

Abstract

Academic and commercial interest in the corporate governance practices of publicly listed companies has increased significantly in recent years (Rossouw, 2005). With high-profile corporate failures such as Enron and WorldCom heightening the interest in corporate governance practices (Rashid, 2011). It has become evident that the performance of well governed firms is superior to that of less well governed firms (Kyereboah-Coleman & Biekpe, 2005). Despite the fact that corporate governance is multi-dimensional (Kyereboah-Coleman & Biekpe, 2005), this study focused on the impact of board composition (defined by the percentage representation of independent non-executive directors on the board) and board size on the firm performance measures namely; Tobin's Q (TOB), return on assets (ROA), and return on equity (ROE) of firms listed on the Johannesburg Securities Exchange (JSE). Annual data, from the period 2006 to 2012 was used while the analysis of data was done using the Multiple Regression Analysis Model. After having analysed the research results, it was found that no significant relationship exists between the proportion of independent non-executive directors on the board and board size, and firm performance measures. Thus, this research study suggests that performance of South African companies listed on the JSE Securities Exchange is not influenced by board composition and board size.

Keywords: Corporate governance, firm performance, Tobin's Q, board composition, board size