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EXPLORING BOARD SIZE AND FIRM PERFORMANCE: IS THERE A KUZNETS' CURVE RELATIONSHIP? EVIDENCE FROM NIGERIA

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ABSTRACT

Board of directors is an essential component of corporate governance especially in the post-crisis global organizational system. The Agency theory and the Resource Dependency theory emphasize the role of board size in determining the effectiveness of boards in corporate governance. This study draws from both theories and considers the issue of board size and organizational performance not from the perspective of how large or small boards should be, but from the angle of optimality. In so doing, the study explores the existence of an optimal board size for firms in Nigeria, as well as the impact of board size on organizational performance.

Using both mean reversion trend and random effect model the study finds the existence of a Kuznets' curve in the relationship between board size and firm performance and in line with previous studies but no optimal board size for the sampled 100 firms in Nigeria. However, when this sample is divided into financial and non-financial firms, we find evidence that the target board size is at least 12 directors for the financial firms. Estimates of the Arrelano-Bond dynamic panel data estimation further show that board size does not significantly influence organizational performance.

KEYWORDS: Firm Performance, Resource, Kuznets, Relationship, Nigeria