, and eventually the worth of companies [39] and [40]. Non-executive directors (NEDs) help address the shortage of human resources sometimes seen in complicated organizations, hence enhancing decision-making and boosting oversight. Therefore, it is anticipated that Non-Executive Directors (NEDs) will play a role in resolving conflicts or disagreements between managers and owners, with the aim of increasing the value of shares held by shareholders and eventually enhancing the overall performance of the company. Stewardship theory posits that non-executive directors (NEDs) are less effective at overseeing managers compared to insider directors because they lack a specialized understanding of a company's internal processes.

[45], [46], [47], [48] and [49] contend that non-executive directors (NEDs) often work part-time, which compromises their capacity to oversee and provide guidance to the board due to their limited access to information. Furthermore, the lack of knowledge about daily operations hampers the NEDs' effectiveness in fulfilling their role. A board that is predominantly composed of non-executive directors (NEDs) with high levels of influence will lead to choices of worse quality, thereby having a detrimental effect on the performance of the organization. [36] and [50] contend that non-executive directors (NEDs) frequently suffer from a lack of knowledge about the business, lack the necessary expertise for the role, and are too preoccupied with their own enterprises to make meaningful contributions. This might potentially diminish their monitoring role, since it may lead to a situation where management behavior is focused on personal objectives rather than the interests of shareholders and the firm. This will exacerbate the agency problem, resulting in a detrimental effect on business performance. [47] and [51] and indicate that non-executive directors (NEDs), due to their part-time status, lack familiarity with the company's operations and business. Consequently, they struggle to fully grasp the complexities and challenges that the firm encounters.

According to [52], NEDs have challenges in enhancing corporate performance due to many factors. Firstly, in certain firms, there may exist private relationships between the chief executive director and the non-executive directors (NEDs), which therefore diminishes the contributions made by the NEDs. Furthermore, the extended tenure of certain Non-Executive Directors (NEDs) on specific boards diminishes their motivation to carry out their responsibilities in a constructive manner. Furthermore, on certain boards, the Non-Executive Directors (NEDs) may have positions as executive directors in other firms, therefore diminishing their motivation to fulfill their duty effectively. While agency theory proposes that the presence of non-executive directors (NEDs) enhances the performance of a corporation, empirical studies have shown inconsistent findings [53], [54] and [55] In their study, [54] investigated how individuals from outside a company influence the success of small family enterprises (SFFs) in Italy. They assessed performance using two indicators: return on assets (ROA) and return on investment (ROI). The study analyzed a sample of 950 SFFs from 2007 to 2009. They discovered that there is a positive relationship between the two indicators and NEDs performances.

3.3 Impact of CEO Duality on Corporate Performance

CEO duality refers to the situation where an individual simultaneously serves as both the Chief Executive Officer (CEO) and the chairman of the board of directors of a company. Agency theory posits that the division of responsibilities between the CEO and the board chairman leads to enhanced performance because of improved monitoring and oversight. The stewardship idea argues that efficient management relies on the notion of unity of command. Essentially, when a single individual is entrusted with duties and decision-making authority, it can enhance their understanding and experience in corporate operations, leading to more informed judgments. This, in turn, reduces agency costs and positively impacts the performance of the organization [7] and [56] The UK combined code of 2022 mandates a distinct separation of duties between the executive's duty and the board's management for overseeing the company's operations. Unfettered decision-making ability should not be vested in an individual.

[57] examined the effect of CEO duality on company performance by employing the life-cycle theory methodology. The study utilized a sample of 442 publicly traded firms in Vietnam from 2012 to 2018. The results obtained through the application of the system generalized method of moments (GMM) indicate that the presence of a CEO holding both the positions of CEO and chairman of the board had a beneficial impact on the performance of the company during its growth stage but had an adverse effect during the mature stage of the company's life cycle. Concurrently, research conducted in Vietnam on firms that are listed publicly reveals a favorable correlation between CEO duality and the performance of the organization. [58] conducted research utilizing the Feasible Generalized Least Squares (FGLS) method on a dataset of 177 publicly traded firms in Vietnam. The analysis included a period of 5 years, from 2008 to 2012. This outcome is consistent with the stewardship idea, which suggests that a company's performance may be enhanced by limiting considerable decision-making authority to a single individual.

[59] conducted empirical research to examine the relationship between corporate governance and the financial performance of technical businesses that are listed on the NASDAQ stock exchange. The financial performance was assessed by utilizing the return on equity (ROE) and the return on assets (ROA) as indicators. Meanwhile, corporate governance was evaluated based on criteria such as seniority, duality, CEO salary, independence, size, and gender diversity. The study utilized multivariate regression models and implemented generalized least squares (GLS) together with standard error correction for heteroskedasticity using White's approach. The study revealed a detrimental correlation between CEO dualism and financial success. This suggests that delegating substantial decision-making authority to an individual can have a detrimental effect on a firm’s performance. Conversely, as stated by [32] when the chairman holds the position of CEO as well, he may share his expertise with the directors, enabling them to fulfill their advising responsibilities more efficiently. Consequently, the presence of duality is more likely to have a favorable impact on the performance of the company.

[60] examined how the presence of a CEO holding both the positions of CEO and chairman affects the performance of 347 enterprises listed in Malaysia. According to their analysis, separating the two positions will lead to enhanced financial performance. In a study conducted by [26], they examined 127 initial price offerings (IPOs) firms in the Middle East and North Africa. Their objective was to explore the connection between initial underpricing and CEO duality. The findings revealed that companies, where the CEO holds both roles, are more susceptible to experiencing underpricing. This discovery reinforces the perspective of the agency that separating the two positions will eliminate the limitations on the board member's ability to properly oversee and control the opportunistic conduct of the management.

Conversely, several other research [61], [62], [63] and [64] have discovered a favorable correlation between CEO duality and business success. According to [61], integrating the roles results in improved decision-making without any external intervention. According to [62], CEO duality promotes a cohesive leadership structure in the company, which enhances comprehension and expertise. These findings support the notion that having a CEO who also serves as the chairman of the board improves decision-making by prioritizing the company's goals and ultimately enhancing performance. In his study, [48] examined a sample of 25 Canadian enterprises from 1976 to 2000 and found no significant effects on sales, return on sales, assets turnover, and sales efficiency. Furthermore, [60] discovered no substantial correlation between CEO duality and business performance, as evaluated by Tobin's Q, among 347 Malaysian listed companies. In contrast, [65] saw no discernible influence of CEO duality on the financial performance of 81 South African listed enterprises between 1999 and 2005.

3.4 Theoretical Review

3.4.1 Agency Theory

The dynamics between principals (shareholders) and agents (the board of directors and executives) inside a firm may be more comprehensively analyzed by employing the conceptual framework offered by agency theory. It highlights potential conflicts of interest that might arise when agents act on behalf of principals but may have divergent aims and intentions. Agency theory examines the tension between the principal and the agent that arises from the agent's role as a representative of the principal. In the framework of corporate governance, the agent, who is the management, acts on behalf of the principal, who is the shareholder. The agency dilemma refers to a fundamental.

The principal-agent dilemma arises when there is a divergence of interests between a principal and an agent. Corporate governance aims to mitigate conflicts by implementing robust corporate regulations and procedures that enable the board of directors to limit the excessive authority held by management. Moreover, the agency theory centers on a system of government that emphasizes checks and balances. For example, this entails that the CEO and Chairman of the Board are separate individuals. According to [58] the agency theory is crucial in understanding how the board of directors influences corporate performance.

[66] argues that the agency theory is no longer sufficient to justify the concept of the firm as a social enterprise. Nevertheless, the research consistently supports the notion that the agency theory is the most suitable framework for analyzing and conceptualizing corporate governance procedures. The division of control and ownership in publicly traded corporations can lead to an agency issue between shareholders and management. The division of power and ownership in publicly traded firms has led to agency issues, prompting the implementation of various corporate governance procedures to address them. Corporate governance mechanisms, such as information disclosure to the stock exchange, rules against insider trading, the experience of board members, and the rotation of auditors, were implemented to address the agency problem between managers and shareholders. The purpose is to ensure that managers act in the shareholders' best interest [67]. The agency theory is utilized to examine the mechanisms of corporate governance being analyzed in this research.

Regarding the corporate governance mechanisms of the board of directors, which include board size, CEO duality, and non-executive directors (NEDs), agency theory suggests that NEDs have a crucial function in overseeing and supervising executives. This is based on the belief that NEDs are independent and motivated by their own reputations. Non-executive directors (NEDs) may enhance the value of enterprises by leveraging their external knowledge and skills, as well as by fulfilling their monitoring responsibility, as suggested by [18] and [31].

According to resource dependence theory, improved business performance can be ascribed to the involvement of non-executive directors (NEDs), who make strategic planning and investment decisions, in addition to their networking capabilities with other stakeholders and the external environment. A direct and positive correlation is postulated by both resource dependency theory and agency theory between the presence of non-executive directors (NEDs), which represents board independence, and firm performance. On the other hand, stewardship theory posits that insider directors are more apt at overseeing management than non-executive directors (NEDs) owing to their profound comprehension of the organization's operations [45].

Furthermore, according to stewardship theory, the limited role of non-executive directors (NEDs) as part-time or ceremonial figures often hinders their ability to effectively supervise and significantly diminishes their impact on making decisions [48]. Therefore, unlike the two other theories, stewardship theory posits that non-executive directors (NEDs) are likely to have a negative impact on corporate performance.

3.4.2 Stewardship Theory

Stewardship theory emphasizes the use of psychological and sociological approaches to supervision, as opposed to the economic methods employed in agency theory. The former perspective posits that members of an organization possess a positive shared identity that fosters trustworthy conduct [68]. [69] agree that financial gain is not always the only motivation for management behavior. They also argue that managers need some level of discretion to successfully oversee the organization on behalf of shareholders. Therefore, stewardship theory does not consider separate ownership to be a weakness, as it assumes that managers naturally exhibit cooperative behaviors. These behaviors are influenced by various motives other than financial gain. [18] found that internal board member managers are more prevalent than external directors in large organizations, as the former had a greater understanding of organizational operations.

The stewardship argument suggests that agents are deterred from acting against the owners' interests due to their own concerns about reputation and career advancement. As a result, agency costs should naturally be reduced [70]. The impact of stewards on corporate performance is influenced by socio-cultural and psychological elements within the setting, as stated by [71]. There is a positive correlation between enhanced work satisfaction and empowerment among managers and improved performance, both of which are psychological factors. Managers, like most workers in a successful organization, usually see themselves as representatives of the organization. They view the authority given to them by their superiors to help the organization and its employees accomplish its goals. From a situational standpoint, it is expected that managers would work at their best in an involvement-oriented setting, where the duties, control, and thinking are integrated into a unified process.

The collectivist orientation of the organizational culture will inevitably affect the long-term commitment and loyalty that managers have toward the company [71]. The stewardship hypothesis argues that a board dominated by insiders is more successful because insiders possess a greater understanding of organizational operations, including access to data and technical competence [69]. In addition, the combination of CEO and Chairman roles is expected to enhance leadership and control, especially in decision-making and strategic matters such as investments, resulting in increased effectiveness [62]. Due to their extensive and profound understanding of the day-to-day activities of companies, the judgments made by inside directors are more well-informed. Stewardship theory suggests that executive directors are more desirable than non-executive directors (NEDs) because they possess a more precise understanding of the company's performance. By having a smaller number of inside directors, boards lack a comprehensive understanding of the company's current state and progress. As a result, they heavily rely on information provided by the management, without having sufficient contextual knowledge to make decisions independently from the managers' recommendations.

Non-executive directors (NEDs) also face the same issue of limited knowledge as the rest of the board. Stewardship theory suggests that boards with a smaller number of insider directors are less likely to enhance business performance compared to boards with more insider directors. This is because such boards have a limited capacity to oversee managers and are prone to make less informed judgments.

3.4.3 Resource Dependence Theory

The resource dependency hypothesis has a predominantly materialistic approach and places less emphasis on the organization itself. Its focus is on the ability of companies to get resources, such as knowledge and financial assets. Resource dependency theory posits that corporate governance institutions, such as the board of directors, have an impact on a firm's ability to obtain resources that are crucial for its success [39]. This theory posits that an organization cannot be self-sufficient, and thus, must collaborate with external stakeholders to acquire resources such as labor, capital, or knowledge. The concept of resource dependency theory provides robust endorsement for the inclusion of a considerable proportion of non-executive directors (NEDs) on a board, on the grounds that they contribute a more extensive array of expertise and knowledge. Furthermore, an increase in the number of non-executive directors (NEDs) serves to bolster the board's standing and facilitates connections with the external community [72] and [55]. Non-executive directors (NEDs) possess the ability to augment entry points to information, capital, and political and business contacts. This is accomplished through the enhancement of connections with external stakeholders, including but not limited to customers, governments, suppliers, purchasers, and creditors. As a result, non-executive directors (NEDs) enhance resource accessibility, thereby facilitating more economical procurement of inputs and ultimately benefiting the performance of the organization.

[39] and [40] contended that the composition of the board, including its size and the background of its outside directors, plays a crucial role in effectively addressing the company's future capital requirements and managing environmental uncertainties.

[73] argue that diversifying the board can enhance the firm's survival prospects by leveraging the interchange of resources between the company and its external environment. Furthermore, they assert that the inclusion of external directors would enhance the

organization's operational plans by offering the company fresh insights and views, eventually leading to improved financial performance. [74] validated [73] research by asserting that companies' connections enable them to safeguard their corporate interests when faced with environmental unpredictability. Furthermore, the resource dependency theory elucidates the strategies employed by corporations to acquire financial resources. Companies facing solvency issues are strongly recommended to have financial institution representation on their boards [81]. Nevertheless, if the company has substantial bank debt, it is probable that it would designate a representative from the creditor bank to join the board to streamline the process of obtaining financial resources. Put simply, it is a more convenient means of obtaining credit [82].

According to [83], there is a notable correlation between the identity of financial representatives and a firm's borrowing strategy. In addition, [84] found that companies frequently desire to appoint finance directors to the board in the event of declining stock prices or deteriorating business performance. Furthermore, it is advisable to substitute inner directors with seasoned outside directors when the firm's performance deteriorates [35]. The resource dependency hypothesis leverages the external connections of the board to enhance the firm's worth and optimize its performance [71] and [85]). [86] asserted that emerging market nations experience limited access to capital, elevated expenses, underdeveloped financial markets, and fluctuations in economic growth. The circumstances result in a disparity of resources between companies in developing countries and those in mature ones. Consequently, corporations are compelled to devise innovative strategies to use the external connections of their board members. Put simply, it is crucial for enterprises in emerging nations to establish connections with foreign resources.

3.5 Corporate Governance Issues in Developing Countries

[87] and [88] contend that corporate governance in emerging markets has recently garnered significant interest because of the deficiencies in corporate governance seen in developing nations. These deficiencies have been a key factor contributing to a sequence of economic crises that have impacted these countries. Emerging markets typically possess robust physical financial infrastructure, such as central banks, commercial banks, and stock exchanges. However, they often lack well-established accounting, governance, regulation, and other financial infrastructure processes and systems. Additionally, these markets tend to be less efficient and have lower liquidity compared to the world's most advanced financial systems. These disparities result in increased unpredictability and vulnerability, and they amplify the potential for global diversification among investors from all nations worldwide.

[74] argues that emerging economies have several issues, such as risk and uncertainty, political instability, inadequate laws, extensive government interference, and insufficient investor protection. Therefore, it is imperative to implement efficient corporate governance frameworks. Several proposed measures aim to enhance governance structures, such as strengthening and increasing transparency in capital market systems to bolster investor confidence, improving the performance of local companies, and promoting growth by prioritizing equity over debt. Moreover, inadequate corporate governance and the intimate nexus between business, banking, and government are significant factors contributing to the prevalence of crony capitalism [75]

The efficacy of law enforcement is contingent upon the caliber of public governance, and several manifestations of corruption can flourish in the presence of feeble public administration. The elements mentioned above have an impact on corporate transparency and the quality of corporate governance. In general, a poor legal framework for business might hinder the growth of the financial market [89]. Free capital is frequently allocated to new firms under the control of owners, which can potentially result in the expropriation of wealth by these shareholders and have detrimental effects on the financial well-being and performance of the company [76]. The difficulties encountered by companies are mostly influenced by the general level of advancement of the political economy and the existing ownership frameworks for institutions [30]. [77] and [78] contend that ownership concentration is substantial in emerging countries, where shareholder rights are undermined by insufficient or inadequate regulatory frameworks.

In nations characterized by a limited number of dominant shareholders, the presence of agency difficulties arises due to a lack of harmony between managers and owners. Consequently, agency problems are inevitable regardless of the size of the shareholders. Agency difficulties may arise when there is a.

[79] posited that in situations where ownership is concentrated, significant shareholders who have control over the company play a crucial role in reducing agency problems. These shareholders possess the necessary incentives, motivations, and capabilities to oversee managers, ultimately

benefiting all shareholders, regardless of their size. Conversely, a significant majority of shareholders may conspire with management to unlawfully seize the company's assets and prioritize their own gain. This behavior exacerbates the issues of agency and ultimately leads to diminished corporate performance [80].

4 Conclusion

In summary, there were mixed results on the impact on board size and financial performance. While several research suggestions suggest a substantial correlation, others have discovered an insignificant or negative correlation between the two variables. While some studies suggest that having an average of 6 to 8 board members can have a favorable influence on a company's success, others believe that the number of board members does not affect the company's financial performance. Furthermore, although certain researchers have determined that small board size is most appropriate for small companies and can be expanded as the company grows, others argue that regardless of the company's size, it is beneficial to maintain a small board size [90]. This is because it reduces communication and coordination costs, thereby enhancing the board's efficiency and maximizing shareholders' wealth [89].

Regarding board independence, it is evident that most of the research has discovered a favorable correlation between board size and financial success. Several academics have determined that external board members frequently enhance a company's success by overseeing and supervising the actions of internal directors. Subsequent studies have found that the presence of more external directors does not have a statistically significant effect on a company's success. Nevertheless, as stated in the UK Cadbury report, larger corporations are obligated to have an equivalent number of directors.

Empirical findings regarding CEO duality reveal divergent viewpoints. Some scholars contend that merging the positions of CEO and chairman of the board will have a positive impact on company's success [91]. Conversely, others assert that entrusting these influential roles to a single individual may result in the abuse of power, potentially impeding the company's progress.

Based on the available empirical research on the influence of corporate governance on company performance, it is evident that most researchers focused mostly on poor countries and neglected to study wealthy nations. Furthermore, due to the limited number of studies conducted on technology sectors, our research focuses only on technological sectors in the United Kingdom.

Areas for Further Studies

Despite the importance of this research work, this work leaves room for further studies. This study was basically conducted among technological companies in the UK FTSE 250 LSE which leaves room for future research to explore other indexes of the LSE such as FTSE 100. Furthermore, this study only focused on technological companies that had been listed on LSE FTSE 250 in the 1990s leaving the newly admitted technological companies. Further studies may seek to address this by conducting a comparative analysis between the corporate governance measures of old-listed technological companies and the newly listed technological companies. This will help to provide a more comprehensive understanding of how corporate governance practices have evolved over time within the technological sector. Additionally, future research could also explore the impact of different corporate governance structures on the financial performance and long-term sustainability of technological companies, as well as investigate the role of external factors such as regulatory frameworks and market conditions in shaping corporate governance practices in the sector. This will enable the study to contribute to a more nuanced and complete body of knowledge on corporate governance in the technological industry.

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Contribution of Individual Authors to the Creation of a Scientific Article (Ghostwriting Policy)

- Ayodele Adetuyi: Introduction and literature review
- Ripon Mahmud: Conclusion and review
- Mariam Adeoye: Introduction and literature review
- Chikodi Uche-Ugwu: literature review
- Taha Mohebbi: Review and referencing
- Uduak Abraham: Review and referencing Sources of funding for research presented in a scientific article or scientific article itself

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