ABSTRACT

This study investigates what impact, if any, board structure of companies listed at Istanbul Stock Exchange (ISE) has on various functions fulfilled by the board with respect to agency and resource dependence perspectives. Research was conducted both at director and company level to explore board members’ profile and various company characteristics. Responses of 145 directors to a questionnaire were factor analyzed to determine the roles assumed by individual board members and board functions in general, followed by multiple regression analyses to find out the relations among variables. Results revealed that governance practices of group-affiliated companies significantly differ from those of simple and transitory family companies both in terms of board structure and functions. Simple and transitory family companies’ boards which mainly consist of inside directors are more involved in decision management, whereas outsider dominated boards of group-affiliated companies function primarily as a monitoring device. CEO tenure was also found to be a major factor affecting governance practices along with company age. Companies that have CEO’s with relatively long tenure have insider dominated boards and younger companies are more active in monitoring of the top management and strategic planning. Furthermore, results revealed that board composition also significantly affects board’s involvement in strategic planning. This finding supports the arguments about positive and negative consequences of board independence. Finally, in contrast to resource dependence propositions, board size and outsider ratio reduce the perceived importance of networking activity of the board.