**ISSN: 2635-2966 (Print), ISSN: 2635-2958 (Online).**

Available online at http://www.atreview.org

Original Research Article

# How do Boards Moderate the Powers of Powerful CEOs?

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Received: 27/07/2018 Accepted: 30/08/2018

## Abstract

*This study is motivated by a need to understand conceptually how boards moderate the powers of powerful CEOs. To achieve this objective, a library research design was employed to review relevant concepts, theories and literature on CEO-board relations. Sources of CEO power and the avenues through which they get and use power were x-rayed. It is concluded from the study that board power being a pre-requite requirement for a vigilant and effective board, needs to be incorporated in future studies on dominant CEOs and organisational outcomes. This will lead to a synthesis of complementary theories associated with such relationship in future empirical studies.*

***Keywords***: Boar powers, agency theory, corporate collapse, organizational structure, managerial expertise.

## 1. INTRODUCTION

CEO-board relations have recently become an area of central importance in corporate governance debates as it has been proposed to have significant organisational implications (Shen, 2003). Corporate collapses across the world like the cases of Enron, WorldCom, then Oceanic and Intercontinental banks in Nigeria were mostly occasioned by the role played by their CEOs despite the existence of the board of directors. This raises the question of the dynamics of CEO-board relations. The boards' control or monitoring role which showcases board power over the CEO is widely considered an important function in curtailing the excesses of powerful CEOs (Tang, Crossan, & Rowe, 2011).

The agency theory, being one of the theories underpinning CEO-board relations, posits that CEOs, being agents of shareholders, are mostly self-seeking, unwilling to take risk and may haveobjectives that are different from those of the owners, who are their principal.

***JEL Classification Codes:*** *G52,M71, M78*

Thus, CEOs are likely to undertake self-serving actions at the expense of the owners (shareholders) when given an opportunity. It is in such situations that an independent board is believed to be able to protect shareholders from CEOs' selfish behaviour by monitoring CEOs and giving them inducements, if need be, to function in shareholders' interest (Fama & Jensen, 1983).

Several studies have investigated the impact of CEO attributes on organisational outcomes, with most of these studies domicile in the United States of America and other developed economies (Baatwah, Salleh, & Ahmad, 2015; Imeny, 2016; Iqbal, 2013; Tang et al., 2011) . No study to the best of our knowledge has investigated this relationship in Nigeria. More so,of these foreign studies, only a few like the studies of Tang et al. (2011)actually incorporated board power in moderating the impact of the CEO on organisational outcomes, with none in an emerging economy like Nigeria. Incorporating the impact of board power in such relationship is likely to give a fresh perspective to the studies. Also, this will make for the use of interacting theories like agency, resource dependence and upper echelons theories to improve the scope of these studies and improve the explanatory power of the study (Boyd, Haynes, & Zona, 2011).

It is against the backdrop of the paucity oflocal empirical and conceptual paper in this regard as well as limited empirical paper abroad that this paper attempts to highlight on the CEO-board relations, particularly, how boards can moderate the powersof powerful CEOs. To achieve this objective, the remainder of the paper is organised as follows: section two x-rays the person of the CEO, how he/she acquires and uses power, and sources of his/her power. Section three reviews the board, its roles and structure. Section four examines theories anchoring CEO-board relations as well as how the board can moderate the impact of a powerfulCEO. The conclusion and recommendation is tied up in section five.

## 2. CHIEF EXECUTIVE OFFICER (CEO)

### *2.1 Understanding CEOs & their roles.*

The Chief Executive Officer (CEO) is widely considered as one of the most influential persons on the managerial cadre of any organisation owing to his power over a wide range of decisions.Peter Drucker, in his unfinished draft, maintained that the CEO is the connection or linkage between the inside, typified by the organisation and the outside, made up of the society, economy, technology, market, and customers (Nithiyanandan, n.d.). He furtherdescribed the CEO as the only person in the firm who can perceive the outside from an enterprise level

The CEO is the head of the executive management team of any organisation and pilots the affairs of such organisation. He is also a critical member of the board of directors of companies. According to Barclift (2011), CEOs are seen as the fulcrum of corporate governance. Also, influential or powerful CEOs can manipulate the very corporate governance mechanism that imposes constraints on their actions by using managerial powers (Johnson & Yi, 2015).

The CEO is one who is often held accountable for the success or failure of an organisation The main component of his job description include framing strategy and direction; modeling and formulating the company's culture, values and behaviour; building and leading the senior executive team; and allocating capital to the company's priorities (Robbins, n.d.). These job roles of the CEO according to Robbins (n.d.) cannot be delegated, though he may get inputs in these areas.

The setting of strategy and vision is seen as the CEO's main duty. Though top management team can help develop strategy and the board can approve advice or ask the CEO to revise a business strategy, it is the CEO who ultimately sets the direction. This may be in the areas of: which market to enter, company's product line, how company can differentiate self from her competitors, and how to deliver the organisation into the foreseeable future.

The CEO is also expected to model and set a company's culture, values, and behaviour. Robbins posited that it is the organisational culture that will determine the caliber of persons working in that organisation. For instance, an atrocious organisation will drive away high performers while a great working environment can lure and keep the very best. Organisational culture can be formulated in a number of ways and it is the CEO who sets the tone. The CEO's every action or inaction sends the cultural signals. Values tell how the company intends to reach its vision as it spells out what is acceptable behaviour. Robbin also stated that the CEO is said to convey values through his actions or reactions to others.

The third responsibility of the CEO has to do with building and leading the senior executive team. The CEO is a leader and is responsible for leading, and in certain instances, hiring and firing the senior management team who in-turn manages the rest of the organisation. Lastly, it is the duty of the CEO to allocate scarce resource (capital) to the company's priorities. He funds the projects that support the strategy. He manages the firm's capital and his decisions often determine the company's financial fate.

### *2.2 The powers of a powerful CEO*

Power is defined as the capacity of individual actors to exert their will and achieve their objective in any situation (Finkelstein, 1992). And a power relationship is said to always arise between two interacting agencies, whether it is between two individuals, two groups or an individual and a group (Emerson, 1962).

A powerful CEO is perceived as that CEO who has authority and influence over a firm, its management and possibly the board (Park, Kim, Chang, Lee, & Sung, 2015). He is able to impose his will on the organisation. Park et al.(2015) maintained that CEO power is shown in a CEO's ability to exert his will and fortify a CEO's position relative to the board. This is what Barclift (2011) referred to as CEO dominance or CEO centrality. It becomes imperative to understand how CEO acquires and uses power.

Tosi, Shen, and Gentry (2003) identified four major phases by which a CEO gets and consolidates power. These are: bargaining a favourable employment contract, cutting down intimidation or threats from the board and other senior executives, carrying out corporate strategies that shield the CEO, and manipulating the CEO compensation processes.

Recruiting a competent CEO, be it for a failing or thriving business is a herculean and risky task. This is because of the cumbersome nature of a CEO's job. According to Tosi et al. (2003), this situation creates an interesting oddity for potential CEOs. And since firms are often eager to fill a vacated CEO position, it places the choice candidate in a rather strong position to negotiate a favourable employment contract. Also, since a new CEOs position in his early years in office are weak as revealed in literature, it makes perfect sense for prospective CEOs to try to work out an employment contract that safeguards and consolidates their position from these stakeholders before they take up the job.

Secondly, after being appointed, new CEOs are likely to fortify their positions against internal threats from both the board and top management team. The CEO manages the board via two approaches as identified by Tosi et al. (2003): selection of directors and tactics of interpersonal influence. A new CEO desires a rubber stamp board that doesn't apparently appear to be one. Rissiand Carter (2016) defines rubber stamp boards as boards that tend to adopt a hand off approach to their duties and simply assent almost everything put before them by management without actively participating in deliberation and debate. The CEO can achieve this by nominating outside candidates, who possess his similar background and experience, as board members. Such board members with their similar backgrounds and experiences are likely to identify with the CEO. Also, he can appraised each candidate background as a director and deliberatelyavoid those who have sat on vigilant boards.

Another avenue of dominating the board by the CEO even when he has no part in the directors' selection process is via interpersonal influence tactics. Such tactics include fraternising with directors outside board meeting to provide justification and build support for CEO's strategic decisions. The CEO may publicly applaud directors and acknowledge how much they have contributed to the success of the firm, even when such is not the case. CEOs may also increase directors' compensation.

As regards managing other senior executives, CEOs may take advantage oftheir domination over executive promotion decisions by discriminatorily promoting only executives that are well-disposed to their course. This way, CEOs can raise a strong alliance at their firms and lower the chances of opposition from other top management executives. Also, CEOs can employ their authority over compensation decisions by increasing senior executives' pay without any clear economic justification to gain their support. Another subtle means for CEO to reduce threats from senior executives is to cap the number of senior executives on the board.

Third, after securing a favourable employment contract, and having the support of board and top management team, the CEO can carry out strategies that may further solidify his position. Tosi et al. (2003) posits that a firm's strategies determine its performance, which may consequently have a significantimplication on the CEO's job security. For instance, CEOs in management-controlled firms may adopt unrelated diversification strategy, which involves acquiring new and unrelated product line and entering new market, with the singular objective of empire building. Some of the merits of this strategy include stabilising the firm's profit base and affording management with a buffer against the negative impacts of economic downturn in a single industry; and increasing firm's revenue considerably over a short period of time. With increase in firm's size and diversification level, the CEO can demand an increase in compensation arguing that his/her job has become more complex and difficult.

Lastly, when the power of the CEO has been institutionalised, it is shown in what transpired between the chief executive and the board when setting his compensation. Boards have different ways of evaluating the CEO's performance because his task is complex and diverse. The choice of benchmarks and justification for the choice according to Tosi et al. (2003) depends upon where the power lies. In firms with unyielding shareholders, the board is likely to adopt risky results-based benchmarks like Return on Assets (ROA), Return on Equity (ROE) and Earnings per share (EPS) in evaluating CEO performance. Whereas when the CEO is dominant relative to the board, less risky behaviour-based benchmarks like leadership and managerial prowess or competencies may be used to evaluate CEO performance.

### *2.3 Sources of CEO power*

These are the different dimensions through which the CEO exercises power. Finkelstein

(1992) identified four sources of power to include structural power, ownership power, expert power and prestige power. As CEO power is not directly observable, these different sources of power amongst others,are mainly used as proximal measures of CEO power in corporate governance studies (Tang, Crossan, & Rowe, 2011).

The structural power, according to Larcker and Tayan (2012:1) "is derived from the position an executive occupies in the organisational hierarchy". CEOs are said to hold significantpower because of their legitimate position at the top of the organisation, which affords them decision making powerandbetter access to inside information. Finkelstein (1992) posited that a manager's formal position can be captured by examining formal titles and relative compensation. Titles, for Finkelstein, clearly show hierarchical authority. Manager's compensation is a precise, though, less formal statement of his/her standing in an organisation. Finkelstein used three variables to create a structural power scale. These are proportion with higher titles; compensation; and number of titles. Proportion or percentage with higher title is defined operationally as the proportion of individuals in a firms' Top Management Team (TMT) with higher official titles than a focal executive (Tang et al., 2011). Compensation is defined operationally as an executive's total cash compensation (salary, bonus, and miscellaneous benefits) divided by the compensation of the highest paid manager in the same firm (Finskelstein, 1992). Number of titles is defined as the number of official titles an executive had, as stated in the annual reports. A cursory look at these various measures of structural power by Finkelstein reveals that these measures may not be suited in our local environment owing to their non-disclosure in annual reports and prevailing conditions in our corporate governance code. The percentage of TMT with higher title than the CEO is not existent within the hierarchical structure of our public quoted firms. Only the board has superior authority over the CEO. The compensation of the CEO is rarely disclosed separately on the annual report from those of other executives and board members. Such information is often regarded as confidential by most local firms. Regarding number of titles, CEOs of quoted firms in the country are often not allowed to have more than one official title as stipulated by our local code of corporate governance. CEO duality is not permitted by the 2011 Corporate Governance code for Public Companies in Nigeria (Securities and Exchange Commission, 2011).

Ownership power highlightsthe extent of economic or voting interest that an executive holds in an organisation (Larker &Tayan, 2012). Executives are expected to be accountable to owners of the companies. The strength of their position in the agent-principal relationship determines their ownership power. Thus, a CEO with significant ownership interest (shareholdings) in an organisation will have more power than a CEO with no ownership interest. CEO ownership can reduce the board's influence. Ownership power plays out in the board room where corporate issues are resolved by vote. Indicators of ownership power as stated by Finkelstein include executive shares, family shares and founder or relative. Executive shares is defined as the proportion of a firm's shares owned by an executive (CEO) and his spouse and dependent children. This is often seen as the most direct means of assessing a manager's ownership power. Family shares are defined as the percentage of a firm's shares owned by an executive's (CEO) extended family (brother, father and so on). Founder or relative sharesare defined based on an executive's (CEO) two types of association: (i) the executive (CEO) is founder of the company; or kindred to the founder; (ii) the executive has a family connection with another executive of the firm. "This indicator is coded as: 0 if neither association existed; 1 if either association, but not both, existed; 2 if both associations existed" as highlighted by Tang et al. (2011:1489). This measure of CEO power may by adopted in local studies if information on shareholdings of the CEO and his relatives are made available by sampled firms. However, it may be difficult to easily access this information in Nigeria as shareholdings of relatives and family members of the CEO is not usually explicitly stated on the annual reports of companies. This may slow down the research process.

Expert power results from superior knowledge, experience, or access to information within the organisation and in relation to the external environment (Larcker & Tayan, 2012). The duo maintained that managers with relevant expertise may have significant influence on a particular strategic choice and are often sought out for their advice. However, where an executive's expertise is in an area critical to the organisation, he will be relatively more powerful. This may be so because the organisation is dependent on the expertise knowledge on such an executive. Expert power is measured using three variables: critical expertise power, functional power; and position in the firm. The problem with measuring expert power as highlighted by Tang et al. (2011) is that most indicators used to capture this dimension of power involve significant ambiguity in their operationalisation. For instance, Finkelstein identified three steps in identifying critical expertise power. Also, consensus on what constitute critical expertise in an organisation may be difficult and at most subjective.

Prestige power is attributable to the positive perception others have of an executive (CEO) based on his or her reputation (Larcker & Tayan, 2012). Prestige provides power through suggesting that an executive (CEO) has gilt-edge qualifications and powerful friends. According to Larcker and Tayan, prestige power may come from elite educational qualification, connection with outside organisation or associations, government relations, personal relations with elite, network connect or prior success. They also noted that prestige power is possibly the most intangible display of power because it relies on the premise that these associations give plausibility and legitimacy to an executive's ability or judgement. Like the expert power, trying to operationally define prestige power will suffer severe ambiguity and subjectivity (Tang et al. 2011).

Aside the four sources of CEO power highlighted by Finkelstein, Shen (2003) posited that CEOs' power is largely attributable to their tenure. He believed that CEO power exacerbates over time in the present position, regardless of its sources. As CEO tenure increases, CEOs are likely to secure managerial expertise, develop relationship with directors and gain considerable influence over the board. Pathan (2009) noted that CEO tenure may also reduce board independence and thus contribute to CEO power. This is because the longer the CEO serves in his position, the more bargaining power he has over the selection of new board members and reduces board independence. CEO tenure is defined operationally as the number of years a CEO continuously occupies that office. This proxy of CEO power is relatively easy and can be readily seen in locally published annual reports of companies. Also, subjectivity of the researcher is ruled out when using this proxy of CEO power.

## 3. CONCEPTUALIZING THE CONCEPT OF BOARD

### *3.1 Understanding board of directors*

The board of directors is the highest governing authority within a company as clearly stated by codes of corporate governance of companies in operation around the world. Pathan (2009) considers the board as the apex body of a company's internal governance system. The board of directors is usually composed of executive and non-executive directors. The executive directors are the full time employees of the company. While the non-executive directors are not employees of the company. They are not involved in the day-to-day running of the company. These non-executive directors usually receive a flat fee for their services. There are arguments by some authorities including the 2011 SEC Code of Corporate Governance for Public Companies in Nigeria that non-executive directors should form majority of board members and most especially that they should be at least one independent director. Also, Shen (2005) posits that non-executive directors, being agents of the company like the executive directors (including the CEO), require some form of incentives to be interested and effective at their responsibility. These incentives may be in form of compensation with company's stock and not necessarily cash as this will make non-executive directors, co-owners of the business and provide motivation for them to be actively involved and be engaged in corporate governance.

Ogbechie (2012) sums the board's role into three namely control role, service or advisory role and strategic role. The control role is otherwise called the oversight or monitoring role of the board over the CEO and top management. The service role entails the advisory role of the board. It involvesoffering the CEO and top management with expert advice. Lastly, the strategic role covers the area of defining, selecting and implementing strategies for the company. However, Chen (2007) sums these roles into two: control role and service role; with the service role incorporatingadvisory and strategic roles of Ogbechie's classification.

### *3.2 Board of directors structures*

There are basically two boards of director' structures: one-tier board structure and two-tier board structure. The single or one-tier structure is otherwise called Anglo-American model. This is because it is mostly adopted in Anglo-American countries like United Kingdom, USA, Nigeria and so on. This structure is such that all directors (executive and non-executive) work together in one organizational hierarchy that constitutes the board (Ogbechie, 2012). The one-tier board also makes use of board committees such as: audit, remuneration, and nomination committees. This single board is said to undertake both the management and monitoring functions. And the structure places greater emphasis on the ideology of shareholder primacy (Block & Gerstner, 2016) and relies on external monitoring of stakeholders. This form of corporate governance is called stock market capitalisation. Advantages of the single-tier board when compared to two-tier board include having a betterexchange of information; swifter decision making; and better understanding, and participation in the business of the board. The smootherexchange of information, according to Block and Gerstner (2016), is likely to accrue from the structure and size of such boards. A single board houses the various committees, thus, affording a wide array of information and knowledge. However, the mainlimitation of the single tier board is that it has to concurrently make and monitor the same decision. Block and Gerstner further argued that mere independence of the board may not be enough to make board members neutral owing to substantial personal relationship amongst board members. Independent directors attempting to supervise management whom they consistently work and socialisewith on the same board is quite difficult in a one-tier board structure. This may be due to constant interactions within and outside the organisation which entrench high level of cordiality.

The two-tier board structure, otherwise called the German or Continental European board model, according to Ogbechie (2012) is based on a two-tier principle that distinguishes a management board and a supervisory board with no overlapping membership between them.The management board consists only of executives who manage the company and the supervisory board is responsible for appointing and overseeing the management board. Thus, the management board is of a lower level than the supervisory board. Seats on the supervisory boards are held in varying proportion by representatives of shareholders, labour union, employees and so on. The CEO has no seat on the supervisory board and this ensures some level of independence according to Ogbechie. This form of corporate governance is referred to as welfare capitalism. Advantages of the two-tier system include efficient monitoring occasioned by separation of roles; and relative independence compared with one-tier non-executive board members. However, the possibility of information asymmetry is high with a two-tier board especially as board members on supervisory board may be uninvolved and lack the information or knowledge needed to exert efficient supervision on executives' actions. This situation is even more pronounced when the supervisory board is solely dependent on management as a source of information (Block & Gerstner, 2016).

## 4. CEO & BOARD OF DIRECTORS

### *4.1 Theories underpinning CEO and Board relations*

According to Boyd, Haynes, and Zona (2011), relationship between CEOs and their boards is a complex and multi-faceted relationship. These two agents need to collaborate with one another while on the other hand perform their unique functions which may at times be conflicting. Boyd et al. (2011) identified six different theories that can be employed to support CEO-board relations. These are agency theory, resource dependence theory, upper echelon theory, stewardship theory, institutional theory and social network theory.

However, the nature of study undertaken by the researcher determines the theory that best suitssuch study. For instance, Boyd et al. (2011) notes that studies rooted in resource dependency theory emphasise synergy between the board and the CEO, dwelling on the information and resources that the board can provide while studies based on agency theory portrays the relationship between a board and CEO in a more antagonistic manner. Institutional theory aims to highlight how various pressures influence decisions made by the board and top executives. Thus, these different theories present different and often competing explanations for interactions between CEOs and boards of directors.

#### *4.1.1 Agency theory*

This theory has its roots in arguments put forward by earlier scholars like Adam Smith, Berle & Means, and Jensen & Meckling in relation to organisations that separate ownership from control (Fama & Jensen, 1983). The duo contended that the principal premise of this theory is that "there is conflict of interest owing to separation of ownership from control between shareholders and managers. This justifies the need for a board which is constituted by shareholders to monitor management (CEO). This is to keep managerial opportunism caused by information asymmetry, difference in risk profiles amongst others in check. Boyd et al. (2011) posited that the board's fiduciary duty as highlighted in agency theory include supervising the CEO, deciding on compensation for top management, sanctioning major strategic decisions, and overseeing the implementation of strategies. Agency theory has been argued to be developed to suit the Anglo-American context where shareholders are considered principally in relations to other stakeholders.

#### *4.1.2 Resource Dependence theory*

The central premise of this theory is that it views the organisation or company as an open system. And a firm's continued existence is anchored upon its capacity to procure vital resources from its external environment (Pfeffer & Salancik, 1978). According to Afza and Nazir (2014), resource dependency theory thus focuses on the board's role of helping to secure and acquire critical resources of the organisation by their external linkage to the environment. Through such linkages, the board brings in different resources such as information, skills, access to key constituents like supply of raw materials, buyer of output and legitimacy. In sum, the board of directors provides four benefits to include advice and counsel; legitimacy; preferential access to resources; and providing channels for communicating information between external organisations and the firm (Pfeffer & Salancik, 1978).

*4.1.3 Upper echelons theory*

The central theme of the upper echelons theory is that upper echelons' attributes are determinants of strategic choices and performance. As posited by Hambrick and Mason (1984), this theory contends that a firm's strategic options reveal the values, cognitive bases, and perception of the top management team. And since these values and insights cannot be directly observed, they are measured through various demographic proxies like age, education, functional background and so on. Boyd et al. (2011) posited that debates arising from this theory cover areas of decision making process, usefulness of demographic proxies and power relations within the top management team with a yet to be explored area being the association between the corporate board and top management team.

*4.1.4 Stewardship theory*

According to Davis, Schoorman, and Donaldson (1997), stewardship theory is diametrically opposed to agency theory. The stewardship theory proffers that agents or stewards are motivated to act in the utmost interest of their principals. Thus, if the goal of a firm is to maximise returns to shareholders, the agents (CEOs and executives) will work toward this goal. More so, even when different partners express competing needs, the executive, as agent makes decisions that are in the utmost interest of the entire organisation (Davis, et al., 1997). Boyd et al. (2011) posited that the steward or agent's action is mainly directed towards collaboration and is motivated by ingrained rather than superficial rewards. Thus, not only do stewards or agents place higher values on pro-organisational behaviours, they will also internalize organisational objectives in their individual cognitive structures.

Stewardship theorists are of the view that the board's prime role is to back the CEO's decision making and to render advice and counsel (Boyd et al., 2011). Proponents of this theory also believe that if the same person holds the position of CEO and chair, it will enhance firm performance. This is because CEO duality is expected to remove role uncertainties and frictions which might arise with sharing the power between two actors. Also, the need for insiders on the board is justified as such inside directors increases the proficiency available to board and gives status reward for the executives and enhances firm performance (Boyd et al., 2011).

*4.1.5 Institutional theory*

This theory brings to fore cultural impacts on decision making and formal structures while rejecting the rational and efficiency explanations of social behaviour (Boyd et al., 2011). Organisations conform to fashionable prescriptions of acceptable behaviour so as to gain credibility from external stakeholders and thus enhance their chances of survival. Such conformation to agreed norms is either voluntary or via coercion. Institutional perspective provides a comparatively deterministic approach to organizational behaviours, as organisations tend to willingly conform to external environment. Boyd et al. (2011) highlighted that notable institutional pressures for CEO-board relations are rating agencies and governance code.

*4.1.6 Social Network theory*

This theory seeks to comprehend how firm action and activity may be elucidated through a pattern of ties with external actors. Organisations are linked with other entities via a range of social networks, including supplier relationships, resource flows, association memberships, relationships among individual employees, and alliances (Boyd et al., 2011). Social networks configure firm behaviour and performance, because the organizational network allows the focal firm to obtain external resources and information. Research on CEO-board relations has benefitted from usage of the social network theory, particularly with regards to explaining the determinants and consequences of intertwined directorates. Also, boards are unique formal mechanisms that connect top executives of firms, thus providing opportunity for these executives to exchange information, observe the leadership practices and style of their peers and witness the consequences of those practices (Gulati &Westphal, 1999).

***4.2 How boards curb the power of powerful CEOs***

A powerful CEO is one who has the capacity to exert his will on organisational choices and outcomes. He may also exert enormous influence over top management team, and possibly, the board. However, the board has been recognized as the apex body in the internal governance mechanism of the organisation. Its roles are categorised into two: control role and service role, with the service role incorporating both the advisory and strategic functions of the board.

According to Zhang (2011), the board's control task has its root in agency theory, which highlights conflicts of interest between the CEO and the board while the board's service task can be linked to resource dependence theory. In situations where CEOs exhibit much influence and power in the organisation, the board's control function or task needs to be questioned. This also brings to fore the primacy of the agency theory in such CEO-board relation.

Researchers applying agency theory in CEO-board relations are of the view that the primary task of the board is to exercise control over the CEO. This entails monitoring and curtailing the excesses of the CEO by the board (Zhang, 2011). The agency theory further posits that a powerful or dominant CEO can only be constrained by other power balancing force like the board (Tang et al., 2011). Also, Zhangposits that the board power over the CEO is commonly related to the board's control tasks. He maintained that to effectively monitor the CEO, information asymmetries and independent board-CEO relationship are critical aspect to consider.

Meanwhile, for the board to effectively curb the influence or power of a powerful CEO, it should be vigilant and effective in discharging its control task. A vigilant board is one that effectively monitors and disciplines top managers, especially the CEO (Finkelstein, Hambrick, & Cannella, 2009). Without a vigilant board, there is likely to be a significant increase in CEO's power (Shen, 2003). On its part, board effectiveness is anchored on the behavioural dynamics of the board-that is how executive and non-executive directors on the board work together to achieve its objectives, which is to monitor and advise management- rather than the structure or composition of the board (Roberts, McNulty, & Stiles, 2005).

However, for the board to be vigilant and effective, it must be independent (Park, et al., 2015; Shen, 2005). Board independence reflects the extent to which directors on the board are not influenced by the CEO, which alternatively can be seen as the ability of the board to impact on the Top Management

Team (TMT), especially the CEO. This is otherwise called board power (Payne, Benson, & Finegold, 2009). Thus, an independent board is synonymous witha powerful board or board power.

Major indicators of an independent or powerful board as revealed in studies include separation of the CEO and board chair (CEO non-duality); equity holding of outside directors; and the ratio of outside directors to total number of directors (Tang et al., 2011). CEO non-duality is often measured as a dummy variable coded ‘0’ if the chairperson position of the board is occupied by the CEO, and ‘1’ if otherwise. This proxy may not be a good measure of board power, as it can easily classify a given board as either ‘powerful’ or ‘not powerful’. More so, this measure may not be valid for studies in our local context as our code of corporate governance restraints firms from having their CEOs occupy the position of board chairpersons.

Equity holding of outside directors is defined as the number of shares owned by all such directors divided by the total number of firm ordinary shares. Interpreting this proxy of board power may be contentious owing to divergent views by different authorities regarding equity holding by outside directors. For instance, Shen (2015) argues that outside directors should be given incentives like company shares not cash, as they are also agents of the company. This position is anchored on the premise that such directors on becoming co-owners of the company will have more incentive to be involved in corporate governance.With this argument, it implies that more equity holding by outside director will mean more board independence. On the other hand, our local code of corporate governance presupposes that less equity holding by outside directors will enhance board power. This can be inferred from the code stipulating that independent directors, which are outside directors on the board, should have shareholdings not exceeding 0.1 percent of the company paid-up capital. These arguments will make this proxy not ideal for measuring board power.

Lastly, percentage or ratio of outside directors defined as the number of outside directors divided by the total number of directors on the board is the most ideal and easily computable measure of board independence or power in our local context. Information needed to compute this measure can easily be sourced from published annual reports of quoted firms. More so, result from computing this measure, being a continuous variable can reveal the fine graduation of board power. Also, interpreting this proxy is easier as a higher of outside directors on the board may indicate more board independence (Park et al., 2015).

Though emphasis is on the control or monitoring role of the board when it comes to curbing the power of a dominant CEO, however, the board’s service role need not be totally neglected. This is because over emphasising the monitoring or control role of the board from an agency perspective may actually have negative implications on the functions of the board, as it creates a gap and distrust between TMT (including the CEO) and the board (Roberts et al., 2005).There are times when there may be need for collaboration between the board and TMT (including the CEO) for organisational success which is the ultimate responsibility of the board. This is the bane of arguments by other theories of corporate governance like the resource dependence and stewardship theories that emphasise cooperation between the board and the CEO.

## 5.CONCLUSION AND RECOMMENDATION

This paper is centered on CEO-board relations, particularly how board can moderate the power of a powerful CEO. The primary function of the board that is germane to this objective is the control role.

This control role basically centers on hiring and firing the CEO, assessing his performance as well as monitoring his actions or inactions (Chen, 2007). The control role is principally anchored on the agency theory which has its roots in economics and centers on the conflict of interest between the CEO and the board.

To effectively curb the dominant CEO, the board is supposed to be both effective and vigilant. And this can only be achieved if the board is powerful or independent. Thus, it is recommended that in studying the effect of dominant CEOs on organisational choices and outcomes, the moderating role of the board power should also be brought into consideration. This will lead to a multi-theoretical study where complementary corporate governance theories like upper echelons theory and agency theory are integrated to increase the explanatory power. This will be achieved via interaction effects (Boyd et al., 2011).

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