Board of Directors Competence and Market Performance in Listed Deposit Money Banks in Nigeria

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ABSTRACT

The study investigated how the board of directors' competence affects market performance in Nigeria's listed deposit money banks. The study specifically examined how strategic competence, measured by strategic oversight, vision, and stakeholder alignment, impacts Tobin's Q, assessed the role of technical competence based on directors' education, financial knowledge, and professional background, and evaluated the influence of board effectiveness using meeting frequency and director shareholding on market value. This study adopted an ex-post facto design relying on existing data beyond the researcher's manipulation. The population consisted of 13 deposit money banks listed on the Nigerian Exchange Group as of December 31, 2024, while a sample of 5 banks was purposively selected based on continuous listing and complete disclosures. Secondary data were obtained from published annual reports of the firms and NGX filings for the period 2015 to 2024, coinciding with the revision of corporate governance regulations. Data collected were analyzed using descriptive statistics and panel regression, with the Prais–Winsten regression with panel-corrected standard errors employed to correct for heteroskedasticity and autocorrelation. The findings reveal that strategic competence has a significant positive effect on market performance, showing that boards with stronger oversight, visionary capability, and stakeholder alignment enhance firm valuation. Technical competence also exerts a significant positive effect, indicating that directors' educational, financial, and professional expertise strengthen investor confidence and firm value. Similarly, board effectiveness, measured through meeting frequency and director shareholding, significantly improves Tobin's Q, confirming that engaged and ownership-aligned boards enhance performance. Among the control variables, firm size was found to significantly increase market performance, while leverage had a significant negative effect. The study concludes that in the Nigerian context, market performance is strongly shaped by strategic competence, technical competence, and board effectiveness. It recommends that governance policies should prioritize directors with strong strategic vision and oversight, include members with proven technical expertise, promote board effectiveness through regular meetings and director shareholding, and that regulators should emphasize competence-based appointments in updated governance codes.

Keywords: Board competence, Strategic competence, Technical competence, Board effectiveness, Market performance, Tobin's Q.

INTRODUCTION

Investor perception significantly influences firm valuation, often reflecting stakeholders' views on a company's credibility, governance quality, and future growth prospects. While effective corporate governance frameworks in developed economies have enhanced market confidence and performance, ongoing strategic shifts and emerging risks require boards to remain agile and responsive (Teti et al., 2023). In developing countries, things are more unstable, poor governance and a lack of skilled board members often result in weak and inconsistent market performance (Kyere & Ausloos, 2021). In Nigeria, even with several reforms in the banking sector, deposit money banks listed on the stock exchange continue to struggle. Their Tobin's Q ratios go up and down, showing that investors are not consistently confident in these banks (CBN, 2020). Normally, boards are expected to lead companies towards long-term growth, but recent trends suggest a disconnect between what boards are supposed to do and what is actually happening. This raises important questions about whether the people leading these banks have the competence needed to improve their performance in the market.

When banks underperform, it's not just a company problem; it affects the whole economy. It reduces investor trust, limits access to capital, and even weakens public trust in the financial system. For individual firms, it hinders growth and can lead to layoffs or shutdowns (Ejeh & Emeni, 2017). For society, this erodes progress in financial inclusion and destabilizes the economy. Over the years, regulators and stakeholders have introduced reforms like corporate governance codes and board performance evaluations to improve oversight (SEC Nigeria, 2018). While these have brought some progress, many board members still lack the specific strategic capabilities needed to drive market value. This is the critical space where board competence, especially the ability to think strategically and act effectively, can make a difference.

Board competence is increasingly seen as essential to a company's market success. This competence includes strategic abilities like setting long-term direction, aligning with stakeholders, and having a visionary outlook. It also covers technical skills such as professional qualifications, industry-specific knowledge, and financial literacy (Pucheta-Martínez & García-Meca, 2019). Another aspect is how effective a board is—do they meet frequently? Do they own shares in the company and have skin in the game? (Muriithi & Waweru, 2017). These three areas, strategic competence, technical expertise, and board effectiveness, make up a framework for assessing how boards influence performance. In Nigeria, where banks struggle with consistent market results, strengthening these competencies could help boards respond better to economic challenges and investor expectations. Therefore, measuring and improving these board attributes is a practical step toward better market performance.

Several past studies have examined how boards impact company performance, but many leave important questions unanswered. For example, Kyere and Ausloos (2021) confirmed that board expertise supports performance in Africa, but didn't explore specific strategic or technical elements. Uwuigbe et al. (2018) looked at Nigerian banks and their governance structures, but their focus was on financial performance metrics like return on assets and equity, not market valuation tools like Tobin's Q. Also, many studies lack depth, use limited data ranges, or ignore the evolving nature of board roles. Few researchers have looked closely at how elements like meeting frequency or director shareholding relate to market value. These gaps point to the need for a more detailed and up-to-date study using relevant market-based metrics.

To address this, the current study focuses on how different dimensions of board competence affect Tobin's Q, a measure that reflects investor perception and market value. These dimensions include strategic competence (strategic oversight, visionary ability, stakeholder alignment), technical competence (educational, financial, and professional skills), and board effectiveness (measured through meeting frequency and board shareholding). While earlier studies, such as Pucheta-Martínez and García-Meca (2019), emphasized the role of external board members and institutional investors, they didn't explore how internal capabilities shape market outcomes. Moreover, most existing research uses one-time snapshots, ignoring how board influence evolves. This study proposes a longitudinal approach that examines trends over time, offering clearer insights into how boards contribute to long-term market strength in Nigerian banks.

Reviewing the literature shows some clear gaps. Many studies like those by Uwuigbe et al. (2018) and Kyere and Ausloos (2021) focus on financial rather than market performance. Others fail to break down board competence into specific, measurable skills such as strategic planning or professional qualifications. Methodologically, many rely on cross-sectional data, which doesn't account for changes over time. Furthermore, little attention is paid to Nigeria's banking sector, despite its importance. This study fills those gaps by using a comprehensive scorecard approach and Tobin's Q to understand how different aspects of board competence affect market outcomes over time.

The main objective of this research is to investigate how the board of directors' competence affects market performance in Nigeria's listed deposit money banks. The goal is to uncover whether competent boards can drive better market outcomes. Specifically, the study will: (i) examine how strategic competence measured by strategic oversight, vision, and stakeholder alignment impacts Tobin's Q; (ii) assess the role of technical competence based on directors' education, financial knowledge, and professional background; and (iii) evaluate the influence of board effectiveness using meeting frequency and director shareholding on market value.

This study is important because, despite numerous reforms, Nigerian banks still struggle with market

performance. Previous studies often use accounting measures like ROA and ROE, which don't fully capture investor confidence or firm value (Kyere & Ausloos, 2021). By using Tobin's Q, a more market-focused metric, and evaluating board competence through a detailed scorecard, this research provides a more relevant and actionable perspective. The scope includes all listed deposit money banks in Nigeria over multiple years to ensure comprehensive and valid results. Insights from this study could help improve governance standards, inform regulatory decisions, and enhance investor trust in Nigeria's banking sector.

LITERATURE REVIEW

Conceptual Review

Market Performance

Market performance represents how effectively a firm is perceived in the capital market, particularly in terms of stock valuation and investor sentiment. It highlights the extent to which a company's strategic and financial decisions influence investor confidence and overall firm value. Zhou et al. (2022) describe it as a firm's ability to deliver shareholder value as reflected in market metrics, while Omran and El-Diftar (2023) emphasize its measurement through indicators like the market-to-book ratio or Tobin's Q. These definitions shift focus from internal accounting results to how external stakeholders interpret and respond to a firm's actions, thereby underlining the importance of perception, positioning, and market expectations in assessing performance.

To quantify market performance, Tobin's Q is widely used as a key metric. It compares a firm's market value to the cost of replacing its assets, with values above one indicating strong investor confidence and perceived future profitability. Recent studies (Lee et al., 2021; Ahn & Kwon, 2024) favor Tobin's Q for its sensitivity to intangible drivers like innovation and governance quality, making it ideal for strategic and governance-based research. While other indicators, such as market capitalization or stock return volatility, are sometimes used, Tobin's Q remains dominant due to its ability to link strategic foresight with market value. This makes it a robust proxy for evaluating firm performance in both academic and practical contexts.

Board of Directors' Competence

Board of Directors' Competence refers to the ability of board members to provide long-term direction, strategic oversight, and ensure stakeholder alignment. According to Naciti et al. (2021), strategic competence is "the capability of the board to engage in strategic thinking, including the articulation of vision and the assessment of strategic alternatives." Similarly, Ali and Usman (2023) define it as "the board's proficiency in guiding strategic objectives, balancing diverse stakeholder interests, and ensuring accountability through effective oversight." Strategic competence is often manifested in the board's visionary capacity, ability to oversee strategic risk, and alignment with stakeholder expectations. It ensures that the board plays a proactive role in shaping a firm's trajectory. In contemporary governance studies, this competence is linked with sustainable value creation and effective risk management, especially in volatile markets (Ali & Usman, 2023).

Board of Directors' Strategic Competence

Board of Directors' Strategic Competence refers to the collective ability of board members to influence and guide an organization's strategic direction through informed oversight, long-term visioning, and alignment with stakeholder expectations. According to Aliyu and Ismail (2023), strategic competence reflects the board's cognitive capacity, strategic insight, and decision-making experience that contribute to firm-level outcomes. Similarly, Mohammed and Kehinde (2022) define it as the board's capability to offer foresight, monitor strategy execution, and promote stakeholder-oriented governance to enhance firm value. This study emphasizes three dimensions of strategic competence: Oversight, Visionary Capability, and Stakeholder Alignment, which are pivotal in shaping corporate governance effectiveness and performance in listed firms.

Board of Directors' Technical Competence

Board Technical Competence encompasses the functional knowledge and expertise of board members, such as

educational background, financial literacy, and professional experience. As per García-Sánchez and García-Meca (2020), technical competence refers to "the board members' cumulative educational qualifications, professional credentials, and domain-specific knowledge that enhance decision-making quality." Likewise, Zhou and Wang (2022) define it as "the specialized skills and qualifications possessed by board members that allow for accurate evaluation of financial and operational matters." These competencies are essential in ensuring informed scrutiny of complex financial reports, investment decisions, and regulatory compliance. Research has consistently shown that directors with strong financial and professional credentials contribute to enhanced monitoring, reduced earnings manipulation, and improved firm outcomes (Zhou & Wang, 2022). Therefore, technical competence supports sound judgment and reduces the likelihood of strategic and operational missteps.

Board of Directors' Effectiveness

Board Effectiveness, as a dimension of competence, involves the operational behaviors and internal dynamics of the board that influence its performance, commonly assessed through meeting frequency and ownership structure. Ujunwa et al. (2021) define board effectiveness as "the degree to which the board fulfills its governance roles efficiently, typically measured by regularity of meetings and directors' engagement." Also, Mensah and Darko (2024) describe it as "a measure of how actively the board contributes to value creation, often signaled by board diligence (frequency of meetings) and vested interest (shareholding ownership)." Frequent board meetings are indicative of timely decision-making, strategic responsiveness, and close monitoring. Similarly, when directors hold substantial equity, they are more likely to act in shareholders' interests. These indicators serve as objective proxies for board commitment and governance quality. Hence, effective boards both in structure and conduct are essential for executing competent oversight and aligning governance with the firm's strategy.

THEORETICAL REVIEW

Agency Theory

Agency Theory, propounded by Jensen and Meckling in 1976, is a foundational theory in corporate governance. It explains the relationship between principals (shareholders) and agents (managers), where the former delegates decision-making authority to the latter. The core assumption of the theory is that agents are self-interested and may not always act in the best interests of the principals, leading to agency problems such as misalignment of goals, moral hazard, and information asymmetry. To mitigate these issues, Agency Theory advocates for governance mechanisms like monitoring (board oversight), incentives (shareholding), and accountability structures to align managerial decisions with shareholder interests (Jensen & Meckling, 1976; Eisenhardt, 1989).

In the context of previous studies, Agency Theory has been widely applied to explain how board competence, strategic, technical, and effective governance serve as a control mechanism to reduce agency costs and improve firm performance. For example, Ahn and Kwon (2024) found that boards with strong financial and professional expertise enhance transparency and reduce earnings manipulation. Similarly, Ali and Usman (2023) used Agency Theory to argue that visionary and strategic boards help align long-term goals of managers and shareholders, thereby enhancing market valuation. The theory provides a useful framework for linking board structures and behavior (frequency of meetings, equity ownership) to market performance metrics such as Tobin's Q and stock market valuation, as these metrics are sensitive to perceived managerial efficiency and governance quality.

Despite its widespread use, Agency Theory is not without criticism. On the positive side, it provides clear, testable propositions and a strong basis for governance reforms (Letza et al., 2020). However, critics argue that it oversimplifies human motivation by focusing too narrowly on self-interest and neglecting collaborative or stewardship behaviors (Davis et al., 1997). It also assumes a static view of principal-agent relationships and does not fully capture the dynamics of board heterogeneity or strategic competence in complex environments. Nevertheless, for the study of Board of Directors' Competence and Market Performance, Agency Theory remains highly relevant because it directly addresses the mechanisms through which boards influence managerial conduct and, by extension, firm value. It is particularly suitable for examining how specific board capabilities (oversight, financial skills, shareholding) function as tools to safeguard shareholder wealth and boost market confidence.

Empirical Review

The Board of Directors' Strategic Competence and Market Performance

Empirical investigations into the strategic competence of boards and their impact on market performance have evolved significantly over time. One of the earliest works by Zahra and Pearce (1989) explored how strategic board roles, including oversight and vision-setting, influence corporate outcomes. Using a survey-based design across 100 U.S. manufacturing firms, the study employed regression analysis and found a positive relationship between strategic oversight and market valuation. Although foundational, the study did not explore stakeholder alignment, nor did it use contemporary metrics like Tobin's Q, which limits its relevance to modern governance environments. Later, Hillman and Dalziel (2003) expanded this discussion by integrating agency and resource dependence theories to model how director expertise and board capital influence firm performance. Their analysis of archival data from Fortune 500 firms confirmed that strategically competent boards enhanced market positioning. However, the study remained theoretical in nature and lacked empirical validation in developing economies where governance structures differ.

In a study focused on Australian firms, Nicholson and Kiel (2007) assessed the influence of board intellectual capital on market performance, revealing that boards demonstrating visionary capacity positively affected stock performance. Using a sample of 147 publicly listed companies and regression methods, the study provided early empirical support for the role of strategic insight. However, it failed to disaggregate board functions such as stakeholder engagement or oversight depth. Similarly, Minichilli et al. (2009) conducted a cross-national comparative study between Italy and the U.S., examining how board processes impacted firm performance. Using structural equation modeling, they observed that boards actively engaged in strategic oversight and forward-looking planning had stronger impacts on market value, particularly in investor-oriented contexts. While the study offered strong methodological rigor, it did not isolate stakeholder alignment as a separate construct, which limits its theoretical completeness.

Further contributing to the empirical evidence, Adams and Ferreira (2012) investigated the dual monitoring and advisory roles of boards using panel data from over 1,500 U.S. firms and employing GMM estimation. They found that strategic oversight, especially when exercised by diverse boards, significantly influenced Tobin's Q. However, visionary capability and stakeholder sensitivity were not directly measured, leaving partial gaps in strategic competence analysis. Shifting focus to the African context, Nkundabanyanga et al. (2014) surveyed 108 service firms in Uganda and found that oversight and stakeholder alignment by the board significantly enhanced market credibility. Despite its value in an emerging market setting, the study relied heavily on self-reported performance data and did not address visionary leadership. In a similar line, Ali, Qureshi, and Khan (2017) analyzed 200 listed firms in Pakistan using archival data and OLS regression. They revealed that visionary boards strongly influenced Tobin's Q in high-growth firms. However, they did not investigate stakeholder alignment or oversight in detail.

Studies have continued to emphasize the strategic dimension of board roles. Garcia-Sanchez et al. (2020) examined the relationship between board capital, stakeholder engagement, and market performance using panel data from European firms. Applying 3SLS modeling, they concluded that stakeholder-oriented and visionary boards improved both ESG scores and market value. The study's strength lies in its multidimensional view of board competence, though its focus on ESG diluted direct insights on core strategic oversight. Building on the stakeholder theme, Naciti, Cesaroni, and Garzoni (2021) conducted a mixed-method study of Italian SMEs and confirmed that long-term strategic vision and stakeholder sensitivity were key drivers of positive investor perception and firm growth. While the study introduced rich qualitative insights, its focus on family-owned firms limits its applicability to broader corporate settings.

Mensah and Darko (2024), who used panel data from 250 listed firms in Ghana and Nigeria to examine the effect of board strategic competence on Tobin's Q. Employing fixed-effects regression, they found that oversight and visionary capacity significantly enhanced market performance, and that stakeholder alignment moderated this relationship positively. This study stands out for its robust empirical model and regional focus, though it acknowledged that stakeholder alignment was not measured with a direct construct. Collectively, these studies highlight a consistent positive relationship between the strategic competence of boards and market performance.

However, gaps remain in the simultaneous measurement of all three dimensions: oversight, visionary capability, and stakeholder alignment, particularly in emerging markets and using disaggregated empirical models.

Board Technical Competence and Market Performance

Influence of board technical competence on market performance has grown in prominence, particularly as firms recognize the importance of director expertise in financial decision-making and strategic oversight. One of the earliest contributions is by Forbes and Milliken (1999), who sought to understand how board members' cognitive resources, including education and professional experience, influenced strategic decision-making and performance. Using a conceptual-empirical approach based on qualitative data from U.S. firms, the study suggested that educational and professional diversity enhanced strategic effectiveness. However, the study lacked quantitative performance metrics like Tobin's Q, limiting its empirical strength.

Anderson, Mansi, and Reeb (2004) conducted a large-scale archival study on U.S. firms to assess the impact of financial expertise on firm credit ratings and market value. The study, based on regression analysis of panel data from 252 S&P 500 firms, found that firms with financially competent directors had lower bond yield spreads and higher market valuations. This study's strength lies in its robust financial metrics, though it focused more on financial markets than broader corporate performance. Similarly, Petra (2005) analyzed whether financial literacy among board members contributed to better corporate governance and market outcomes. Using secondary data from 100 U.S. corporations and regression models, Petra found a significant positive correlation between board financial expertise and return on equity. However, the study did not explore educational or professional background in depth, presenting a gap in comprehensive board competence analysis.

Van der Walt and Ingley (2007) examined how educational and professional backgrounds influence board strategic involvement and, in turn, organizational performance in New Zealand firms. Through a survey of 120 listed companies and factor analysis, they concluded that higher educational diversity and professional expertise contributed to improved firm reputation and strategic agility. Yet, the study did not directly link these competencies to stock performance or Tobin's Q. In a similar context, Mishra and Mohanty (2014) evaluated Indian manufacturing firms and found that directors with accounting and finance degrees significantly improved market-based performance measures. Their archival study used regression analysis and provided evidence that financial competence not only enhances governance quality but also investor confidence. Despite this, the study lacked analysis on professional qualifications such as industry certifications or board memberships.

Ntim, Lindop, and Thomas (2015) investigated the effects of board financial and educational capital on firm valuation in South African listed firms. Using panel data of 169 companies and generalized least squares (GLS) regression, they discovered that both educational qualifications and financial literacy among directors positively influenced Tobin's Q and market-to-book ratio. The study's strength was its emerging market focus and use of multiple performance indicators, but it did not capture sector-specific dynamics. Ujunwa (2016) further explored this topic in Nigeria, analyzing the role of board member qualifications on firm performance. His cross-sectional study of 122 listed firms found that financial and professional competence had a significant impact on market value. However, the study relied on self-reported measures for board competence and did not account for board tenure or independence.

García-Sánchez and García-Meca (2020) conducted a panel data study of European firms to evaluate the role of board technical expertise in enhancing financial performance and market trust. They found that boards with members holding professional certifications and advanced degrees were associated with better investor ratings and stock performance. Although rigorous in statistical modeling, the study largely focused on large-cap firms, leaving a gap in small and mid-sized firms. In the same year, Agyemang and Castellini (2020) analyzed Ghanaian firms and confirmed that technical expertise especially in finance and law had a positive effect on market valuation. Using fixed effects regression and a sample of 100 firms, they emphasized the importance of combining educational background with industry-specific experience.

Zhou and Wang (2022) explored Chinese listed firms and the effect of financial and educational competence of board members on firm value under regulatory pressure. With a sample of 500 firms and panel data spanning 2010–2020, the study used robust regression techniques and revealed that boards with strong financial and

educational qualifications had a consistently positive impact on Tobin's Q. Their study's strength lies in its regulatory focus and large sample size, but it did not measure the influence of non-financial professional experience (e.g., legal, strategic consulting), presenting a direction for future inquiry.

Board Effectiveness and Market Performance

Board effectiveness particularly in terms of board meeting frequency and shareholding has consistently examined how these mechanisms influence firm performance and investor confidence. One of the earliest influential studies is by Vafeas (1999), who investigated the relationship between board meeting frequency and firm value using a sample of 307 U.S. firms. Employing panel data analysis and fixed-effects regression, the study found a positive correlation between the frequency of board meetings and firm performance, measured by Tobin's Q. This work provided early empirical validation for the idea that more active boards are better monitors. However, it did not address directors' shareholding as a governance mechanism, which limits its comprehensiveness.

Building on this, Yermack (2004) analyzed how various board characteristics, including shareholding and meeting frequency, impact firm valuation. Using archival data from large U.S. corporations and cross-sectional regression analysis, the study found that firms with higher managerial ownership and more frequent board meetings exhibited stronger market valuation. The strength of this study lies in its robust dataset and the integration of multiple governance variables. However, it did not distinguish between executive and non-executive ownership, leading to a generalized interpretation of shareholding influence. Similarly, Conger, Finegold, and Lawler (2001) focused on board behavior and effectiveness in U.S. firms using qualitative data. They argued that meeting frequency enhances accountability, but the lack of quantitative performance metrics like market returns or Tobin's Q was a major limitation.

In a study situated in the UK, Guest (2009) examined the effects of board structure and activity including meeting frequency on firm performance. Using panel data from FTSE-listed firms and generalized method of moments (GMM) estimation, the study found that board activity, particularly the number of meetings, significantly improved market performance. However, the study noted diminishing returns beyond a certain meeting threshold. It did not evaluate shareholding patterns, which restricts the full assessment of board effectiveness. On the African continent, Uwuigbe (2011) studied Nigerian firms and revealed that both board meeting frequency and director equity holdings positively influence firm performance. The study used a sample of 30 firms over five years and applied regression analysis. Although the study was regionally relevant, its limited sample size weakened generalizability.

Kalsie and Shrivastav (2016) conducted a broader analysis of Indian firms, examining how board diligence (measured by meeting frequency) and insider ownership affect firm valuation. Using a large dataset of NSE-listed companies and applying panel regression, they found that high-frequency meetings and higher promoter shareholding had a significantly positive effect on Tobin's Q. This study's strength lies in capturing both dimensions of board effectiveness, though it lacked qualitative insights into boardroom dynamics. In the same year, Bhatt and Bhatt (2017) assessed Indian corporate boards and concluded that director ownership is a strong predictor of market performance. Their study employed cross-sectional regression using data from 120 firms and supported the idea that ownership-aligned boards reduce agency costs. However, board meetings were not included, missing a crucial dimension of board effectiveness.

Rashid (2018) explored the interplay between director attendance, board meetings, and firm performance in the context of Bangladesh. Using panel data of 90 firms and fixed-effects models, the study confirmed that frequent board meetings and active participation are positively associated with market value. However, the study acknowledged challenges in data availability on director shareholding. In a Sub-Saharan context, Ujunwa, Okoyeuzu, and Modebe (2021) investigated Nigerian listed firms and found that both frequent meetings and equity stakes held by board members improved Tobin's Q and investor confidence. The strength of this study lies in its inclusion of both board structure and ownership as determinants. Still, the authors noted that ownership concentration could potentially lead to entrenchment rather than better performance.

Ali and Usman (2023) examined emerging markets and found that board diligence, as captured through meeting

frequency and substantial director shareholding, contributes positively to firm valuation and strategic outcomes. Using panel data from 200 firms across Asia and Africa, the study employed random-effects regression. Their findings affirm the dual importance of active governance and ownership alignment in enhancing market-based performance. However, the study did not distinguish between short-term and long-term performance effects. Finally, Mensah and Darko (2024) investigated Ghanaian and Nigerian firms and found a statistically significant interaction between board meeting frequency, shareholding, and Tobin's Q. Their study applied fixed-effects modeling and introduced stakeholder perception as a moderating factor. The study's strength lies in its contextual relevance and comprehensive governance approach, although it calls for further examination into how board meeting content (not just frequency) shapes market outcomes.

Gap in Literature

Despite the growing body of literature on corporate governance and firm performance, significant gaps remain regarding the specific dimensions of the board of directors' competence and their influence on market performance. While numerous studies (like Vafeas, 1999; Bhatt & Bhatt, 2017; Ujunwa et al., 2021) have explored individual governance variables such as board size, meeting frequency, or ownership structure, relatively few have holistically examined board competence as a multi-dimensional construct. Particularly underexplored are the sub-dimensions of strategic competence, including oversight, visionary capability, and stakeholder alignment, and technical competence, such as directors' educational, financial, and professional qualifications. Most prior studies narrowly focus on board independence or board composition, thereby overlooking how competence itself drives strategic decision-making and ultimately affects market-based performance indicators like Tobin's Q.

Additionally, the empirical evidence is largely skewed towards developed economies, such as the U.S. and the U.K. (Guest, 2009; Yermack, 2004), with limited focus on emerging markets, especially in Sub-Saharan Africa. Studies conducted in Nigeria (like Uwuigbe, 2011; Ujunwa et al., 2021) often suffer from limited sample sizes, outdated governance data, or an overreliance on static cross-sectional methodologies that fail to capture firm dynamics over time. Moreover, while some studies have examined the frequency of board meetings and director shareholding, few have jointly assessed these within the broader context of board effectiveness and how they interact with competence attributes to shape firm value. This leaves a theoretical and methodological gap in understanding how well-equipped boards are to navigate strategic and financial complexities in volatile markets.

Given these gaps, this study is justified in providing a more comprehensive and context-specific investigation into how the board of directors' competence, measured through strategic competence, technical competence, and board effectiveness, influences market performance. By integrating multiple proxies and adopting a multi-dimensional view of board competence, the study offers a novel contribution to corporate governance literature. It also fills a geographic gap by focusing on firms within an emerging market, providing practical insights for policymakers, investors, and board nomination committees seeking to strengthen governance structures. The findings could support the development of competence-based selection criteria for directors, aligning corporate governance practices with performance-driven outcomes.

The hypotheses for this study are:

H_{01}: Board of Directors' strategic competence has no significant effect on the market performance of firms.

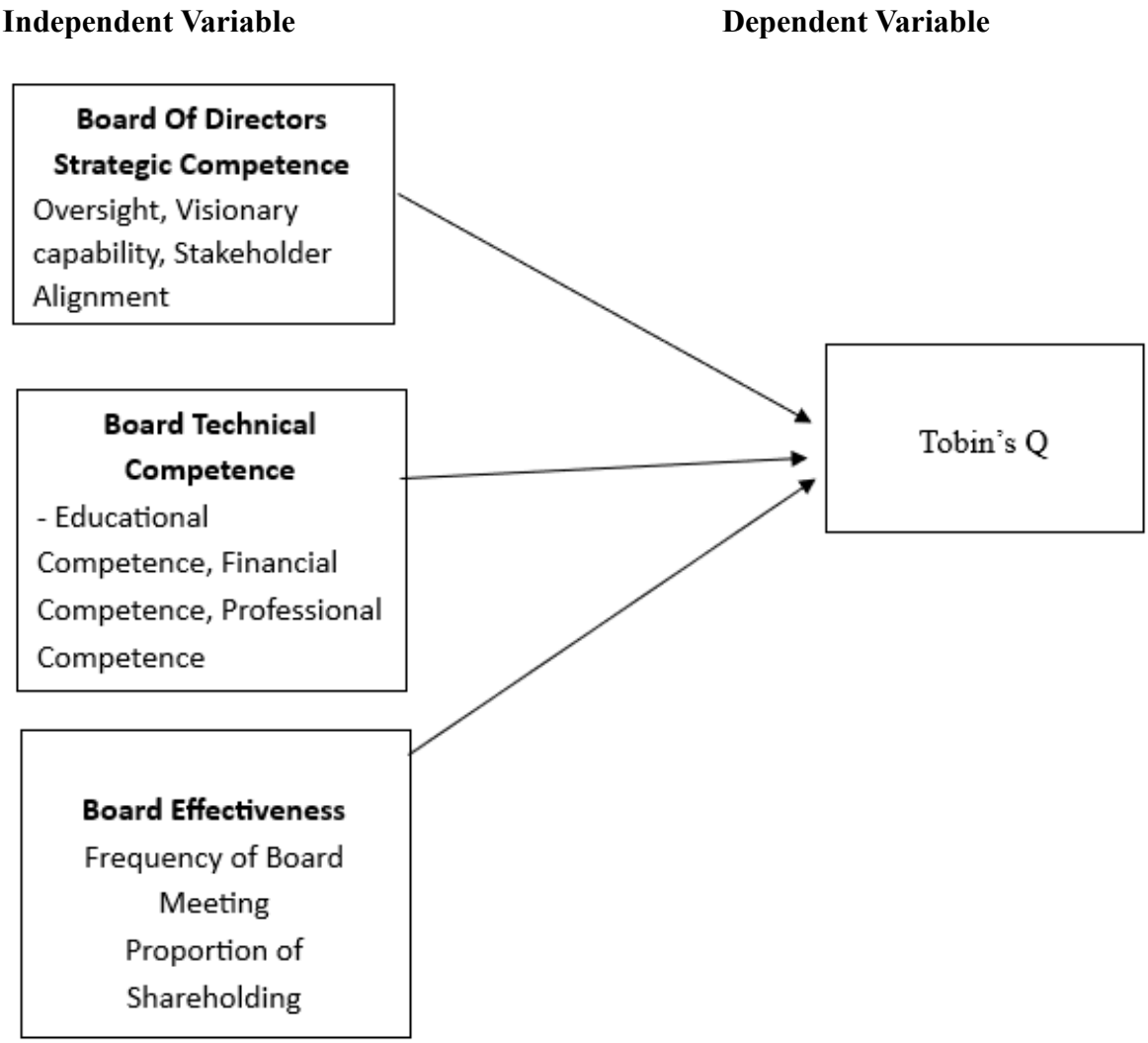
H_{02}: Board of Directors' technical competence has no significant effect on the market performance of firms.

H_{03}: Board effectiveness has no significant effect on the market performance of firms.

CONCEPTUAL FRAMEWORK

The conceptual framework explores the relationship between the Board of Directors' Competence and Market Performance. Board competence is assessed through strategic, technical, and effectiveness dimensions. Market performance is measured using Tobin's Q. The framework suggests that higher board competence leads to better governance and stronger market outcomes.

Figure 2.1. Conceptual Review



Source: Researcher's Compilation (2025)

METHODOLOGY

This study uses an ex-post facto design because the study relies on using existing data beyond the researcher's manipulation. The population includes 13 deposit money banks listed on the Nigerian Exchange Group as of December 31, 2024. A sample size of 5 banks was selected using purposive sampling techniques. The study purposively selected banks based on criteria such as continuous listing, availability of complete financial and governance disclosures, and relevance to the study's objectives. Data were obtained from secondary sources from the published annual reports of the firms and NGX filings for the period of 2015 to 2024. The base year of 2015 was selected because it coincides with the revision of corporate governance regulations by the Financial Reporting Council of Nigeria (2015). The data collected were analyzed using descriptive statistics and panel regression analysis.

Model Specification

Following the methodological approach employed by Jonah (2023), this study adapts a multiple regression analysis to assess the effect of board members' competence on the market performance of listed deposit money banks in Nigeria. This analytical technique is appropriate as it combines both time-series and cross-sectional data, enabling a more accurate and robust estimation of the relationships among variables across multiple banks over time. The model is specified in its functional form as follows:

$ROA_{it} = f(BMT_{it}, BMQ_{it}) + \varepsilon_{it}$…… (i)

Where: ROA = Return on Assets, ROE = Return on Equity, BMT = Board Member Tenure, BMQ = Board Member qualification

To align with the study's focus, the traditional governance–performance model has been modified. The dependent variable is Tobin's Q, a market-based metric that better reflects investor perception and firm value, replacing accounting-based measures like ROA and ROE. The key independent variables, strategic competence, technical competence, and board effectiveness, capture essential dimensions of board competence. Firm size and leverage are included as control variables to account for structural and financial risk factors. These adjustments create a more relevant model for assessing the impact of board competence on market performance in Nigeria's banking sector. Thus, the functional model is expressed as:

MAC = f(STC, TEC, BOD, FSI, LEV)

In econometric form, the model becomes:

$MAC_{it} = \alpha + \beta_1 STC_{it} + \beta_2 TEC_{it} + \beta_3 BOD_{it} + \beta_4 FSI_{it} + \beta_5 LEV_{it} + \varepsilon_{it}$…….……(ii)

Where:

MAC = Market Performance (measured by TBQ), STC = Strategic Competence, TEC = Technical Competence, BOD = Board Effectiveness. FSI = Firm Size, LEV = Leverage and E = Error term; i = firm; t = time (year)

MAC= f(TBQ)……..…(iii)

Where: MAC = Market Performance; (TBQ) = Tobin's Q

To further break down the functional model to show the explanatory variables

MAC = f(STC, TEC, BOD)…….…..……...(iv)

MAC = Market Performance, STC = Strategic Competence; TEC = Technical Competence; BOD = Board Effectiveness

The functional model is thus stated in econometric form as

$MAC_{it} = \alpha + \beta_1 STC_{it} + \beta_2 TEC_{it} + \beta_3 BOD_{it} + \varepsilon_{it}$……..…….(v)

Where: it= time;

$MAC_{it} = \alpha + \beta_1 STC_{it} + \beta_2 TEC_{it} + \beta_3 BOD_{it} + \beta_4 FSI_{it} + \beta_5 LEV_{it} + \varepsilon_{it}$……(vi)

MAC = Market Performance (measured by TBQ), STC = Strategic Competence, TEC = Technical Competence, BOD = Board Effectiveness. FSI = Firm Size, LEV = Leverage and E = Error term;

A priori Expectations

The a priori expectations for this study are informed by established theories of corporate governance and supported by prior empirical evidence. In line with studies such as Adekunle (2022), the expected signs of the model variables are guided by their theoretical relationships with market performance. Accordingly, the a priori expectation equation is expressed as:

$\beta1<0, \beta2<0, \beta3>0, \beta4>0, \beta5>0$

Measurement of Variables

This section describes dependent, independent, and control variables used in the study.

Table 1: Measurement of variables

S/n	Variables	Description	Measurement	Source
1	**Independent:** Strategic Competence	The board's ability to guide long-term vision and oversight	0 = No evidence of strategic oversight (no vision/mission, no strategic planning committee, no stakeholder engagement); 1 = Moderate evidence (vision/mission or committee present, limited stakeholder engagement); 2 = Strong evidence (vision/mission, dedicated committee, and active stakeholder engagement present)	Naciti et al. (2021); Mensah & Darko (2024)
2	Technical Competence	Directors' qualifications and expertise	0 = Low competence (less than 25% of board members have relevant professional qualifications or certifications); 1 = Moderate competence (25–50% of board members have relevant professional qualifications or certifications); 2 = High competence (more than 50% of board members have relevant professional qualifications or certifications)	García-Sánchez & García-Meca (2020); Zhou & Wang (2022)
3	Board Effectiveness	Measures board diligence and engagement	0 = Low effectiveness (board meets <4 times/year and <25% of directors hold shares); 1 = Moderate effectiveness (board meets ≥4 times/year or 25–50% hold shares); 2 = High effectiveness (board meets >4 times/year and >50% hold shares)	Ujunwa et al. (2021); Ali & Usman (2023)
4	**Dependent:** Market Performance (Tobin's Q)	Indicates firm value and market-based performance	Market Value of Equity plus Liabilities divided by Total Assets	Nwaiwu & Joseph (2018); Mensah & Darko (2024)
5	**Control:** Firm Size	Reflects the overall size of the company	Natural logarithm of total assets	Rashid (2018); Mensah & Darko (2024)
6	Leverage	Captures financial risk from debt	Total Liabilities divided by Total Assets	Kalsie & Shrivastav (2016); Bhatt & Bhatt (2017)

Source: Researcher's Compilation (2025)

Data Analysis and Discussion of Findings

This section presents the preliminary regression analysis, encompassing the descriptive statistics and normality

assessment of the data. It further includes the correlation analysis and the panel regression results.

Descriptive Statistics

Table 2 Descriptive Statistics

Variable	Mean	Std. Dev.	Min	Max	Pr(Skewness)	Pr(Kurtosis)	Prob > chi²
TBQ	0.078	0.072	0.009	0.342	0.0000	0.0018	0.0000
STC	0.960	0.198	0.000	1.000	0.0000	0.0000	0.0000
TEC	1.180	0.482	0.000	2.000	0.1421	0.2984	0.1801
BOD	1.740	0.487	0.000	2.000	0.0001	0.0284	0.0003
FSI	1.133	0.019	1.111	1.191	0.0000	0.0051	0.0000
LEV	0.903	0.012	0.880	0.920	0.2491	0.0143	0.0354

Source: Researcher's Computation (2025)

Table 2 reports the descriptive statistics and normality test results for the study variables. Market Performance, measured by Tobin's Q (TBQ), has a mean of 0.078 with a standard deviation of 0.072, ranging from 0.009 to 0.342. This indicates a modest average valuation of firms relative to their assets, though some firms attained comparatively higher market performance. The skewness–kurtosis test (Prob > chi² = 0.000) shows significant deviation from normality.

Strategic Competence (STC) averages 0.96 (SD = 0.198), reflecting that most firms possess strategic governance mechanisms, though some lack such competence (min = 0). The normality test is significant (Prob > chi² = 0.000), indicating a non-normal distribution. Technical Competence (TEC) has a mean of 1.18 (SD = 0.482), suggesting moderate representation of board members with technical expertise. Its skewness–kurtosis test (Prob > chi² = 0.1801) is not significant, implying approximate normality.

Board Effectiveness (BOD) records a mean of 1.74 (SD = 0.487), reflecting relatively strong diversity and effectiveness across boards, although some are less effective (min = 0). The distribution departs significantly from normality (Prob > chi² = 0.0003). Firm Size (FSI) averages 1.133 (SD = 0.019), with values narrowly ranging from 1.111 to 1.191, indicating relative homogeneity in firm size. Its normality test is also significant (Prob > chi² = 0.000), suggesting non-normality.

Leverage (LEV) has a mean of 0.903 (SD = 0.012), ranging from 0.880 to 0.920, showing consistently high debt financing among the firms. The skewness–kurtosis test is significant at the 5% level (Prob > chi² = 0.0354), suggesting non-normality.

Overall, except for technical competence, most variables deviate significantly from normality. This justifies the use of robust estimation techniques in the regression analysis to correct for potential violations of classical linear regression assumptions.

Test of Variables

Correlation Matrix

Table 3 Combined Correlation Matrix with VIF

Variable	TOBINQ	STC	TEC	BOD	FSI	LEV	VIF
TOBINQ	1.0000						
STC	0.1939	1.0000					1.13

TEC	-0.2344	0.0770	1.0000				1.06
BOD	-0.3759	-0.1101	-0.1444	1.0000			1.06
FSI	-0.4571	-0.3181	0.0961	0.1579	1.0000		1.19
LEV	-0.0213	0.0136	0.1310	-0.0120	0.1558	1.0000	1.04

Source: Researcher's Computation (2025)

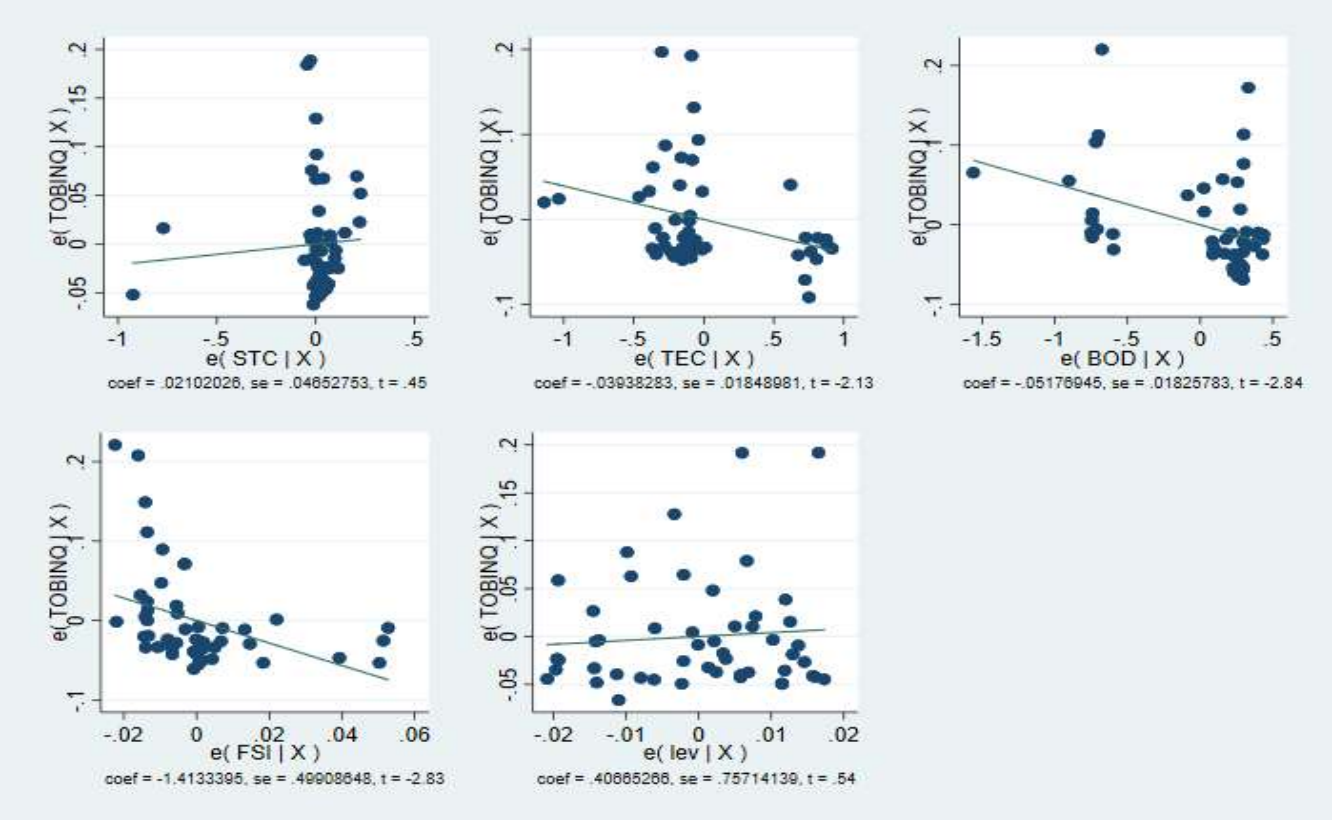
Table 3 presents the correlation matrix alongside the variance inflation factors (VIFs), which jointly assess the extent of linear association among the explanatory variables. Tobin's Q (TOBINQ) shows weak positive correlation with Strategic Competence (STC, r = 0.194) but negative associations with Technical Competence (TEC, r = –0.234), Board Effectiveness (BOD, r = –0.376), and Firm Size (FSI, r = –0.457). Its correlation with Leverage (LEV) is negligible (r = –0.021). This suggests that higher board effectiveness and firm size are, on average, associated with lower market performance in the sampled firms.

The interrelationships among the independent variables are generally low. For instance, STC and TEC correlate at 0.077, while BOD and TEC correlate at –0.144. Importantly, none of the correlation coefficients exceeds the conventional 0.70 threshold, indicating no serious multicollinearity concerns from the correlation structure.

The VIF statistics corroborate this. All explanatory variables have VIF values close to 1 (ranging from 1.04 to 1.19), with a mean VIF of 1.10, far below the common cut-off thresholds of 5 or 10. This confirms the absence of harmful multicollinearity in the dataset. Consequently, the regression coefficients estimated in subsequent analyses can be considered stable and reliable.

Linearity Test

Figure 1: Linearity Test for Explanatory Variables and Tobin's Q (Partial Regression Plots)



Source: Researcher's Design (2025)

Figure 1 illustrates the partial regression plots between market performance (Tobin's Q) and each explanatory variable, controlling for the effects of the other independent variables. The purpose is to examine whether the

relationship between Tobin's Q and the predictors is approximately linear, as assumed by panel regression models.

The relationship between Strategic Competence (STC) and Tobin's Q is weakly positive, with a flat slope (coef = 0.021, t = 0.45), suggesting minimal linear association. In contrast, Technical Competence (TEC) exhibits a significant negative linear relationship with Tobin's Q (coef = –0.039, t = –2.13), indicating that higher technical expertise on boards may be associated with reduced market valuation in the sample.

Board Effectiveness (BOD) also shows a significant negative slope (coef = –0.052, t = –2.84), implying that increases in measured board diversity or effectiveness correspond to lower firm market performance. Similarly, Firm Size (FSI) displays a negative and statistically significant relationship with Tobin's Q (coef = –1.413, t = –2.83), suggesting that larger firms may be less efficient in generating market value relative to their assets.

For Leverage (LEV), the slope is negative but not statistically significant (coef = –0.040, t = –0.54), indicating no strong evidence of a linear association with Tobin's Q.

Overall, the linearity checks confirm that the key variables (TEC, BOD, and FSI) demonstrate significant negative linear trends with market performance, while STC and LEV show weak or negligible linear relationships. These results validate the linear specification of the regression model, though the directions of association highlight potential governance and structural constraints in driving firm value.

Diagnostic Tests

Table 4 Diagnostic Test

Test	**Null Hypothesis (H_0)**	**Test Statistic**	**p-value**	**Decision**
Modified Wald Test for Groupwise Heteroskedasticity	$\sigma_i^2 = \sigma^2$ (homoskedasticity)	$\chi^2(5) = 170.53$	0.0000	Reject H_0 → Heteroskedasticity present
Breusch–Pagan LM Test for Random Effects	Var(u) = 0 (no panel effect)	$chibar^2(1) = 0.00$	1.0000	Fail to reject H_0 → RE not appropriate
Hausman Test (FE vs RE)	The difference in coefficients is not systematic	$\chi^2(5) = 41.03$	0.0000	Reject H_0 → FE preferred over RE
Wooldridge Test for Autocorrelation	No first-order autocorrelation	$F(1,4) = 38.90$	0.0034	Reject H_0 → Autocorrelation present

Source: Researcher's Computation (2025)

Before proceeding with the interpretation of the regression results, several diagnostic tests were conducted to ensure the validity and robustness of the panel model estimates. These tests focused on heteroskedasticity, the choice between fixed and random effects, and the presence of serial correlation.

The Modified Wald test for groupwise heteroskedasticity in the fixed effects model produced a chi^2 statistic of 170.53 (Prob > chi^2 = 0.0000), leading to the rejection of the null hypothesis of homoskedasticity. This indicates the presence of heteroskedasticity across the panels, necessitating the use of robust estimation techniques to correct standard errors.

The Breusch and Pagan Lagrangian Multiplier (LM) test for random effects returned a $chibar^2(01)$ value of 0.00 (Prob = 1.0000), failing to reject the null hypothesis that the panel-level variance component is zero. This result suggests that the random effects model is not appropriate, as there is no significant variation across individual panels that can be captured by the random effects specification.

The Hausman specification test, which compares the fixed and random effects estimators, produced a chi²(5) value of 41.03 with a Prob > chi² = 0.0000. This strongly rejects the null hypothesis that the difference in coefficients is not systematic, implying that the fixed effects estimator is consistent while the random effects estimator is biased. This further reinforces the preference for fixed effects over random effects.Finally, the Wooldridge test for autocorrelation in panel data yielded an F(1,4) statistic of 38.90 (Prob = 0.0034), indicating the presence of first-order autocorrelation in the error terms. This violates the classical regression assumption of serially uncorrelated errors.

In summary, the diagnostic tests reveal evidence of heteroskedasticity and autocorrelation, with the Hausman test validating the fixed effects specification over random effects. Consequently, the study adopts panel-corrected standard errors (PCSE) as the most appropriate estimation technique, since it simultaneously corrects for heteroskedasticity, contemporaneous correlation, and autocorrelation, ensuring more reliable inference.

Board of Directors Competence and Market Performance

Table 5 Prais–Winsten Regression with Panel-Corrected Standard Errors (PCSEs)

Predictor	**Coefficient (β)**	**Std. Error**	**z**	**p-value**	**95% CI**
Strategic Competence (STC)	0.0323	0.0150	2.15	.038	0.0029, 0.0618
Technical Competence (TEC)	0.0163	0.0061	2.66	.012	0.0043, 0.0283
Board Effectiveness (BOD)	0.0059	0.0018	3.20	.003	0.0023, 0.0095
Firm Size (FSIZ, control)	0.0406	0.0199	2.04	.041	0.0016, 0.0796
Leverage (LEV, control)	–0.0162	0.0046	–3.54	.000	–0.0252, –0.0072
Constant	0.8227	0.2147	3.83	.000	0.4018, 1.2436
Model Summary	**R^2 = .501; Wald $\chi^2(5)$ = 32.60; p < .001; ρ = .189; N = 50**				

Source: Researcher's Computation (2025)

The effect of board competencies on market performance was estimated using the Prais–Winsten regression with panel-corrected standard errors (PCSEs). This method was chosen to address the presence of heteroskedasticity and autocorrelation identified in the diagnostic tests and is particularly suited for small balanced panels. The estimation was carried out on 50 firm-year observations drawn from 5 firms over 10 years.

The overall model is statistically significant, with a Wald chi²(5) = 32.60 (p < 0.0001), confirming that the explanatory variables jointly influence market performance. The R^2 value of 0.501 indicates that approximately 50.1% of the variation in Tobin's Q is explained by the predictors. The estimated autocorrelation coefficient (ρ = 0.189) points to modest persistence in the error structure across time, which the PCSE estimator corrects for. The result in Table 5 shows that Strategic Competence (STC) has a positive and statistically significant coefficient (β = 0.0323, p-value = .038). Since p-value < 0.05, the null hypothesis (H_{01}) is rejected. This implies that the strategic competence of the board significantly improves market performance, measured by Tobin's Q. The regression results reveal that Technical Competence (TEC) is positive and significant (β = 0.0163, p-value = .012). Since p-value < 0.05, the null hypothesis (H_{02}) is rejected. This indicates that directors with technical expertise significantly enhance the market performance of firms. Board Effectiveness (BOD) is also positive and statistically significant (β = 0.0059, p-value .003). Given that p-value < 0.05, the null hypothesis (H_{03}) is rejected. This confirms that effective boards, reflected in meeting regularity and ownership structure, significantly improve market performance.

For the control variables, Firm Size (FSIZ) has a positive and significant effect (β = 0.0406, z = 2.04, p-value = 0.041). This implies that larger firms are associated with higher market valuation, reflecting the advantage of scale and stronger market presence. Conversely, Leverage (LEV) is negative and highly significant (β = –0.0162, z = –3.54, p-value < 0.001), suggesting that higher debt levels reduce market performance as investors penalize

highly leveraged firms. The constant term is also significant ($\beta = 0.8227$, p-value < 0.001), representing the baseline level of Tobin's Q when all predictors are held at zero.

DISCUSSION OF FINDINGS

The result shows that board strategic competence (STC) has a positive and significant effect on market performance. This implies that boards with stronger oversight, visionary capacity, and stakeholder alignment significantly improve the market valuation of firms. This finding supports Zahra and Pearce (1989), who found that strategic oversight positively influenced corporate outcomes in U.S. firms, and Hillman and Dalziel (2003), who emphasized the role of board capital in enhancing firm performance. It is also consistent with Nicholson and Kiel (2007) and Minichilli et al. (2009), who observed that visionary boards and forward-looking planning improved stock performance and firm value in developed economies.

In emerging markets, the result aligns with Nkundabanyanga et al. (2014) in Uganda and Ali et al. (2017) in Pakistan, both of which reported that oversight and visionary capacity enhance Tobin's Q. More recently, Mensah and Darko (2024) demonstrated in Ghana and Nigeria that board oversight and visionary capacity significantly enhance Tobin's Q, with stakeholder alignment further strengthening the effect. The present study reinforces these findings within the Nigerian context, showing that strategic competence remains a central governance lever in boosting market performance.

The regression results further show that board technical competence (TEC) exerts a positive and significant influence on market performance. This finding suggests that boards with members who possess educational, financial, and professional qualifications are more effective in guiding firms towards higher market valuation. This outcome is consistent with Forbes and Milliken (1999), who argued that board members' cognitive resources strengthen decision-making. It also supports Anderson et al. (2004) and Petra (2005), who found that financially competent directors improved corporate governance and reduced risk, leading to higher firm valuation.

In line with Mishra and Mohanty (2014) and Ujunwa (2016), who found positive associations between board qualifications and market value in India and Nigeria, respectively, the current findings confirm that financial and professional expertise provide credibility that reassures investors. The results also corroborate the work of García-Sánchez and García-Meca (2020) in Europe and Agyemang and Castellini (2020) in Ghana, both of whom found that professional and educational qualifications among directors enhance stock performance and market trust. Zhou and Wang (2022) similarly observed that financial and educational qualifications of directors in China significantly improve Tobin's Q. Collectively, the present study strengthens empirical evidence that technical expertise is a critical driver of firm market performance in both developed and emerging markets.

Finally, the analysis shows that board effectiveness (BOD) has a positive and significant effect on market performance. This indicates that frequent board meetings and director shareholding substantially improve firm market performance. The result is consistent with Vafeas (1999), Yermack (2004), and Guest (2009), all of whom reported that more frequent board meetings enhance accountability and positively affect firm valuation. It also aligns with Uwuigbe (2011) and Ujunwa et al. (2021) in Nigeria, who found that both board meeting frequency and director shareholding boost Tobin's Q.

The result also supports evidence from India (Kalsie & Shrivastav, 2016; Bhatt & Bhatt, 2017) and Bangladesh (Rashid, 2018), which confirmed that director ownership and frequent meetings enhance market value. In a broader cross-country context, Ali and Usman (2023) demonstrated that board diligence and equity holdings are strongly associated with firm value in Asian and African firms, while Mensah and Darko (2024) highlighted the interaction between board meetings, shareholding, and market valuation in West Africa. The present study adds to this body of evidence by reaffirming that active, engaged, and ownership-aligned boards significantly contribute to higher market valuation in Nigerian listed firms.

CONCLUSION AND RECOMMENDATIONS

This study examined the effect of board strategic competence, technical competence, and board effectiveness on

the market performance of Nigerian listed firms, with firm size and leverage included as control variables. Using panel data covering 50 firm-year observations from 2015 to 2024 and applying the Prais–Winsten regression with panel-corrected standard errors (PCSEs) to correct for heteroskedasticity, serial correlation, and contemporaneous correlation, the findings provide robust insights into how board-level competencies influence firm value measured by Tobin's Q.

The results show that board strategic competence has a significant positive effect on market performance, indicating that boards with stronger oversight, visionary capability, and stakeholder alignment enhance firm valuation. Technical competence also exerts a significant positive effect, highlighting the importance of directors' educational, financial, and professional expertise in boosting investor confidence and firm value. Similarly, board effectiveness, measured through meeting frequency and director shareholding, significantly improves Tobin's Q, confirming the role of engaged and ownership-aligned boards in enhancing performance. Among the control variables, firm size was found to significantly increase market performance, while leverage had a significant negative effect, showing that larger firms enjoy higher valuation, whereas highly leveraged firms are penalized by investors.

In conclusion, the study establishes that in the Nigerian corporate context, market performance is significantly shaped by the strategic, technical, and effectiveness dimensions of board competence, alongside firm-specific factors such as size and leverage. Strengthening board quality through these competencies will not only enhance firm valuation but also improve investor confidence and the competitiveness of Nigerian firms in global capital markets.

Based on these findings, the following recommendations are made corporate governance policies should prioritize the inclusion of directors with strong strategic competencies, particularly in oversight, visionary leadership, and stakeholder engagement, as these capabilities enhance market performance; boards should incorporate members with proven technical expertise in finance, law, and professional practice, as such competence strengthens governance credibility and market value; firms should ensure that boards remain effective by holding meetings regularly and promoting equity ownership among directors, thereby aligning board members' interests with those of shareholders; regulators such as the Securities and Exchange Commission (SEC) and the Nigerian Exchange (NGX) should update governance codes to emphasize the appointment of directors with both strategic and technical expertise, as well as guidelines encouraging active board engagement and institutional investors should evaluate firms not only on financial indicators but also on the composition and effectiveness of their boards, rewarding companies that demonstrate strong governance competencies.

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