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BOARD STRUCTURE AND PERFORMANCE OF COMPANIES LISTED AT THE NAIROBI SECURITIES EXCHANGE: THE INFLUENCE OF EXTERNAL ENVIRONMENT

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Abstract

Boardroom squabbles and business failures have been witnessed throughout the world on the corporate stage. Kenya has not been immune to the surge in corporate scandals and bankruptcy sweeping the globe. Essentially, the idea is that a governance problem is a crisis on the board of directors. The decrease in shareholder value is blamed on the board of directors for the failure of most of the enterprises. The study's objective was to determine how firms' external environment impacts the relationship between board structure and performances of companies listed at the Nairobi Security Exchange (NSE). The population of the study was made up of 66 firms listed at the Nairobi Securities Exchange as at April 30th 2019. Primary and secondary data were gathered for the purpose of the survey. The primary data was gathered via a structured questionnaire. In addition, data was compiled from publicly available financial statements and reports for NSE-listed companies as of 31st December 2019. The data were analyzed statistically using descriptive and inferential statistics. Regression analysis was used to test the study hypothesis. This study employed a descriptive cross-sectional design. According to the findings, the external environment moderates the relationship between board structure and performance of NSE-listed firms. Environmental scanning is critical for firms traded on the Nairobi securities exchange to achieve financial and non-financial performance. Therefore, there is a need to design management policies with a view that an appropriate external environment enhances the organization's performance.

Keywords: Board Structure, External Environment, Performance, Nairobi Securities Exchange

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1. INTRODUCTION

The board structure refers to the internal architecture of the company's relationships, authority, and communications at the board level (Mandala, 2018). According to Chandler (1962), board structure is a proper facet of a framework indicating a specific, impersonal activity, rules, and authority relationships. Darko, Aribi, and Uzonwanne (2016) see board structure as a unit and a wide dimension including arrangements at institutional level, cultural and legal phenomenon determining what is achieved under whose mandate, controls and managing involved risks. The structure of the board influences its ability to oversee management (Jensen, 1993). The function of board structure is to protect the assets of shareholders by ensuring an organization management acts on their behalf and that shareholders get a good return on investment. monitor management, ensuring company performances are receiving more attention (Baysinger & Butler, 1985; Yirmack, 1996; Eisienberg, 1998; Bhagut & Bluck 2002). Board structure has been extensively debated and researched, particularly in the setting of industrialized countries. However, this subject is lately receiving attention in the developing countries that have been affected by corporate governance failures such as bankruptcies and frauds (Kobuthi, 2018). An efficient board structure also contributes to strong financial performances and markets valuations (Klaper & Love, 2004; Rajugopalan & Zheng, 2008). However, developing countries historically have been underestimated in financial markets due to weak governance, according to La Port, Lopez-de-Silane, Shlkeifer, and Vishny (2000). As a result, looking at board structure and its function as a critical driver of company governance in a developing nation like Kenya might provide helpful insights into enhancing corporate governance mechanisms.

Empirical research shows that a company's board of directors' size is critical to improving management effectiveness (Johnson & Dalton, 1999). Moreover, there exists a connection between board sizes and a firm's performance, implying that larger boards increase firm success (Dalton et al., 1999). Some studies found a favorable link (Mak and Li, 2001; Larmous and Vafea, 2010; Chen and AlNajjar, 2012), while others found a negative relationship (Forai & Amedro, 2004; Mark & Kasnadi, 2005; Chen & AlNajjar, 2012; Ha der & Fang, 2016). On the other hand, others argue that there is no link (Wintoki, M.B., Linck, J.S. and Netter, J.M., 2012). According to researchers, the ideal board structure yields inconsistent and contradicting outcomes (Dalton et al., 1999; Mandala, 2018). The critical choices coming from how boards behave during the implementation process and ensuring principles are followed are critical to organizational performance and sustainability (Akra, Eddie & Ali, 2010). This study operationalized board structure by board sizes, multiple directorships, audit committees, and Chief Executive Officers duality. Board structure was taken as the independent variable while performance was the dependent variable. According to Fauzi and Locke (2012), in order for performance to be realized, the board structure must be aligned with and complementary to external governance mechanisms.

On the other hand, the external environment represents such contingencies facing any firm and its strategies, processes, structures, and outcomes. The external environment differs sharply from one industry to another;

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thus, performance is also likely to vary simultaneously (Venkatraman and Prescott, 1990). Duncan (1972) defined environment to include; perceptions on uncertainties and complexity degree. The dynamic nature of the environment is where firms' behavior may differ from one perspective to the other depending on the cushioning ability such firms have interrogated in place. These can be the sources of restrictions, crises, obstacles, and opportunities that impact how a company does business.

Several elements of the external environment have been highlighted as key contingencies for good strategic management. These include economic, political, social, environmental, technical, and legal considerations (Pearce, Robinson & Mital, 2012). In a nutshell, the external environment comprises those factors originating off beyond irrespective of any firm's situation in operation (Hitt, Ireland & Hoskinson, 2011; Njanja, Ogutu & Pellisier, 2012). The volatility, such as dynamism, munificence, and complexity of the industries, attributes which firms have little direct control, but they need to consider in their strategies and designs (Aldrich, 1979). Organization theory experts have hypothesized and stressed the significance of adjusting to its external environment to remain functional (Ansoff & McDonnell, 1990). Environmental investment in enterprises demands environment technology breakthroughs or innovations in systems, operations, and products (Russo & Fouts, 1997), including a diverse range of stakeholders, comprising managers, staff, and shareholders. The external environment might also be seen as a threat or an opportunity to guide performance (Hubbard, 2009). The ability of companies to anticipate the future of their external environment considerably aids their ability to adapt successfully to their surrounding external environment. As the organizational environment evolves, the organization's sustainability is dependent on developing practical solutions to unanticipated discontinuities. According to Kariuki, P.M., Awino, Z.B., & Ogutu, M. (2011) corporate strategy is directly influenced by external surroundings. As a result, firms' performance is dependent on their surroundings. According to Aldrich (1979), Dess and Beard (1984), Machuki and Aosa (2011), Murgor (2014), and Kiliko (2015), studies that exclusively link external environment to performance are rare, yet performance is contingent upon organisations‟ appropriate alignment with environmental changes

Company performances refer to whether organizational resources are being used to achieve the corporate objectives. Excellent firm performance maintains the organization afloat and improves the company's strategy for the future (Hoskisson, R. E., Johnson, R. A., & Moesel, D. D, 1994) The efficiency, effectiveness, financial viability, and significance of an institution are all factors in its performance. Effectiveness highlights the unique characteristics that companies must embrace to achieve their goals. For example, a lower cost of production per unit than input cost per unit indicates efficiency, leaving no other choice for lowering the input for the same amount of output (Machuki & Aosa, 2011). Financial feasibility/viability is a company's capacity to manage its financial resources, defined as the amount of money coming in minus the amount going out (March and Sutton (1997). According to Ricardo and Warde (2001), performance is a firm's capacity to utilize strengths, overcome weaknesses, neutralize threats, and seize opportunities. Firm performance (Machuki & Aosa, 2011) is a

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reoccurring topic in strategic management studies, and it is typically linked to efficiency and effectiveness (Lusthaus, C., Adrien, M.H, Anderson, G., Carden, F., Plinio, Montalván, G.P, 2002). However, as March and Satton (1997) explain, performance covers a broad range of studies to determine a corporation's competitive sustainability. According to Neily (2004), performance is the activity, the outcome of actions, and development success concerning some standard.

Consequently, performance may be described as a group of factors that explain the process of producing different sorts of outputs and outcomes (Kaplan & Norton, 1996). Firms are ever trying to fix their potentials to perform the best compared to those firms in the same industry that may compete. They do this via strategies such as giving the owners, or instead, shareholders, return at the optimal level and creating a brand in the minds of the consumers about their superiority in product and satisfaction levels (Yasser, Entenbang & Abbu Mansor, 2011; Marn & Romuald, 2012).

According to Machuki and Aosa (2011), organizational management must use evaluations that highlight differences across organizations for visual dialogue. Scholars who work on various spectrums demonstrate the differentials in their conceptualization. However, they have one feature in common; some have an in-depth approach to financial issues, while others have an impartial view of non-financial factors. Those that belong to financials are like returns that are orchestrated by assets (Return on Assets), returns from the firm investments (Return on investment), returns that are derived from equity (Return on equity), and growth associated with profits. Such measures give uniformity since there are known units in all the firms across the board (Lebans & Esuke, 2006). Those that lie under financial include profits, sales, and even growth, while not financial undertakings are a success with perception, satisfaction, and achieving goals (Saidu (2019)). Wasike, Ambula, and Kariuki (2016) understand performance at the corporate level, especially listed as complex and multi-dimensional, since different investors, governments, including regulators, and the public, must be incorporated. According to Ahire, S., Golhar, D., and Waller, M. (1996), other performance measures are the intangible dimensions such as customer satisfaction, public image, employee satisfaction, new value streams, product innovations, and investments into training. Awino, A. Z., Muchemi, A. W. & Ogutu, M, (2011), argue that for old financial measures to be relevant and valid, there must be a balance with contemporary, intangible measures related to external orientation. Therefore, the current study considers the performance aspect as an important goal of any organization with the presumption that better company governance practices might affect company performance. This research operationalizes firm performance to include non-financial views; client attention, internal process, learning and development, corporate social responsibilities, and environmental. The financial indicator is the return on assets (ROA).

Despite the tremendous steps taken by the Capital Market Authority in financial deepening, according to the CMA report (2020), there are still some challenges, such as a lack of investor confidence in the market, a lack of risk management expertise among asset managers, and a lack of government and regulatory support. The majority of the difficulties identified by market participants centered on the absence

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of a favorable regulatory environment and the importance of goodwill in the sector's development. These calls for suitable governance mechanisms among the companies listed at the NSE to address the highlighted challenges.

2. THEORETICAL REVIEW

The theoretical underpinnings of this research are built on agency theory (Jensen & Meckling, 1976) and Environment dependency theory (Ansoff & Sullivan, 1993). Its assumptions are well stipulated in ownership, especially separations where management is a crucial tenet to issues within governance structure (Armour, Enriques, Hansmann & Kraakman, 2017). The theory stresses the need to institute structural mechanisms and systems that check on the behavior of the agent (Fadler & Legner, 2021). The major challenges to the principles, includes coming to terms with any other cooperation associated with agents at the same time minimizing any associated losses of productivity or mitigating behaviors of such move. The agency theory assumes that agency costs designed firms helps company to downplay any arising agency difficulties. Therefore, selecting the best corporate governance practices is key to a firm that needs to outperform other firms by enjoying a competitive advantage (Aureli, Del Baldo, Lombardi & Nappo, 2020). Therefore, good governance embraced by the company means enhancing the redistribution of the firm's profit investors as interest or dividends, which minimizes the misuse of the same by managers likely to engage in projects that suit their interests.

Ansoff and Survillan (1993) developed an environmental dependency theory states that organizations are dependent and serve in environmental events because they depend on and are served by the environment. External variables are the physical structure of organizations, and companies do not influence them. Assumptions are put forward in this theory to maintain that companies should continually scan, assess and analyze their surroundings to uncover potential dangers as early as possible. The external environment gives a balance where the board to governance can angle its functions. It is thus necessary to unlock or rather network those directors on different firms also acting to other boards for better services resulting from optimal decisions. The roles either conformity of performance related to boards can well be done if the environmental aspects are balanced depending on how the boards work and perform. The choices of strategies have never been optimal, especially when conditions related to market and associated assumptions based on complexity play a role when performance is mentioned in the wake of many arising challenges from the associated environmental forces (Lam, M. M., Wong, C. W., Chan, W. T., Leung, C. H., & Mei-chun, C ,2019. Ansoff categorizes environmental turbulence into five levels: evolving, repeating, expanding, discontinuous, and unexpected. He contends that these five degrees of environmental turbulence should be matched with the organization's behavior, reactions, and capabilities to improve company performance. Using the theory, the study holds that NSE-listed companies can perform better by monitoring and responding adequately to the environment and forces.

3. EMPIRICAL REVIEW

Shra, Jain, and Manogna (2021) carried a study in India using panel data to analyse the influence of company governance features

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on an organization's performances. The findings show that the corporate governance index and return on assets have a positive association which also is statistically significant. Further, company governance index showed that the trend for companies and shareholders working towards governance practices, hence improving the firm's financial performance.

Mardnly, Mouselli, and Abdulraouf (2018), studied the effect of individual and aggregate company governance requirements on company performance in Syria. The study concluded that ownership structure significantly affects performance. Agis (2020) view smaller boards to be the most effective. Larger boards are said to create more free riding and also loafing socially, which eventually reduces their effectiveness. The proponents of smaller boards argued that they give a better communication channel and best decision-making due to coordinated activities. Naushad and Malik (2015) examined how corporate governance using measures like agency cost, duality, and size of the boards' impacts performance. The study revealed the importance of having minimal boards as they play a crucial role to monitor and proactively manage the executives. Further, it was established that CEOs improve on their performance when subjected to minimal boards. Guruswamy (2017) analyzed data for auditing committees and corporate ownership structures. The study showed that board size was positively and substantially correlated with performance, whereas Tobin's Q had the opposite and insignificant influence. Another contributing factor is auditing committees' independence is influenced by ROE.

Dube (2011), opined that rising markets must take governance practices seriously since needs are evolving with various influences coming from within and beyond, necessitating a competent team to balance their effects and build a synergy upon which a balance is achieved for performance objectives. Wakaisuka (2017) studied the interrelation between corporate governance, company features, external environments, and performances of financial institutions in Uganda. The study found that the external environment did not moderate the connection between corporate governance and Uganda's monetary institutions' performances. *Wanjiku*, C., Tukahirwa, J, Kamugisha, R., Birachi, E, Bizoza, A.R., Wimba, B., Pali,. P., Adewale, *A*. and Olowole, F, (2011) studied practices associated with corporate governance and how NSE companies grow in a causal-comparative survey focusing on communication, application concerning technology, and leadership. The findings revealed well-organized and positive results on how governance and growth-related. Kamaara, M. W., Gachunga, H., & Ogutu, M, (2013) conducted an investigation of the relationship between the qualities of the board of directors and the performance of the Commercial State-owned Corporations in Kenya. A significant relationship was found between the composition of the board of directors and the performances of Kenyan Commercial State Corporations, according to the findings. According to Letting, D., Nicholas, K., Aosa, E., & Machuki, V, (2012), the relationship amongst board diversities and financial success of companies listed on the Nairobi Securities Exchange was explored. A weak link was found between board diversity and financial performances, as per information gathered by the researchers. Machuki (2011) investigated the impact of various environmental conditions on the

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performances of the firms traded at the NSE. The paper revealed that organizations external environments complexities differs in, dynamism, and generosity.

Kariuki et al. (2011) contended that firms exist in a system that is open and is turbulently changing. Thus, management decisions through proper corporate governance practices depend on the environment to steer the firm's goals and objectives. Kobuthi (2018) investigated the correlations between company governance, strategies implementations, competitiveness in the business, and the performances of enterprises traded on the NSE. According to the results no significant association existed between company governance and the financial indicators (ROA, ROE, and Tobin's Q), however, the association between company governance and the non-financial outcomes had statistical significance.

4. RESEARCH METHODOLOGY

The study adopted the positivism philosophy approach as the basis for testing and interpretation of the research findings. The positivism approach was taken because it ensures neutrality, objectivity, and validity (Bryman & Bell, 2008). A descriptive cross-sectional survey was used to conduct the study. The design was used to describe the phenomena associated with the population and discover the association amongst the variables. The cross-sectional survey allows the scholar to capture data for board structure, external environment, and their influence on performance at a particular point in time. The study targeted all companies traded at NSE. According to Capital Market Authority, 66 companies traded at NSE as of April 30th, 2019. The choice of the Nairobi Stock Exchange was based on the fact that the firms reflected the major economic sector in the Kenyan economy, and the stakeholders demand high performance from these firms. All the listed companies were surveyed using the census technique.

The target respondents were human resource officers and corporate planning chief officers. The research employed both primary and secondary data in their work. The primary data was gathered via structured data collection tools on a five-point Likert scale. With the assistance of well-trained research assistants, the questionnaire was disseminated through drop-and-pick later methods as well google forms. Secondary data was gathered from financial statements that were published for the fiscal year that ended on December 31, 2019.

5. RESULTS

The paper employed Cronbach's alpha coefficient to measure reliability of the research instrument. According to Nunnally (1978) argued that alpha > 0.7 is a solid indicator of reliability. Thus, the study adopted used an alpha value greater than 0.7.

Table 1: Reliability Test Results

Variables	Cronbach Alpha	Decision

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Board Structure	0.745	Reliable
External Environment	0.779	Reliable
Firm Performance	0.881	Reliable

Source: Research Data (2020)

The results indicated that board structure had Cronbach's alpha coefficient of 0.745> 0.7, external environment had Cronbach alpha of 0.779>0.7, and Firm performance had Cronbach's alpha coefficient of 0.818>0.7. Thus, the questionnaire was reliable.

Construct validity was measured using factor analysis. The study used the KMO and Bartlett test of sphericity. KMO >0.5 confirms that the sample is adequate while Bartlett's Sphericity tests with p-value>0.05 indicate that factor analysis is valid. The findings are shown in Table 2.

Table 2: Results for Sampling Adequacy

Variable	KMO	Bartlett's Test of Sphericity		
		Chi-square (χ)	df	Sig. Level
Board Structure	0.756	201.34	98	0.001
External Environment	0.655	856.25	78	0.002
Firm Performance	0.825	452.11	88	0.005

Source: Research Data (2020)

From the findings, all variables had KMO>0.7 and Bartlett's test of sphericity P-value<0.05. This confirms that the statements in each study variable were highly correlated and could be reduced into fewer and meaningful factors, hence factor analysis was valid.

The study employed stepwise regression analysis to test on the moderating effect. The hypothesis which guided the study was;

H_0: The external environment is not a significant moderator on the relationship amongst board structure and performance of companies traded in the NSE.

To test this hypothesis standardized composite indices for the external environment, board structure, and company performance were computed. The findings are shown Table 3.

Table 3: Moderating Effect of External Environment on the Relationship between Board Structure and Non-Financial Performance

MODEL SUMMARY

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Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.471a	0.22	0.21	0.89
2	.613b	0.38	0.35	0.81
3	.637c	0.41	0.39	0.82

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	10.45	1	10.45	13.15	.001[b]
	Residual	36.55	46	0.79		
	Total	47.00	47			
2	Regression	17.67	2	8.83	13.55	.000[c]
	Residual	29.33	45	0.65		
	Total	47.00	47			
3	Regression	17.69	3	5.90	8.85	.000[d]
	Residual	29.31	44	0.67		
	Total	47.00	47	i	i	i

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.045	.012	i	3.750	1.000
	Board Structure	.471	.130	.471	3.626	.001
2	(Constant)	.142	.107		1.327	1.000
	Board Structure	.411	.119	.411	3.446	.001
	External Environment	.397	.119	.397	3.329	.002
3	(Constant)	.003	.119		.029	.977
	Board Structure	.424	.140	.424	3.020	.004
	External Environment	.391	.124	.391	3.159	.003

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	BS*EE	.123	.058	.125	2.121	.005
a Dependent Variable: non-financial						
b. Predictors: i(Constant), Board Structure						
c. Predictors: i(Constant), Board Structure, External Environment						
d. Predictors: i(Constant), Board Structure, External Environment, BS*EE						

Source: Research Data (2020)

The findings in Table 3, showed that, in the first step the association between non-financial performance and board structure was significant (R^2 = 0.22, β = 0.471, t = 3.626, p-values = 0.001<0.05). Hence moved to step two. In step two, the results were significant (R^2 = 0.38, β = 0.397, t = 3.329, p-values = 0.002<0.05). Thus, moved to step three. In step three, the findings showed a significant R^2 change of 0.03. Further the results were significant when interaction term was introduced (R^2 = 0.41, β = 0.125, t = 2.121, p-values = 0.005<0.05). Hence the hypothesis that the external environment is not a significant moderator on the relationship amongst board structure and non-financial performances of companies traded in the NSE was rejected.

Table 4: Moderating Effect of External Environment on the Relationship between Board Structure and Financial Performance

Model summary						
Model	R	R square	Adjusted R Square	Std. Error of the Estimate		
1	.419[a]	.176	.158	.91769809		
2	.445[b]	.198	.162	.91519730		
3	.481[c]	.232	.179	.90592184		
ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.260	1	8.260	9.808	.003[b]
	Residual	38.740	46	.842		
	Total	47.000	47			
2	Regression	9.309	2	4.654	5.557	.007[c]
	Residual	37.691	45	.838		

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	Total	47.000	47			
3	Regression	10.889	3	3.630	4.423	.008[d]
	Residual	36.111	44	.821		
	Total	47.000	47	i	i	i
Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std.Error	Beta		
1	(Constant)	.394	.132	i	2.985	1.000
	Board Structure	.419	.134	.419	3.132	.003
2	(Constant)	.467	.132		.000	1.000
	Board Structure	.442	.135	.442	3.275	.002
	External Environment	.151	.135	.151	1.119	.009
3	(Constant)	.229	.132		1.734	.827
	Board Structure	.331	.156	.331	2.127	.039
	External Environment	.207	.138	.207	1.500	.004
	BS*EE	.194	.140	.215	1.388	.002
a Dependent Variable: non-financial						
b. Predictors: i(Constant), Board Structure						
c. Predictors: i(Constant), Board Structure, External Environment						
d. Predictors: i(Constant), Board Structure, External Environment, BS*EE						

Source: Research Data (2020)

The results in Table 3, revealed that, in step one the association between non-financial performance and board structure was significant ($R^2 = 0.176$, β = 0.419, t = 3.132, p-values = 0.003<0.05). Hence moved to step two. In step two, the results were significant ($R^2 = 0.198$, β = 0.151, t = 1.119, p-values = 0.009<0.05). Thus, moved to step three. In step three, the findings showed a significant R^2 change of 0.034. Further the results were significant when interaction term was introduced ($R^2 = 0.232$, β = 0.215, t = 1.388, p-values = 0.002<0.05). Hence the hypothesis that the external environment is not a significant moderator on the relationship amongst board structure and financial performance of companies traded in the NSE was rejected.

6. DISCUSSION OF THE RESULTS

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The results indicated that external environment significantly moderate the relationship between board structure and performance (non-financial and financial). This supports the findings of Kariuki et al. (2011) who argued that the external environment is directly associated to board structure decision making which may affect the overall firm performance; Hambrick (1982) who posited that performance in terms of financials is a consideration when environment is in place; Huber (2011) suggested that when performance is affected by board structure, the major factor in between is the environment at external level and Liang, You, and Liu (2010) indicated

that resources from the environment externally give the capabilities for firms thus increasing the performance impacts. Such resources form the external environment gives efficiency to the firms.

The findings contradict those of Azadehdel et al. (2012) who posit that the dynamism in board structure strategies initiates the altering of measurement systems of performance in an attempt to effectively accommodate the dynamic external environment circumstances which eventually leads to improved performance; Machuki and Aosa (2011) who found that performance cannot be significantly affected or rather influenced by environment at external level.

7. CONCLUSION

Investigating the impacts of the external environment on the association of board structure and the performances on publicly traded companies on the National Stock Exchange was the core goal of this paper. According to findings of the study, the board structure of businesses traded at the NSE has a beneficial impact on their performance. It is the macro environment that has a moderating impact on associations between board structure and performances of enterprises traded on the National Stock Exchange. When it comes to achieving both financial and non-financial performance for NSE-listed companies, environmental scanning and having the right staff are crucial. It is further concluded that external environment, that is, dynamism, munificence, and complexity of the industries are such attributes over which firms have little direct control, but which they need to consider in their strategies and designs

8. IMPLICATIONS AND RECOMMENDATIONS

This study has various advanced frontiers that pertain to knowledge within and from the study findings. It supports agency theory that selecting best board structure practices is key for a firm that needs to outperform other firms in the industry through enjoying the competitive advantage. The findings of this research have verified the contributions made by the different theories and provided support for the predicted connections between the variables. Therefore, the study stated that for board structure to have relationships that is meaningful to performance, the environment should be considered, controlled, and streamlined. The findings could also be linked to the fact that firms depend on the environment for performance to be realized. The policymakers are thus likely to benefit from the results due to their relevance in that those NSE firms have not previously obtained the best corporate governance and yet are critical to the entire performance of the economy in terms of development and contribution to GDP. As a result, this will guide policymakers in developing

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appropriate board structure mechanisms to improve performance. The research showed that the external environment has a statistically positive effect on company performances. Policymakers will utilize the results of this study to establish a favorable environment for company operations and design rules to control fair competition that is free of corruption.

Generally speaking, the boards of directors of companies play an important role in corporate governance, the organization of the company's strategic dimensions, and the formulation of company objectives. The board also has an important role in supervisory functions such as keeping track of a company's performance and making important decisions related to the company's objectives. As a result, there is a need for an effective board structure in an organization that encourages new ideas and knowledge application to propel and integrate the firm into the competitive worldwide market. In management practice, directors and shareholders should agree on an appropriate board structure for successful firm performance. Furthermore, a proper board structure should be implemented to assist firms in gaining access to capital and greater returns, resulting in a rise in earnings. In addition, firms should increasingly focus on embracing technology developments as market dynamism increases, and the link between external environment orientation and economic performance gets more robust. The choice of analytical tools was mainly regression analysis. It is an immensely powerful analytical technique more especially on studies whose conceptualization has cause effect relationships between and among variables. If another choice of analytical tool was to be used, the statistically significant results may change to be statistically not significant.

9. LIMITATIONS

The survey was conducted using a cross-sectional technique, which resulted in just one respondent for each firm that were listed on the NSE. Choosing the appropriate respondent(s) within the organization in regards to answering what variables are required could potentially affect the results. It means that not all questions may be answered clearly by one respondent because he/she may not have information about other aspects which he/she assumes or even make educated guesses about during responding. Thus, more than one respondent from each firm should be used. In addition, the study focused on human resource professionals and corporate planning executives who may not always be available or have the time to reply to requests for information or comments. Therefore, individual views of the factors are brought into play rather than a uniform generalization of the entire company. Future study should consider personnel from all the departments in the organization.

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