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Review Article

Board Attributes and Strategic Involvement in Decision-Making: Evidence from the State of Kuwait

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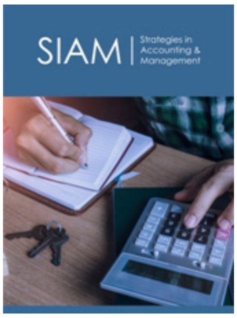
ISSN: 2770-6648



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Submission: July 22, 2024
Published: August 07, 2024

Volume 5 - Issue 1

How to cite this article: Majdi Anwar Quttainah*. Board Attributes and Strategic Involvement in Decision-Making: Evidence from the State of Kuwait. Strategies Account Manag. 5(1). SIAM. 000602. 2024.
DOI: 10.31031/SIAM.2024.05.000602

Abstract

Purpose: This study aims to explore the impact of board attributes on strategic involvement; the paper applies the agency theory and network perspective in examining this relationship.

Design/methodology/approach: In early 2020, the author created a survey and sent it to the chair of the board or the deputy chair of these companies. The questionnaires were completed and returned by companies, with an overall response rate of 75%. The questions of the survey directed questions focusing on the exploration and understanding of matters concerning the decision-making process within corporate-level strategy and business-level strategy, and how both coincide with the decision-making process of the board of directors.

Findings: Results indicate that board attributes have statistically significant positive and negative associations with strategic involvement in the decision-making process, and are related to some corporate governance variables

Research limitations/implications: the limitation of this study is two-fold, which opens avenues for future research. First, the study is cross-sectional in design and hence does not allow for the control of firms' unobserved specific differences. Second, the response rate is 35% and representative of KSE companies, which minimizes the likelihood of including other industry factors. Thus, future studies should replicate this research in other economies.

Originality/value: This paper demonstrates that certain types of attributes, such as gender heterogeneity, have significantly positive associations with a board's strategic involvement in the decision-making process.

Keywords: Corporate governance; Strategic decision-making; Attributes; Involvement; Board of directors; Gender heterogeneity; Independent director

JEL Classification Numbers: G34, G38, G31, G30.

Introduction

The governing body of any firm or corporate organization is often referred to as a board, and its members are known as directors. Before introducing the research topic, it is crucial to present the main elements used in the context of this paper. The board of directors is an elected group of representatives legally representing shareholders in an organization. They establish significant management-related policies and make critical decisions. With the increase in the number of corporate organizations and awareness in the market, most public, private, and not-for-profit organizations elect a board of directors for their organization [1]. Members of an organization are compelled to make certain decisions regularly to run smoothly. These decisions might be programmed or unprogrammed. The programmed phase goes through a routinely standard, repetitive arrangement of decisions that are made in accordance with managerial guidelines (Certo 1997), whereas unprogrammed decision-making is less structured and goes through a three-phase process: the intelligence phase, design phase, and choice phase [2]. Decision-making might be minor or major, operational or tactical, personal or organizational, and most importantly, routine or strategic. The strategic decisions of an organization are long-term in nature, made for the future of the organization (Singh 2016).

The board of directors is responsible for corporate-level strategy, is involved in the strategic decision-making process, and safeguards the general well-being of the enterprise. It has the authority to supervise management, counsel, and advise. Over the years, the involvement of board members in company strategies has increased as a research topic. Various studies have reported their influence on corporate financial performance (Alfaraih et al. [3]; Al-Saidi 2010; Dalton et al. [4]; Maharaj 2009). It is agreed among various scholars that the board is tasked with different responsibilities. First, it is its duty to supervise management, including choosing and dismissing top executives, assessing their performance, monitoring the external and internal auditing, and developing a compensation schedule. Secondly, it has to define, select, and implement corporate strategy. Furthermore, it acts as the link between the organization and the outside environment throughout, carrying out ceremonial duties that enhance the legitimacy of the firm [5]. There is little research on the manner in which these board functions influence the creation of strategic objectives, how the board effectively carries out these roles, and how it behaves [6]. While the majority of the previous research has examined its monitoring and controlling functions, this research sheds light on its strategic role. The most critical responsibility of the board is to formulate the future scope and planning for the company and make important strategic decisions. Strategic decisions draw the future of the company successfully to increase market shares and the profits thus far for the company and its shareholders. Eisenhardt's [7] findings indicate that there is an association between a board's strategic decision-making and effective firm performance. The board plays a pivotal role in this matter as it tends to form the highest level of effective management for a company [6]. In fact, the literature shows the association between effective management and the mechanisms as well as practices of corporate governance [8]. In the state of Kuwait, corporate governance is relatively low or almost inexistent, compared to other neighboring countries across the region. This characterization of low levels of transparency has damaged the governing relationship between regulators, corporations, and stakeholders. In 2004, a report published by the International Monetary Fund (IMF) revealed serious worries about corporate governance and business codes of ethics dealing with shareholder rights protection, particularly minority shareholder rights protection in the state of Kuwait. During the time of the IMF report, one provision of minority shareholder protection was recognized in Kuwait. To address the IMF concerns, the Kuwait National Assembly passed two new legislation to expedite the reforms. On the one hand, a comprehensive Capital Market Law (Law 15/1960) was addressed, legislated, and enacted in 2010. On the second hand, the Commercial Companies Law had a major amendment to be enacted in 2010 under Law 25/2012 (Boursa 2015). Both laws maintained corporate governance principles such as empowering shareholders with certain decisions during shareholders' meetings, prohibiting executives from making a ruling without shareholders' consent, and granting shareholders full access to relevant information. Thus far, this information symmetry provides shareholders with the necessary power or resources to be able to make the right strategic decisions regarding their investments.

Not only is the appointment and dismissal of managers included in the provision, but it includes the board of directors and auditors as well, with additional requirements regarding the disclosure of interests, insider trading, related party transactions, and mandatory takeovers. Despite the fact that both laws lack precision and a lot of elements, they embody a number of governance provisions that may provide a little more protection to shareholders. Despite the fact that the National Assembly passed policies to have sound corporate governance, corporations in Kuwait still have below-average standards of governance compared to the rest of the GCC (Gulf Countries Council) companies [9]. Statistics in the year 2017 indicate that Kuwait ranked the lowest in comparison with the rest of the GCC countries on the "Global Competitiveness Index" (published by the World Economic Forum) and the "Ease of Doing Business Index" (published by the World Bank). Empirical evidence shows that corporate governance practices may, for example, lead to distorted financial corporate performance [3]. Although the importance of sound governance is very well known in Kuwait, current corporate governance regulations are irrelevant, and some of their mechanisms are neither sound nor well organized (Al-Saidi 2014). When the government of Kuwait passed the two laws, the law which was enacted in 2010 referred to as the Comprehensive Capital Market Law (Law 15/1960), followed by the amendment of the Commercial Companies Law (Law 25/2012), it has become mandatory through the Director General of the Kuwait Stock Exchange for listed companies to publicly and transparently disclose information relevant to corporate governance issues, such as ownership structures and names of officers (Boursa 2015). Despite the fact that the government of Kuwait passed and enacted legislative reforms to enhance corporate governance, the market for corporate governance has minimal or almost nonexistent pressure on executive managements, due to the concentrated ownership structure, specifically that under family control. As an example of the ineffective impact of the corporate governance policies implemented by the government of Kuwait, one can observe the rank of Kuwait in the "Efficacy of Corporate Boards" and "Ethical Behavior of Firms" indicators in the Global Competitiveness Index, in which a top ranking indicates high availability of the indicators, whereas the level of availability decreases as the country moves further away from first place. Figure 1 shows that the rank of Kuwait in the two indicators has declined from 36th place to 67th place in the "Ethical Behavior of Firms" and from 68th place to 128th place in the "Efficacy of Corporate Boards" within the past ten years. These decreasing trends indicate that the public policies implemented by the government of Kuwait to enhance corporate governance have not contributed to the improvement of corporate governance practices in Kuwait (Figure 1). In addition, the different types of shares that companies' issue have made it easy for corporations to adopt different anti-takeover mechanisms, e.g., the restrictions of voting and nonvoting shares and the voting caps. Last but not least, whether traditional or Islamic, banks are major determinants of corporate governance. They influence companies and shareholders that are indebted to them, which makes it mandatory for debtors to have members of these banks as representatives on the boards of other corporations. Due to weakness in shareholder vigilance, external pressure on corporations is almost ineffective and non-existent.

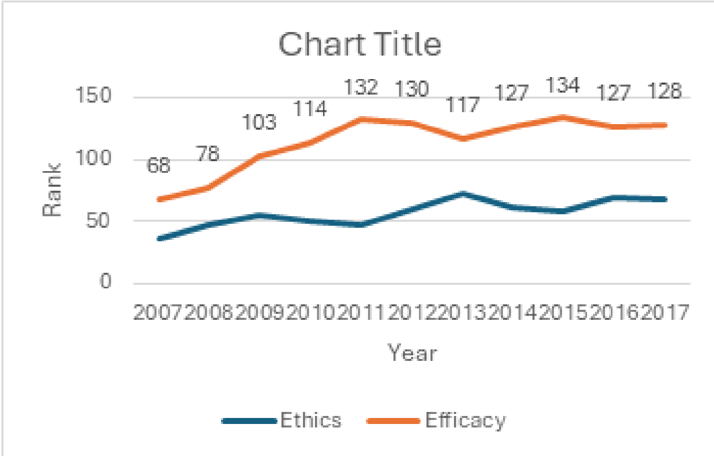

Figure 1:

Source: Kuwait stock exchange.

A high proportion of Kuwait corporate board structures are one-tiered, which regulates the relationship between owners and stakeholders. An exception is provided to companies that adhere to Islamic principles, where their corporate structure embeds an additional board that is referred to as the Shari'ah Supervisory Board. Although the executive board has the responsibility of formulating the most important strategy, the corporate-level strategy and the direction of business-level and functional-level strategy, nevertheless, restrictions exist when it comes to the attributes of the board. Therefore, a closer look should be taken at internal factors that reshape the strategic decision-making process in these boards. Although Kuwait has an open economy and has generally encouraged competition amongst rivals, there is no clear evidence that the government has been able to effectively develop efficient corporate governance laws to foster competition. This aspect should provide a solid foundation for studying the board characteristics that contribute to effective strategic decision-making, which is a means to enhance corporate governance. Despite the existence of the legal basis for corporate governance, practitioners and academicians have not addressed enough how board characteristics influence the behavior of member of the boards in Kuwait, especially in terms of making strategic decisions in order to enhance corporate governance. The structure of the paper is as follows. Next Section provides the review of literature and hypotheses formulation; data collection, sampling, and selection procedure form Section Three; empirical results and discussions form Section Four; with conclusion, implications, limitations, and future research presented in Section Five.

Literature Review and Hypotheses Formulation

Board Size

The number of people sitting on a board could affect the board's involvement in strategic decision-making. Making effective strategic decisions is part of corporate governance. Aygun Ic (2014) defined board size as the number of directors making up the board of a particular organization. Not only did this paper focus on the impact of board size on the overall financial performance of an organization, but this paper also explored the decision-making effectiveness of the board in relation to the number of board members. Kula [10] discussed the board's structure and impacts on the firm's performance. In this context, Dalton et al. [4] concluded that the optimal board size depends on the number of company-level factors. The impact of board size on decision-making effectiveness was also supported in the literature by Nas and Kalaycioglu (2016) who studied the association between board size and corporate performance and identified a significantly positive association between board size and all measures of export performance. Thus, the size of the board affects the effectiveness of the strategic decision-making process [11]. Ogbechie et al. (2009) also clearly noted that the size of a board affects the role of the board in making strategic decisions.

Furthermore, directors can overturn ineffective decisions, as they affect the performance of the firm. Directors engage actively in management decisions, based on their number [6]. When board members bring different functional backgrounds to the board, this has the ability to contribute an extensive variety of expertise to strategic decision-making [12]. Hillman [13] also supported this aspect when they found that large boards are beneficial because they have a large pool of expertise on which the firm can capitalize. Others argued against large board size, since it is easier to make decisions when the number of people sitting on the board is smaller. In fact, a larger number of board members might cause problems of coordination and process, which may lead to less efficient functions of the board [14,15]. On the contrary, some have argued that there is no relationship between boards' characteristics and strategic decision-making. Among the 39 sampled companies in Nigeria, a study found that the board is highly involved in the strategic decision-making process, although it showed insignificant relationship between involvement of the board and corporate governance variables such as board size and board independence. Other studies have also not found a significant impact of board size on corporate performance [16-18]. The preceding research reported mixed results and as a result of the varying aspects of board size and its influence, the proportion of directors would be used to measure the influence of the size of the board and its strategic involvement. Based on that, we suggest the following hypothesis:

Hypothesis 1: The size of the board has a negative relationship with the strategic involvement in the decision-making process.

Number of independent directors

The responsibility of the board of directors is the control of the decision-making process. The different types of directors may affect the financial condition of an organization. A board consists of executive directors and independent directors. Having independent board members is one of the corporate governance principles. Board attributes like independence, specifically individual traits having an influence over the whole board's effective strategic involvement in the decision-making process [19]. Over the years, there has been an increased number of independent board members. A trend analysis revealed that decision-making is more oriented to the definition of board members' roles. Outside board members, according to Ford-Eickhoff [12], are involved in the overall running of the organization. With an increase in the number of companies and intensity of competition in global markets, investors from all over the world tend to seek companies with sound corporate governance, which is a method by which a balance is created between the interests of all the stakeholders of the company [20]. The major role that can be outlined as the responsibility of independent members is that they act as a guide to the company and its working. Their major functions include acting to improve the credibility of the corporation they serve, with their corporate governance mainly functioning as a watchdog. They also play a vital role in risk analysis and management, and thus take steps and strategize for the future development of the company [21]. Independent board members make autonomous decisions, which have an impact on the overall decisions arrived at by the board. Most investors prefer a board comprising mostly outside directors, because they are able to make independent decisions (Westphal 2002). They are often strong-willed individuals who have adequate professional experience. Outside board members may bring expertise and knowledge in areas that management lacks. They may have first-hand industry expertise and experience gained by working in different firms faced with various challenges. Since independent board members make independent decisions, they are aware of the negative effects of group thinking. Selection of independent board candidates is based on how prospective candidates have the required knowledge about the firm's operational activities in order to serve on the board effectively (Maharaj 2009). It means that having independent board members may lead to consistency, due to a change in behavior because of independent decision-making. Outside directors apply their expertise and experience, which may have a bearing on the process of decision-making.

Besides, values, knowledge, and group thinking may be used as assessment tools when selecting independent board members Ford-Eickhoff [12]. Independent board members do not have any ownership correlation with the organization. According to agency theory, outside directors contribute to the effectiveness of the board (Dalton et al. [4] in Ruigrok [22]). Existing literature researched the board of directors' independence and the effects on the way they carry out their duties of monitoring, advising, and counseling. It was found that board independence was associated with the dismissal of the executive management for sluggish performance (Weisbach [23]), increasing shareholder wealth (Cotter et al. [24]), and attaining successful companies that reversed to an inclining phase [25]. Although there are many advantages of having independent directors, disadvantages do also exist. Morck [26] and Fink [27] argued that the objectivity of independent members might be questionable, since CEOs play a considerable role in appointing these directors. In addition, an increasing number of independent directors would increase shareholders' unreality regarding the intentions of the company, thus leading to a greater ambiguousness of decisions [28].

According to company policies as well as the legal obligations of every company, there should be a considerable number of independent directors within the board, in order to have a strong corporate governance structure for the company. The board of directors' independence contributes to the overall performance of the company. The proportion of independent directors may have an impact on the board's involvement in strategic decision-making. The majority of studies have focused on the impact of outside directors on company performance, with very few studies analyzing the influence of board independence on strategic decision-making. More research needs to be done on the impact of the number of independent directors on strategic decision-making. Since most of the previous studies agree that the overall decision-making role can be operationalized based on number of independent outside directors, thus we propose the following hypothesis:

Hypothesis 2: The proportion of independent directors has a negative relationship with the board's strategic involvement in the decision-making process.

Gender diversity

Among several board characteristics, gender diversity was found to be one of the most important challenges that modern corporations encounter [29]. There is a growing literature emphasizing the significance of gender diversity in decision-making by boards of directors [30-32]. This could be attributed to the increasing global pressure to enhance the presence of women on boards of directors around the world (Rao 2016). In fact, the literature shows mixed results regarding the impact of female directors' presence on corporate performance (Post [33]; Rao 2016). According to Rao (2016), gender is considered one of the most controversial and important issues faced by modern firms. They pointed out that some researchers identified insignificant relationship between female directors and the performance of an organization. For instance, Rose [34] found that there is no significant association between firm performance and female representation in the boardroom. On the other hand, many scholars affirmed the positive impact of women on boards of directors. Carter [29], for instance, found a positive association between gender and financial performance, which increases firm value. In addition, Erhardt [35] studied the effect of the demographic diversity of directors on organization financial performance and found that gender diversity has positive correlation with the financial performance of the firm. Different studies provide various reasons to explain why the greater representation of female directors would enhance decision-making. One argument is that the presence of female directors would bring new different perspectives to the decision-making process, which help a board reach better decisions (Carter [29]; Daily [36]; Kang 2007; Singh [37]; Zelechowski 2004). Another argument to support the presence of women in the boardroom is that their representation sends positive signals to some stakeholders, such as current and potential employees [34,38]. In addition, Lückerath-Rovers [31] argued that the presence of female directors would secure the legitimacy corporations need to operate within their environment. In terms of strategic decision-making, many researchers supported the positive relationship between women and strategic decision-making [33,39]. For instance, Nielsen [39] asserted that women have a positive impact on strategic decision-making through their professional experiences and different values. Given that corporate social responsibility is considered a part of corporation strategy (Haniffa [40]), Rao (2016) argued for establishing a positive link between gender diversity and decision-making processes that are relevant to corporate social responsibility. Although there is an increasing number of articles supporting the argument that female directors can influence boards' strategic decision-making, some researchers argued that female directors often face challenges that restrict their involvement in decision-making and corporate strategy [41,42]. Thus, further research is needed to investigate the role of gender in strategic involvement in Kuwait. This hypothesis is used to address to impact of gender:

Hypothesis 3: The proportion of female directors has a positive relationship with the board's strategic involvement in the decision-making process.

Sample and Data Collection

We have used the Kuwait Stock Exchange as the main source of information. Our sample includes companies listed on the Kuwait Stock Exchange (KSE) since December 2012. A total of 181 companies were derived from the monthly reports of the KSE. Delisted companies and companies that were listed at the beginning of 2012 were excluded. After elimination, the reminder of the sample consisted of 170 companies. Data relating to ownership structure, board of directors, and top management composition were gathered from relevant companies' websites and KSE websites. The rest of the boards and executives' attributes and their names were manually collected. In early 2020, the author created a survey and sent it to the chair of the board or the deputy chair of these companies. The questionnaires were completed and returned by companies, with an overall response rate of 75%. The questions of the survey directed questions focusing on the exploration and understanding of matters concerning the decision-making process within corporate level strategy and business level strategy, and how both coincide with the decision-making process of the board of directors.

Dependent variable

Data on the strategic decision-making-making process of the boards' involvement were gathered from the survey. The chair of the board was requested to evaluate the board's attribution on a 5-point scale on several topographies of the strategic involvement in decision-making processes, such as: Setting corporate-level strategy objectives; setting and initiating strategic options; analyzing, evaluating, and diagnosing strategic options; corporate level strategy implementation; and evaluation of the implemented strategy. We followed Baysinger [43] and simplified their survey measure for the board's involvement, to ensure comparability of ratings/evaluations across companies. A distinctive board's involvement process was developed, primarily focusing on the top senior management team (hereinafter, SMT). First, SMT designs a proposition, the board meets and discusses it, then votes on it, should the result indicate that there are no vital changes made (coded 1). Second, SMT designs a proposition, the board meets and discusses it, then votes on it, should the result indicate that there are vital changes made (coded 2). Third, SMT designs a proposition, the board meets and discusses it, then votes on it, should the result indicate that there are no vital changes made (coded 3). Fourth, SMT designs a proposition, the board meets and discusses it, then votes on it, should the result indicate that there are vital changes made (coded 4). Fifth, the board takes the responsibility of creating its own design (Coded 5). Further, the simplified Pearce [44] seven-point scale was implemented in Kuwaiti companies. Strategic involvement was thus far created as a dependent variable. The said dependent variable was created by the use of the significant principal component from a principal component[1] .

Independent variables

[1]An alternative method would be to add together the five items, without doing factor analysis. This method produces reliability Test analysis results show that Cronbach's Alpha is 0.882 which indicates a high level of internal consistency, which tells us that a questionnaire is reliable.

Data on board attributes such as size, accounting details such as assets and liabilities, country credit, and risk rating, were manually collected from the annual report and complemented with firm-level websites. Board size is calculated as the number of directors sitting on the board of an individual company. An independent director is calculated as the number of all other board members divided by board size. The independent director measure is used to mitigate any problem that could arise due to affiliation, in line with other studies (Borokhovich [45]; Pearce 1992). The gender diversity measure is twofold: (1) A ratio of female representation on the board, divided by the size of the board; and (2) an indicator variable indicating one if there is at least one woman on the board, or zero otherwise.

Control variables

The first control variable is a log of market capitalization to proxy for company size. Secondly, the market to book value is used to proxy for corporate performance lagged by one period. To calculate the market value of a company, the market capitalization of a specific stock was summed with the total value of its debt, and then divided by its total assets. Ownership structure and stakes were classified in three different groups. The first group relates to either the CEO or senior management's significant shareholdings in the company, labeled executive ownership. The second relates to a block shareholder represented by an outside board director. Last but not least, any ownership percentage above five percent was labeled off board ownership, indicating that the shareholder never participated in the corporation's leadership structure. The ownership structure was classified into three categories and computed as the proportion of the total paid-up capital of the firm. Industry dummy variables relate to the KSE market sector as a condition for any industry-specific trends in the study outcome.

Analysis

The internal governance mechanism, specifically that relating to boards of directors, is important in directing the extent to which board members participate in strategic involvement. To understand these effects, the following equation was created:

$$(SIDM)i = f\,(BCi,\ Owni\ Xi) + \varepsilon i$$

where SIDM variable is the main factor of the five survey items, BC denotes the matrix of the board attributes, different ownership classifications is represented by the Own variables, last but not least, the size of the firm, the performance, and the type of industry dummy variables denote to X vector. Regression models are detailed with (Huber) heteroscedastic-consistent standard blunders, as firm-level cross-section models regularly display such efficiency-reducing properties.

Empirical Findings and Discussion

Descriptive statistics are depicted in Table 1, which reports the unconditional correlations matrix for all variables. The sample contains companies that have an average size of board consists of 8 members. The average number of independent directors is two, and the proportion of independent directors to board size is 0.32. Furthermore, the average proportion of female representation showed as 0.55, and further, female board members included in the company showed a value of 0.50, which means that companies have at least one female representative sitting on the board. In addition to this, the multicollinearity issues were checked between independent variables and control variables. All independent and control variables showed the multicollinearity value below 5, thus meeting the threshold [46]. Table 2 shows the econometric findings of this study. Hypothesis 1 was proposed to predict that the size of the board has a negative relationship with the strategic involvement in the decision-making process. Support is found in setting strategies across the four different models. This result is consistent with Judge and Zeithaml's (1992) and Jewell [47] findings that a large board size hinders board effectiveness and that this board has less possibility to be engaged in the strategic decision-making process. Coordination and interaction among members of larger boards make involvement in the strategic decision-making process an issue [48]. Moreover, board cohesion is jeopardized when boards need to have the ability to contribute and be involved in the process of strategic decision-making, because each director might have a limited opportunity to contribute effectively on a large board (Johnson et al. 1993).

Table 1: Descriptive statistics and pairwise correlation analysis.

Variable	Mean	SD	1)	2)	3)	4)	5)	6)	7)	8)	9)	10)	
1) Strategic involvement	0.00	1.00	1.00										
2) Log (market cap)	2.79	0.82	0.04	0.33	1.00								
3) Market to book value	11.57	21.18	0.15	0.12	0.20	1.00							
4) Board size	7.96	2.41	-0.01	-0.20**	-0.01	-0.22	1.00						
5) Independent director (%)	2.20	1.73	-0.29**	-0.03	-0.07	-0.12	-0.44	1.00					
6) Gender diversity (%)	0.32	0.32	0.20**	0.10	0.06	0.45**	0.90**	0.34	1.00				
7) Gender diversity	0.55	0.40	0.25	0.39	0.28	0.15	0.30**	0.31**	0.28	1.00			
8) Off board ownership	0.50	0.50	-0.05	0.03	0.03	0.09	-0.316**	-0.35**	0.85**	0.12	1.00		
9) Outside director ownership	5.97	7.84	-0.18	0.07	0.30	-0.56	0.34	-0.34	0.36	0.22	0.18	1.00	
10) Executive ownership	3.39	48.32	0.38	0.12	-0.20	0.10	-0.08	0.09	0.03	0.05	0.12	0.47	1.00

Table 2: Regression analysis of board strategic involvement.

Variable	1	2	3	4
Control				
Log (market cap)			-0.058 (0.074)	-0.032 (0.735)
Market to book value			0.084 (0.224)	0.080 (0.026)
Independent variable				
Board size	-0.038*** (0.034)	-0.031** (0.375)	-0.034*** (0.035)	-0.113** (0.015)
Independent director (%)		-0.067*** (0.023)		-0.232** (0.793)
Gender diversity		0.203** (0.420)		0.175** (0.797)
Gender diversity (%)	0.054*** (0.033)		0.054* (0.033)	
Off board ownership (%)			(0.033) (0.532)	-0.705* (0.804)
Executive ownership			-1.145** (795)	-1.705** (814)
Industry dummy	Yes	Yes	Yes	Yes
R square	0.58	0.67	0.51	0.35
Adjusted R square	0.36	0.48	0.43	0.27
F test (sig value)	3.268 (0.041)	2.496 (0.018)	1.074 (0.344)	.831 (0.563)

Note: *p<0.10, **p<0.05, and ***p<0.01

The interpretation of the results indicates that large size can drastically deter a board's aptitude to initiate involvement in strategic decision-making. Moreover, results may also indicate that a large board size could become a barrier, either in strategic decision-making or in reaching a consensus on important decisions, because of internal politics and the creation of factions and coalitions. Group dynamics is another point of concern which might be exacerbated with a large board, due to problems associated with large board size. In a turbulent and complex environment, board interactions need to be intact, to be able to respond effectively and in a timely manner, ensuring that members are involved in the strategic decision-making process. Nevertheless, the internal group dynamics in a large board suggest poor quality, potentially hindering a board's ability to be involved in the strategic decision-making process; this is in line with the findings of Harrison (1987) and Herman (1981). Table 2 depicts results relating to Hypothesis 2 that predicts the proportion of independent directors has a negative relationship with the board's strategic involvement in the decision-making process. As can be seen from Table 2, there is support for the hypothesis across all four different models. The support is found even when looking at model when the regression includes and excludes the control variables. Agency theory and resource-dependence theory enthusiasts contend that board independence is an important determinant for continued resources and persistent monitoring; nevertheless, in our data, independence constrains the involvement of the board in the strategic decision-making process. As can be seen in Table 2, the average number of outside independent directors is almost 2, and the average proportion is 0.32. This means that the existing number of outsider directors on the board results in a higher disinvolvement in strategic decision-making. This significance suggests that the influence of an independent board depends on other functions, such as corporate-level strategy and business-level strategy, as well as functional-level strategy and how the internal group dynamics affects the board involved in the strategic decision-making process. The result of Hypothesis 2 is consistent with Westphal's (1998) findings, stating that there is no evidence that an independent board increases the involvement of the board in the decision-making process. It is therefore customary in Kuwait to avoid appointing independent directors, because they are often preoccupied with multiple appointments on different boards, which prevents them from participating in board discussions.

Furthermore, Hypothesis 3 states that the proportion of female directors has a positive relationship with the board's strategic involvement in the decision-making process. The results of our data indicate that there is a positive relationship, and the four different models are economically significant. The support is found even when the proportion of female directors is replaced by (female) as an indicator variable. Hence, our results are consistent with Carter [29]; Daily [36]; Kang (2007); Robinson [49]; Singh [37]; and

Zelechowski (2004), which indicates that heterogeneous boards encourage resourceful involvement in the decision-making process and that this will bring new different perspectives to the decision-making process, which helps them reach better decisions. Therefore, gender diversity augments effectiveness, and homogeneity hinders boards and results in a narrow viewpoint. Robinson [49] gender emphasize that diversity at board level promotes thoughtfulness and awareness, and increases involvement, creativity, and innovation in the strategic decision-making process [50-54].

Conclusion

The objective of this paper aimed to explore the outcome of board construction and its effects on the involvement of strategic decision-making initiated by boards. The extent of board involvement in the strategic decision-making process is also influenced by board Size. The most important finding is that as the board size increases, such increase distorts the involvement of board members in the strategic decision-making process, suggesting that smaller boards may have greater flexibility in their involvement in such a decision-making process. The findings of this study also include some suggestions for corporations. Despite the fact that independent directors constitute pivotal sources for expertise, their involvement in the strategic decision-making process diminishes the quality of the decisions. Hence, a large board size and independent directors may limit the involvement of the strategic decision-making function. In particular, large boards with outside directors would limit boards' strategic intent of effectiveness. However, boards' involvement in the strategic decision-making process and monitoring are not in conflict. Whether the boards need to have effective monitoring or strategic involvement in the decision-making, sufficient access to information is mandatory, so that all members, including the outside directors, are able to discuss important issues efficiently and effectively. Moreover, board diversity influences boards' strategic decisions, and this may lead to greater strategic involvement with heterogeneous boards, which encourages resourceful involvement in the decision-making process. With this in hand, our findings indicate that heterogenous boards are more likely to initiate involvement in strategic decision-making, including consistent and effective monitoring. As with any study, there are limitations to this study; the limitation of this study is two-fold, which opens avenues for future research. First, the study is cross-sectional in design and hence does not allow for the control of firms' unobserved specific differences. Second, the response rate is 35% and representative of KSE companies, which minimizes the likelihood of including other industry factors. Thus, future studies should replicate this research in other economies. On the one hand, our findings show the positive impact of heterogenous boards providing resources and expertise in strategic involvement. In contrast, the negative impact of a large board and outside directors may hinder the firm in engaging its board in the decision-making process. Hence, further research is essential to differentiate between explanations and opposing theoretical standpoints. For example, while this study provided evidence for the role of heterogeneity on a board's engaging in the decision-making process, additional studies need to unveil the reasons for not allowing women to serve on the board, despite the resources and expertise they bring. Nevertheless, it is suggested that this study adds an important voice to empirical literature, filling the gap that exists in the academic, practitioner, and public policy debates on the usefulness of board attributes and processes.

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