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The Role of the Board of Directors in Strengthening Corporate Governance

Musliha Musman, Salwa Muda, Raziah Bi Mohamed Sadique and Raja Rajeswari A/P Jayakumar

Universiti Teknologi MARA Cawangan Negeri Sembilan Kampus Seremban

Introduction

The Board of Directors (BOD) is the highest governing body in a company, empowered to make key decisions on behalf of the organisation while safeguarding its interests and ensuring its long-term direction. Through its decisions and oversight, the board has a significant influence on both operational activities and overall company performance. By performing these roles, the BOD protects shareholders' interests while also considering the needs of other stakeholders. In relation to corporate governance, the BOD plays a critical role in supporting effective governance practices.

As the central mechanism of corporate governance, the BOD ensures that governance principles are effectively implemented within the organisation. It is responsible for setting strategic direction, monitoring management performance and upholding accountability, transparency, and ethical conduct across all business activities (Jiang, 2022). In addition, the board establishes policies, oversees risk management processes and ensures compliance with applicable laws and regulations. As such, a strong and effective BOD is essential to sound corporate governance, as it ensures that the organisation is managed in a responsible, efficient, and sustainable manner.

Corporate governance has remained important in the past, continues to be highly relevant in the present, and is expected to become even more critical in the future, as it promotes accountability, transparency, and ethical behaviour in organisational management (Moses et al., 2020; Jiang, 2022). It ensures that management is accountable to stakeholders by providing accurate, timely and reliable information to support informed decision-making that is in line with the responsibilities of the BOD. Furthermore, it emphasises ethical conduct and fairness, which are essential in building trust and safeguarding the rights of all stakeholders, including minority shareholders (Jiang, 2022).

Good Corporate Governance factors

The effectiveness of a board is influenced by several key factors, including its composition and quality, as well as its size and diversity (Alodat & Hao, 2025; Zaman et al., 2024). A well-composed board with members who possess the right mix of skills, experience and expertise enhances decision-making and oversight. The size of the board also matters, as it should be large enough to provide diverse perspectives but not too large to hinder efficiency. Additionally, diversity in terms of background, gender, and professional experience contributes to more balanced discussions, innovative ideas, and better governance outcomes

Independent Directors

Board composition is an important element of corporate governance because the board plays a key monitoring and control role. An effective board should be independent, with most non-executive directors (Hu et al., 2023). From an agency theory perspective, outside directors act as independent monitors to protect shareholders' interests (Fama, 1980). This is important, as inside directors may be closely aligned with the CEO, which can weaken oversight. Outside directors, who are usually experienced professionals from various fields, are expected to provide objective judgement and strengthen board monitoring effectiveness (Armstrong et al., 2010).

Foundations of Effective Corporate Governance



Duality

Role duality occurs when the Chief Executive Officer (CEO) simultaneously serves as the chairman of the board. Fama and Jensen (1980) argue that this structure can weaken corporate governance by combining decision-making and control, thereby reducing the board's ability to effectively monitor management.

Consequently, CEOs may prioritise their own interests over those of shareholders, leading to weaker oversight and reduced board effectiveness (Yu, 2023). In contrast, role duality does not always weaken governance, as some firms are still able to maintain effective monitoring even when the CEO and board chair roles are combined (Almashhadani et al., 2022).

Board Size

Board size is an important determinant of board effectiveness and monitoring (Alabdullah & Churiyah, 2023). Although increasing the number of directors can enhance oversight capacity, overly large boards may reduce efficiency due to communication challenges and slower decision-making processes. In general, smaller boards are associated with better firm performance. Larger boards may also weaken coordination and increase CEO influence, thereby limiting the board's ability to perform effective monitoring (Almashhadani et al., 2022). Furthermore, larger boards may discourage open discussion and critical evaluation among members, which can result in less effective decision-making.

Board diversity

Board diversity refers to the variety of characteristics among members of the Board of Directors, including differences in gender, age, education, professional background, skills, experience, and independence. A diverse board is important in corporate governance because it brings multiple perspectives into decision-making, leading to more balanced, innovative, and well-informed decisions (Alabdullah & Churiyah, 2023). It also improves oversight and reduces the likelihood of groupthink, where similar thinking limits critical evaluation. Additionally, board diversity strengthens governance by enhancing transparency, accountability, and the board's ability to better understand and respond to stakeholder needs, ultimately improving firm performance.

Conclusion

The BOD plays a fundamental role in ensuring effective corporate governance within an organisation. As the highest governing body, the board is responsible for setting strategic direction, monitoring management, and safeguarding the interests of shareholders while also considering other stakeholders. Its effectiveness is shaped by several key factors, including board composition, independence, size, diversity, and leadership structure, all of which influence the quality of oversight and decision-making.

In addition, strong corporate governance practices supported by an effective board help to reduce agency problems, improve transparency, strengthen internal controls, and enhance risk management. The board also plays a critical role in ensuring compliance with laws and regulations, promoting ethical behaviour, and maintaining investor confidence. Furthermore, an effective BOD contributes to better organisational performance by improving strategic decisions and ensuring efficient use of resources. Overall, a strong and well-functioning BOD is essential not only for good governance but also for the long-term sustainability, stability, and success of the organisation.

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