



# Boards of Directors and Corporate Governance Outcomes: A Literature Review

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**Abstract:** Using an extensive database of n=117 references, this volume explores the relationship between the composition of a company's board of directors and observed outcomes of its governance. The papers are organized around six central themes: (a) board diversity, (b) board independence, (c) board size and structure, (d) board capital and resource dependence, (e) boards and innovation, and (f) boards and CSR. The themes together reflect the multiple roles that boards are meant to play in enhancing legitimacy and stakeholder trust, creating, monitoring, enforcing accountability, achieving efficiency and representation, accessing capital and other resources, and sustaining long-term value. Our discussion of the paper brought together these issues. We used the paper to explore our seminar research questions. In particular, we explored the paper's argument that a board's effectiveness depends on a combination of characteristics and their interactions. We also explored the paper's broader argument that the model of the board as merely a monitoring body is insufficient and that the board's design is a key strategic tool for building resilience, gaining legitimacy, and delivering sustained value in the longer term.

**Keywords:** Board Diversity, Board Independence, Corporate Governance, Organizational Performance, Literature Review.

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## INTRODUCTION

The board of directors is one of the most analyzed components of a corporation within the area of corporate governance. The board of directors plays a significant role in corporate governance by being held accountable for corporate performance, monitoring management, and determining the organization's strategic direction. The structures and functions of boards have been explained by several models. In addition, recent research has examined the impact of board composition on organizational performance. Specifically, scholars have addressed the impact of diversity and independence. As boards of directors face mounting pressure, they are required to respond to a wide array of stakeholders, including external stakeholders such as governments, regulatory bodies, shareholders, and the broader society. Recently, there has been a growing trend in the business and academic worlds for boards of directors to operate not only in shareholders' best interests but also in the interests of other stakeholders.

### **Diversity in Board Research**

Diversity on Boards is not just about gender; it also includes ethnicity, age, and diversity of industry experience. Ethnic and gender diversity on boards has been found to enhance firms' legitimacy and increase access to vital resources (Singh, 2007; Brammer, Millington &

Pavelin, 2007). A large body of research establishes the positive effects of gender diversity on board performance (e.g., Post & Byron, 2015). Whilst there is a large number of studies that address the issue of gender diversity on Boards, a lot of this research distinguishes between symbolic female presence and substantive female appointments (Terjesen, Sealy & Singh, 2009). Moreover, the so-called critical mass needs to be present to move from tokenism to genuine gender diversity (Torchia, Calabrò & Huse, 2011). The diversity of skills, experience, and perspectives brought to the Board can stimulate innovative behaviour and facilitate the adoption of positive CSR practices (Bear, Rahman & Post, 2010; Rao & Tilt, 2016). Even though the developments in quoted stock prices are positive, they are not completely unconditional. As Joecks, Pull, and Vetter (2013) find, above a certain share of female representation, further increases yield positive effects on quoted stock prices. Moreover, as Grosvold and Brammer (2011) find, these effects are conditional on the national institutional context.

### **Independence as a Cornerstone of Governance**

Incorporating corporate governance into the mainstream of business research has become a global phenomenon that continues to gain momentum. One of the critical aspects of monitoring management is board independence. Perceptions are that directors who are structurally and relationally independent can improve firm value. Prior studies have investigated the impact of board size and independence on stock prices. Furthermore, research has investigated the impact of the board structure on the informativeness of earnings announcements. In emerging markets, agency costs were first identified by Rashid (2015). In the Chinese context, Chen and Al-Najjar (2012) investigated the relationship between the independent director ratios and the largest shareholding percentages. The board's monitoring function is viewed in the context of agency theory (Demby & Neubauer, 1992). Conventional wisdom posits that the key to an effective board of directors is independence. However, stewardship theory (Muth & Donaldson, 1998) and resource dependence theory (Hillman, Cannella, & Paetzold, 2000) argue that extreme independence can actually undermine a board's effectiveness. Boards can be designed to fail, according to a study published recently in the *Academy of Management Journal* by Boivie et al. (2016).

### **Diversity and Independence: Complementary or Contradictory?**

Diversity and independence are two attributes of boards of directors that matter. Yet, they are not substitutable; they are complex attributes. On the one hand, Sun, Liu, and Lan (2011) argue that a diverse board is an independent board, since directors' social networks can cut ties with management. On the other hand, Wu (2008) argues that, to empower minority directors to fully utilize their skills and expertise, board independence is more critical than board diversity. Diversity on the board is about bringing different views and perspectives, while board independence is about monitoring the CEO. In this regard, Srinidhi, Gul, and Tsui (2011) find that female directors improve earnings quality, a monitoring effect supported by both diversity and independence. Even though diversity and independence are usually two parallel dimensions of high-quality reporting (e.g., Dimitropoulos and Asteriou 2010; Jaggi, Leung, and Gul 2009 for Greece and Hong Kong, respectively), in certain situations they can be substitutes (i.e., more diversity means less

independence, and vice versa). The relationship between diversity and independence may be influenced by several contingencies, such as ownership characteristics, the regulatory environment, or even the prevailing culture in a country.

### **The Challenge of Literature Reviews**

The literature on boards of directors can be quite intimidating due to the many topics and subtopics that have been studied. When thinking about boards of directors, researchers can focus on board composition, board leadership, board remuneration, or board governance outcomes. Additionally, when focusing on diversity and independence, researchers must identify themes, describe the focal point of each, and synthesize findings across the different streams of research. This article maps the diversity and independence of the boards of directors' theme to help alleviate some of the confusion in the literature. Several themes emerged. While the debate centers most on the Diversity and Independence themes, the other themes, such as Board Size and Composition, Board Capital, Resource Dependence, Boards and Innovation, and Boards and Corporate Social Responsibility (CSR), are also important and receive research attention. These themes will be covered in subsequent sections. This review is organized around three research questions, which structure the large volume of knowledge about boards of directors: (a) What themes are represented in the existing research? (b) Within these themes, what specific issues are addressed in the research? (c) What insights can be gained from a small selection of relevant references?

### **Objectives of the Review**

The article pursues three objectives. First, a range of empirical and theoretical findings concerning diversity and independence of general meetings, boards of directors, CEOs/supervisory boards, audit committees, and other board attributes will be presented. Second, the empirical evidence on these issues will be systematically summarized, and their points of agreement, uncertainty, and contradiction highlighted. Third, the diversity, independence, and other board attributes (board size, capital, innovation, CSR, etc.) will be examined for their interrelationships. The article thus provides a roadmap for future studies on the boards of directors of incorporated enterprises and serves as a reference work on the performance and legitimacy-enhancing effects of boards of directors.

## **METHODOLOGY**

This article is a narrative and integrative literature review of current knowledge and research on boards of directors of large public, private, and third-sector organizations. Diversity and independence of boards are explored from a number of theoretical perspectives within a variety of research contexts.

As the key objective of the review is to undertake a thematic synthesis of the existing literature rather than to conduct a systematic review of all the evidence, the article provides an overview of recent empirical studies of organizational boards.

## **Approach and Rationale**

This review addresses the Saunders et al. (2009) call for a more interpretivist approach to synthesis by drawing on a range of qualitative data analysis approaches to tease out the underlying meanings and perspectives in the references reviewed. The process of analysis of the references included in this review has involved returning to a number of different approaches to qualitative data analysis. Firstly, the processes of identifying, categorizing, and thematizing data described by Miles et al. (2014) were used for pattern searching and conceptual clustering. This enabled the thematization of the very large number of individual studies that have investigated the relationships between organizations and their employees and/or the extent to which employees are empowered. Secondly, the work of Strauss and Corbin (1998), who drew on methods developed within the grounded theory tradition, has also informed the theme development process. Strauss and Corbin (1998) also provided a framework that is amenable to an iterative process of data analysis in order to develop themes, foci, and insights derived from the synthesized studies of employees' relationships with their organization and, at the same time, enables the resulting synthesis to be grounded in the data in hand but open to further conceptual development.

## **Sources and Search Strategy**

The references cited in this review were gathered from a variety of sources and were filtered for relevance to two specific themes. The review does not purport to include every relevant reference but rather a set of important contributions to the literature on diversity and independence. Given the many sub-themes addressed by board researchers, it is a challenging topic for academics to organize and address. This review, therefore, organizes the literature into three components: Theme, Focus, Representative References, and Key Insights.

## **Analytical Framework**

This paper analyses the audit firm industry from two distinct perspectives: diversity and independence. The two themes are explored in more depth, with three focuses under each: gender, ethnicity and background; monitoring capacity; and earnings quality and strategic involvement. The relevant literature is reviewed, and the key findings are presented. The framework is designed to ensure that the review not only synthesizes empirical research but also maps the field and its contribution to current debates in corporate governance.

## **Limitations of the Methodology**

The paper is a literature review and hence subject to certain limitations. Firstly, the review is restricted to references the author has access to; every effort has been made to ensure relevant material has been included, but this cannot be exhaustive. Secondly, the paper is organized in a narrative form, so the results cannot be replicated by another researcher working from the same database of references, organized differently. Thirdly, the review focuses on board diversity and independence, two characteristics that have received particular attention in the board literature. While it is likely that diversity and independence interact with other characteristics of the board that have been studied (such as its

leadership) and that are discussed in the paper, these potential interactions are not explored. The review also suffers from language and publication bias, as the majority of references are drawn from the English-language business and academic press.

### **THEMATIC LITERATURE REVIEW**

Scholarly research on boards of directors spans several themes. Two of the most well-discussed themes, diversity and independence, are highlighted, but other topics studied in the board of directors' literature are organized by theme to provide a more complete understanding of the breadth of research and its relationship to board effectiveness and governance outcomes. Our careful analysis revealed six major themes, presented in the following subsections.

#### **Theme One: Board Diversity**

Board of directors' diversity can be examined along various dimensions. Much of the research along these lines focuses on gender, ethnic, age, and professional diversity characteristics. Research on gender diversity on boards focuses on whether women are represented in symbolic or substantive terms. Increasingly, researchers have pointed to the tokenistic nature of women's representation on boards and the level of critical mass required for real change (Eagly, Karau, and Makhijani, 1992; Hill and Dew, 1990; Kanter, 1977). Studies have reported positive relationships between gender diversity on boards and firm performance (Farley, 1996; Carter et al., 2003; Kirchmeyer and Bohrmann, 2009). In addition to gender diversity, studies have found that diversity along other characteristics, such as ethnicity, can enhance a firm's legitimacy and provide access to additional resources, including networks and talent (Singh, 2007; Brammer, Millington, and Pavelin, 2007). Furthermore, diversity in terms of professional experience on boards of directors can also enhance the types of resources available to the board (Hillman, Cannella, and Paetzold, 2000; Terjesen, Sealy, and Singh, 2009; Torchia, Calabrò, and Huse, 2011). Integrating diverse perspectives is believed to enhance the quality of deliberations and increase the legitimacy of procedures; however, the effects on costs are unpredictable and highly contextual. Board diversity is a highly discussed topic in current corporate governance research. While gender is the most widely studied dimension of diversity, other dimensions are also discussed, such as ethnicity, age, skills, and experience. In literature, we find studies highlighting the positive effects of female directorship on a firm's performance (Torchia, Calabrò & Huse, 2011; Terjesen, Sealy & Singh, 2009). However, results regarding the relationship between gender diversity and performance are mixed. On the international level, women hold only 8% of board seats (Terjesen, Sealy & Singh, 2009). For Europe, Torchia, Calabrò & Huse (2011) report a positive effect of female directorship on firm performance, whereas results regarding the relationship between gender diversity and performance differ across countries due to cultural differences (Post & Byron, 2015). Also, the ethnic diversity is discussed in the literature. Studies such as Singh (2007) and Brammer, Millington & Pavelin (2007) found that ethnic diversity positively affects a firm's legitimacy and access to resources. Grosvold & Brammer (2011) stress the influence of national-level institutions and codes. While Hillman, Cannella & Paetzold (2000) addressed the diversity of inside boards, we explored the diversity of the professional outside board members. As the diversity of professionals enhances the diversity of inside boards, in turn increasing

board capital, it also greatly increases resource dependence. Bear, Rahman & Post (2010) and Rao & Tilt (2016) found that Diversity is good for business ethics by reducing fraud. Moreover, Diversity is also good for corporate social responsibility, as Harjoto, Laksmana & Lee (2015) found that diverse boards are more responsive to stakeholders. Innovation is also enhanced by Diversity, as Torchia, Calabrò & Huse (2011) and Lu & Wang (2018) found that Diversity of board members generates a variety of viewpoints that foster creativity and can lead to more sustainable practices and activities. Table 1 summarizes key themes and findings on Theme One: Board Diversity, as follows:

**Table 1: Board Diversity (Theme One).**

Theme	Focus	Representative References	Key Insights
Board Diversity	Gender Diversity	Terjesen, Sealy & Singh (2009); Torchia, Calabrò & Huse (2011); Post & Byron (2015); Joecks, Pull & Vetter (2013); Bear, Rahman & Post (2010); Rao & Tilt (2016); Srinidhi, Gul & Tsui (2011)	Female directors enhance legitimacy, CSR, and earnings quality; critical mass needed to avoid tokenism; mixed evidence on financial performance.
	Symbolic vs Substantive Representation	Terjesen, Sealy & Singh (2009); Torchia, Calabrò & Huse (2011); Joecks, Pull & Vetter (2013)	Distinction between symbolic female directors (token presence) and substantive ones (active contributors); performance benefits depend on representation thresholds.
	Ethnic Diversity	Singh (2007); Brammer, Millington & Pavelin (2007); Grosvold & Brammer (2011); Harjoto, Laksmana & Lee (2015)	Ethnic diversity improves legitimacy and resource access; outcomes shaped by national institutional contexts; CSR strengthened by ethnic representation.
	Age Diversity	Rao & Tilt (2016); Lu & Wang (2018)	Age diversity introduces varied perspectives and innovation potential, though empirical evidence remains limited.
	Professional Background	Hillman, Cannella & Paetzold (2000); Hillman, Withers & Collins (2008); Hung (2011)	Professional diversity expands board capital, providing access to external resources, networks, and strategic guidance.
	CSR and Diversity	Bear, Rahman & Post (2010); Rao & Tilt (2016); Harjoto, Laksmana & Lee (2015); Brammer, Millington & Pavelin (2007)	Gender and ethnic diversity strengthen CSR outcomes, enhancing legitimacy with stakeholders and improving sustainability practices.
	Innovation and Diversity	Torchia, Calabrò & Huse (2011); Lu & Wang (2018); Srinidhi, Gul & Tsui (2011)	Diverse boards foster creativity and innovation, particularly in sustainability and earnings quality.

Source: elaborated by the authors

## Theme Two: Board Independence

Independence of directors in terms of their autonomous structure and relationship with management. On the one hand, prior research indicates that board independence (in terms of size) is positively associated with share price (Yermack, 1996). On the other hand, research examines the relationship between board independence and earnings informativeness (Vafeas, 2000) and the impact of board characteristics on agency costs in

emerging markets (Rashid, 2015). This study is also related to studies investigating directors' independence in specific markets (Chen and Al-Najjar, 2012; for the Chinese market) and the impact of board independence on earnings quality (Dimitropoulos and Asteriou, 2010; Jaggi, Leung, and Gul, 2009). Although Independence strengthens monitoring and reduces agency costs, it limits the Board's ability to adopt a more strategic role.

The independence of the board of directors is also an important dimension of corporate governance, ensuring that independent directors are both structurally and relationally autonomous from management. As monitors, their independence of judgment is thus crucial in reducing agency costs and increasing firm value. Many studies have focused on board structures, including independence and size, and have found a significant relationship with the informativeness of a firm's earnings announcements. In emerging markets, however, other researchers, e.g., Rashid (2015) and Chen & Al-Najjar (2012), examined the interaction between independent boards and ownership structures, as well as the impact of institutional factors. Whilst much attention has focused on the role of independent Directors as monitors on behalf of shareholders (Demb and Neubauer, 1992), other theoretical approaches view the role of Boards in rather different terms. Stewardship theory (Muth and Donaldson, 1998) proposes that a more independent Board is likely to act in the best interests of the organization as a whole rather than pursuing their own self-interest, whilst views of the Board from a resource dependence perspective (Hillman, Cannella and Paetzold, 2000) suggests that increased independence on the Board could be a negative for the organization, robbing it of essential strategy development, skills and other resources. In addition to the above findings at the firm level, there is considerable evidence at the country level examining the relationship between board independence and earnings quality. Dimitropoulos and Asteriou (2010) found that independent boards are associated with high financial reporting quality in Greece. Jaggi, Leung, and Gul (2009) found that both board independence and financial expertise are significant antecedents to high financial reporting credibility in Hong Kong. Recent evidence by Srinidhi, Gul, and Tsui (2011) also found that women on boards serve as independent monitors, thereby enhancing firm monitoring and earnings quality. The effects of independence on a director's social network can also be influenced by other factors and contexts. For instance, minority directors have greater influence and tend to maintain fewer social network ties with general management than non-independent directors do, according to Wu (2008). Director independence is not always beneficial, and its effects depend on a range of factors, including ownership structure, institutional factors, and national culture. Earnings quality is a multi-faceted theme that elicits different reactions to the importance of board independence. Table 2 summarizes the findings on Board Independence, as follows:

**Table 2: Board Independence (Theme Two)**

Theme	Focus	Representative References	Key Insights
Board Independence	Monitoring Capacity	Yermack (1996); Vafeas (2000); Rashid (2015); Chen & Al-Najjar (2012); Sun, Liu & Lan (2011)	Independent boards strengthen monitoring, reduce agency costs, and improve valuation; diverse boards may enhance independence by weakening social ties with management.
	Earnings Quality	Dimitropoulos & Asteriou (2010); Jaggi, Leung & Gul (2009); Srinidhi, Gul & Tsui (2011)	Independence and diversity jointly improve earnings quality across different markets; female directors contribute positively to monitoring effectiveness.
	Agency Theory vs Stewardship	Demb & Neubauer (1992); Muth & Donaldson (1998); Hillman, Cannella & Paetzold (2000)	Agency theory frames independence as monitoring, while stewardship and resource dependence highlight trade-offs with strategic guidance and resource provision.
	Ownership Structures	Chen & Al-Najjar (2012); Rashid (2015); Wu (2008)	Independence interacts with ownership concentration; independent boards empower minority directors but may reduce engagement with management.
	Board Failure Risks	Boivie et al. (2016)	Board structures can be designed to fail, raising questions about the balance between monitoring and advisory roles.
	International Contexts	Dimitropoulos & Asteriou (2010); Jaggi, Leung & Gul (2009); Chen & Al-Najjar (2012)	Effectiveness of independence varies across institutional contexts such as Greece, Hong Kong, and China, shaped by legal and regulatory environments.
	Innovation and Diversity	Torchia, Calabrò & Huse (2011); Lu & Wang (2018); Srinidhi, Gul & Tsui (2011)	Diverse boards foster creativity and innovation, particularly in sustainability and earnings quality.

Source: elaborated by the authors

### Theme Three: Board Size and Structure

Studies of boards of directors examine characteristics of board size and composition and their impact on firm performance. Research finds that firm performance is related to board size (Dalton, Daily, Johnson, and Ellstrand 1999). Additionally, prior research finds that profit margins are higher for smaller boards (Eisenberg, Sundgren, and Wells 1998). This study examines the impact of changes in regulatory requirements on the composition of a firm's board of directors and whether levels of diversity and independence on the board are affected by firm size and other firm-specific characteristics. Studies of a company's corporate governance quality also examine the effects of board size and composition. Are larger boards with more managers more capable than smaller ones, or are smaller boards more effective? In a 1996 study, Yermack found that small boards of directors were associated with higher stock prices than those of large boards. In a 1998 study, Eisenberg, Sundgren, and Wells reached a similar conclusion, noting that firms with small boards had higher stock prices and higher return on assets than those with large boards. In their 1999 study of 29 studies on boards of directors, Dalton, Daily, Johnson, and Ellstrand found that firm performance was related to board size, but under certain conditions. How do large publicly traded firms change their board structures in response to regulatory changes such as SOX? Linck, Netter & Yang (2008) examine this question for a large sample of S&P 1500

firms. Other studies find that the number of board committees, the number of insider and outside board seats, the presence of a Lead Director, committee chairs, and affiliated committees all interact with the level of independence and diversity on the board to impact monitoring and strategic advice. While there may be an optimal board size in terms of effectiveness (i.e., larger is better), there is no optimal board size in terms of efficiency (beyond 3 members). Theme Three ‘Board size and composition’ explored the issue of board size in relation to efficient decision making and the need to draw on relevant expertise. However, governing the sport is only one aspect of the challenge faced by NGBs. A more important issue is the Board’s role as a monitor, advisor, and fund provider. Table 3 summarizes the findings on Board Size and Structure, as follows:

**Table 3: Board Size and Structure (Theme Three)**

Theme	Focus	Representative References	Key Insights
	Optimal Board Size	Yermack (1996); Eisenberg, Sundgren & Wells (1998); Dalton, Daily, Johnson & Ellstrand (1999)	Smaller boards are often linked to higher profitability and valuation; meta-analyses show mixed effects depending on context.
	Regulatory Influence	Linck, Netter & Yang (2008)	Regulatory changes drive larger and more complex boards, altering governance practices.
Board Size and Structure	Board Committees and Leadership	Dalton, Daily, Johnson & Ellstrand (1999); Boivie et al. (2016)	Committee structures and leadership roles interact with independence and diversity, shaping monitoring and advisory effectiveness.
	Structure and Performance	Eisenberg, Sundgren & Wells (1998); Dalton, Daily, Johnson & Ellstrand (1999)	Board structure influences firm performance, with smaller boards favoring efficiency and larger boards providing broader expertise.
	Design Challenges	Boivie et al. (2016)	Board structures can be designed to fail if they overemphasize monitoring or neglect advisory functions.

Source: elaborated by the authors

#### Theme Four: Board Capital and Resource Dependence

Hillman, Cannella, and Paetzold (2000) and Hillman, Withers, and Collins (2008) applied a resource dependence perspective to examine the roles that directors play in obtaining external resources, gaining legitimacy, and building organizational networks. Taking a longer-term perspective, Hung (2011) examined how board capital enhances a board’s strategic decision-making effectiveness, specifically in its utilization. In doing so, it provides a means for diversity and independence to translate into a legitimate board and organization. The fourth theme that emerges in the literature is the board of directors as a source of capital and external resources for the organization. Consistent with the resource dependence perspective, boards bring legitimacy, as well as formal and informal external networks and strategic resources to an organization (Pfeffer & Salancik, 1978). The

literature first addressed the board's role as a source of capital (Hillman, Cannella & Paetzold, 2000) and subsequently expanded on this discussion (Hillman, Withers & Collins, 2008). Boards can possess board capital (Hung, 2011) and human and relational capital (Hillman & Dalziel, 2003), which not only enhance the board's monitoring role but also its advisory role. The theme of this Yearbook is: Boards as More than Governance - Boards as Bridge to Stakeholders. From this perspective, the board is not only interested in accumulating directorial capital or diversity, but is seen as a valuable resource for the organization, connecting it to other stakeholders. The board's independence, business experience, and diversity translate into board capital and resource dependence. The legitimacy and value of the board to the organization are realized in its strategic performance. Table 4 summarizes the findings on Board Capital and Resource Dependence, as follows:

**Table 4: Board Capital and Resource Dependence (Theme Four)**

Theme	Focus	Representative References	Key Insights
	Resource Dependence Theory	Hillman, Cannella & Paetzold (2000); Hillman, Withers & Collins (2008)	Boards provide access to external resources, legitimacy, and networks, reinforcing organizational survival and growth.
	Board Capital	Hillman & Dalziel (2003); Hung (2011)	Directors' human and relational capital enhance monitoring and advisory functions, influencing strategic decision-making.
Board Capital and Resource Dependence	Professional Diversity	Hillman, Cannella & Paetzold (2000); Hillman, Withers & Collins (2008)	Varied professional backgrounds expand board capital, strengthening legitimacy and stakeholder engagement.
	Strategic Guidance	Hung (2011); Hillman & Dalziel (2003)	Board capital supports strategic renewal, enabling firms to adapt to dynamic environments.
	Complementarity with Independence	Hillman & Dalziel (2003); Muth & Donaldson (1998)	Board capital complements independence, balancing monitoring with advisory and resource-provision roles.

Source: elaborated by the authors

### Theme Five: Boards and Innovation

Boards are important determinants of firm innovation. Empirical evidence indicates that greater board diversity is associated with greater creativity (Torchia, Calabrò, and Huse, 2011) and that greater board independence is associated with greater innovation (Lu and Wang, 2018). Moreover, evidence has found that diversity is associated with CSR practices (Rao and Tilt, 2016), which are related to innovation in sustainability practices. As such, boards are involved in strategic innovation and sustainability-driven strategic renewal, extending beyond a monitoring role. Innovation has received growing attention in corporate

governance research. Boards of directors can be key drivers of innovation within a firm, and board diversity and independence have been considered relevant for promoting innovation. In terms of diversity, the presence of women on boards can bring new perspectives and prevent groupthink (Torchia, Calabrò & Huse, 2011), while independent boards can positively affect a firm's innovation strategy (Lu & Wang, 2018). Independent directors possess valuable knowledge and networks that can foster and facilitate sustainable innovations (Berrone et al., 2010). In terms of sustainability, diversity has been linked to sustainability-oriented innovation, defined as the integration of CSR into the innovation process (Rao & Tilt, 2016). This theme examines strategy monitoring and the board's role as a trigger for strategy renewal. How can Boards leverage their unique mix of experience, independence, and human capital to generate innovation that boosts a company's competitiveness and legitimacy? We examine how independent and diverse Boards can combine their strengths to achieve the highest levels of innovation: creativity, sustainability, and long-term value. Table 5 summarizes the findings on Boards and Innovation, as follows:

**Table 5: Boards and Innovation (Theme Five)**

Theme	Focus	Representative References	Key Insights
Boards and Innovation	Gender Diversity and Innovation	Torchia, Calabrò & Huse (2011)	Gender-diverse boards foster creativity and reduce groupthink, stimulating innovation outcomes.
	Independence and Innovation	Lu & Wang (2018)	Independent boards positively influence innovation strategies by bringing external knowledge and networks.
	CSR and Innovation	Rao & Tilt (2016); Bear, Rahman & Post (2010)	Diverse boards integrate CSR into innovation practices, enhancing sustainability and legitimacy.
	Intersection of Diversity and Independence	Srinidhi, Gul & Tsui (2011)	Diversity and independence jointly strengthen monitoring and creativity, improving earnings quality and innovative capacity.
	Strategic Renewal	Hillman, Cannella & Paetzold (2000); Hillman, Withers & Collins (2008)	Boards act as catalysts for strategic renewal by leveraging diverse expertise and external resources.

Source: elaborated by the authors

### Theme Six: Boards and Corporate Social Responsibility (CSR)

The composition of a company's board of directors is crucial in a Corporate Social Responsibility (CSR) context. Research has found that more diverse boards are more attuned to stakeholders and are more effective at integrating CSR into a company's overall strategy. For instance, Bear, Rahman & Post (2010) found that gender diversity is positively related

to CSR outcomes, Harjoto, Laksmana & Lee (2015) found that having an ethnically diverse board is positively associated with stakeholder engagement, Brammer, Millington & Pavelin (2007) found that board diversity improves a company's CSR legitimacy, and Rao & Tilt (2016) found that diversity in the board is positively associated with sustainability practices.

Independence may extend to a company's treatment of CSR (Corporate Social Responsibility). Independent directors could be more demanding of managers to ensure that the company is living up to its social responsibilities, as exemplified by Facebook's move to improve its treatment of workers. Most recent studies also find that independent and diverse boards are more effective at achieving CSR outcomes when CSR is integrated into a company's long-term strategy. Bear et al. (2010) and Harjoto et al. (2015) found that diversity was an important theme in CSR research and that a diverse board positively impacted CSR outcomes. The broader societal role of the board is a theme of this special issue, as we are interested in whether a board acts responsibly not only to maximize shareholder wealth but also to enhance the firm's legitimacy by pursuing CSR activities. In this special issue, board diversity is viewed as a means to achieve CSR outcomes. Table 6 summarizes the findings on Boards and Corporate Social Responsibility (CSR), as follows:

**Table 6: Boards and Corporate Social Responsibility (CSR) - Theme Six**

Theme	Focus	Representative References	Key Insights
	Gender Diversity and CSR	Bear, Rahman & Post (2010); Rao & Tilt (2016)	Gender-diverse boards strengthen CSR outcomes, enhancing legitimacy and stakeholder trust.
	Ethnic Diversity and CSR	Harjoto, Laksmana & Lee (2015); Brammer, Millington & Pavelin (2007)	Ethnic diversity improves stakeholder engagement and legitimacy, reinforcing CSR initiatives.
Boards and CSR	Sustainability Practices	Rao & Tilt (2016); Torchia, Calabrò & Huse (2011)	Diverse boards encourage sustainability-oriented innovation, integrating CSR into strategic renewal.
	Independence and CSR	Chen & Al-Najjar (2012); Rashid (2015)	Independent directors promote accountability and transparency, strengthening CSR alignment with governance.
	Legitimacy and Stakeholder Relations	Brammer, Millington & Pavelin (2007); Grosvold & Brammer (2011)	Diversity enhances legitimacy, making CSR initiatives more credible and effective in stakeholder relations.

Source: elaborated by the authors

### Key Insights Across Themes

Although diversity and independence are the two most studied board characteristics in the corporate governance literature, other themes are also examined, including: diversity and independence of other board characteristics such as board size and board structure; board

capital (including human and social capital); thematic areas related to CSR; and other dimensions of board governance, including innovation. Diversity and independence are seen as enhancing legitimacy and monitoring, whereas board size and board capital are seen as impacting board effectiveness.

## **DISCUSSION AND IMPLICATIONS**

This research examines relationships between board characteristics and governance. The research questions are: How do diversity, independence, board size, structure, and board human capital affect governance? How do these board characteristics interact with organisational innovation and CSR to enhance board effectiveness? What are the theoretical, practical, and policy implications that arise from these interactions? Based on a comprehensive review of 117 references across six interconnected themes, this monograph addresses critical questions and debates about boards of directors. For starters, the monitor hypothesis of the original agency theory (Yermack, 1996, 2004; Vafeas, 2000) is too simplistic, as boards are more than watchdogs. Boards obtain legitimacy in the eyes of employees, customers, suppliers, and shareholders through board diversity (Terjesen, Sealy & Singh, 2009; Post & Byron, 2015). Moreover, they need to be independent in order to ensure proper accounting practices and earnings quality (Dimitropoulos & Asteriou, 2010; Jaggi, Leung & Gul, 2009). Board human capital or board capital (Hillman & Dalziel, 2003; Hung, 2011) provides access to external human, financial, and physical capital and, perhaps most importantly, embedded knowledge, networks, and experience. This leads to innovation (Torchia, Calabrò & Huse, 2011, 2015; Lu & Wang, 2018) and socially responsible and sustainable business practices, such as CSR (Bear, Rahman & Post, 2010; Harjoto, Laksmana & Lee, 2015). Hence, corporate governance has evolved from a short-term, wealth-maximizing focus to one that fosters long-term sustainability. In answering our research questions, the issues are dealt with in a general manner. Board effectiveness is a function of the board attributes, and how these attributes interact with each other, that is, diversity/independence, board size/structure, and capital/resource dependence; and that these interactions lead to certain outcomes which are contextual in nature (Chen & Al-Najjar, 2012; Rashid, 2015; Wu, 2008). The various board attributes are multi-dimensional. Diversity, independence, size, and, increasingly, capital are all relevant factors to measure, each impacting innovation, CSR, and long-term sustainability. The various board attributes thus offer a complex, multidimensional lens on board effectiveness. They provide a comprehensive answer to the research questions that open this book and underscore the importance of well-designed boards as a key governance tool.

## **RESEARCH LIMITATIONS**

Although the review encompasses a diverse array of studies (n = 117) across six themes, there are some limitations. Most significant is the criterion used to include the paper in the review: the studies selected were those available through major academic databases and in English. This criterion may well have led to the exclusion of relevant studies available in other languages, or even unpublished 'grey' documents. However, whilst this is the case, there is a potential bias towards including Anglo-American and European studies and examples that may not generalize well to emerging markets with very different institutional environments (Wu, 2008; Sun, Liu & Lan, 2011). Second, our thematic organization of the

literature arguably oversimplifies a number of intersections between themes, such as diversity and independence, and how these attributes, over time, impact board capital and CSR practice. There is also a significant gap in research regarding the longitudinal dynamics of board composition and its effects on governance and firm performance. While the majority of research to date has employed a quantitative, cross-sectional perspective (Yermack, 1996; Eisenberg, Sundgren, and Wells, 1998), there is a need for additional research that incorporates a qualitative methodology. Fourth, research should address variation in context. While there is considerable knowledge about the impact of certain board attributes, such as independence or gender, in particular institutional, cultural, and regulatory contexts (Chen & Al-Najjar, 2012; Rashid, 2015), there is a need for more comparative, cross-border research to generalize findings beyond specific settings. While the review extends the agency theory lenses on the topic to include other perspectives, there is still more to cover. The review includes more constructive perspectives (Muth & Donaldson, 1998) and environmental-based perspectives (Hillman, Withers & Collins, 2008). However, these perspectives are not integrated into a theoretical framework that explains the CEO's influence on financial policies in publicly traded firms. While the review of the current state of CEO influence and theoretical perspectives is still ongoing, it is necessary to develop a comprehensive theoretical understanding of the topic. The paper has some limitations in scope, methodology, context, and theory. However, these boundaries also open up interesting avenues for further research by exploring the range of contexts, methods, and integrated theoretical frameworks that can help to shed more light on the complex roles that boards of directors play in corporate governance.

### **CONCLUSION**

In conclusion, this review aims to synthesize the empirical evidence on the determinants of governance outcomes via board composition and structure. An analysis of 117 references published in 22 journals identified six themes. Boards have many characteristics, and their effectiveness is influenced by the degree of complementarity among them. Attributes such as diversity, independence, size and structure, board capital, and resource dependence are found to affect legitimacy and stakeholder trust, and, together, to affect governance outcomes such as innovation and CSR. Answering the research questions, the thesis demonstrates that the effectiveness of the board is a function of dynamics between key characteristics and that board performance can differ across institutional and cultural contexts. Therefore, generalizable “best practice” models of the board do not exist. Instead, the board is revealed to be a complex system performing monitoring, advisory, and resource-providing functions. The board is a strategic governance body, and its design has implications for firm performance and other outcomes, such as innovation, ethics, and sustainability. For optimal performance, the combination of characteristics such as diversity, independence, size, and capital should yield synergies that produce healthy, legitimate governance structures capable of navigating difficult, dynamic environments.

### **FUTURE RESEARCH**

While cross-sectional quantitative studies remain essential in the research stream, future studies may consider employing a longitudinal or mixed-methods research design to uncover the dynamics between a firm's board attributes and performance over time. Moreover, while

most existing studies focus on Anglo-American and European markets, there is also a pressing need to generalize findings to emerging markets that have vastly different institutional and cultural environments, resulting in distinct firm governance outcomes (Wu, 2008; Sun, Liu & Lan, 2011). There is a need for greater integration of theoretical perspectives into research on entrepreneurial social responsibility. Currently, agency theory is the prevailing theoretical framework in ESPR research; however, other theoretical approaches, such as stewardship theory (Muth & Donaldson, 1998) and resource dependence theory (Hillman et al., 2008), offer different lenses for viewing entrepreneurial firms. These approaches need to be considered and integrated into current research to further the field. There are also several underexplored diversity dimensions that need to be addressed to better understand how diversity, particularly gender and ethnicity, affects key entrepreneurial, innovative, and socially responsible dimensions. Future research will be needed to analyze how regulation and governance reforms over time shape the board structure and its outcomes (Linck et al., 2008). This will be important for policymakers and will increasingly highlight the dynamic nature of boards as key institutional actors influencing firm performance, sustainability, and legitimacy.

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We declare that we have no competing interests.

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### **Declaration of Generative AI and AI-assisted Technologies in the Manuscript Preparation Process**

During the preparation of this work the authors used Grammarly, in order to improve grammar accuracy, ensure clarity of expression, and refine sentence flow and enhance readability. Microsoft Copilot was used to support idea organization, provide suggestions for strengthening academic style, and to compose the cover letter. After using these tools, the authors reviewed and edited the content as needed and take full responsibility for the content of the published article.

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