Board Structure and Stakeholder Confidence: A Review and Interogation of Literature

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Abstract

The board structure is argued to have implications on corporate governance practices and dispense of organizational mandates and overall stakeholder confidence. Stakeholder confidence, which is the trust and assurance of the shareholders, employees and the general community, is an imperative element for creating a long-term value and winning in any organization. This paper interrogates the existing literature on the nexus between board structure and stakeholder confidence. The theoretical frameworks like Agency Theory, Stakeholder Theory, and Institutional Theory offer insights into the principles through which board structure relates to the level of stakeholder confidence. Empirical studies reviewed have depicted several significant components of board structure, such as leadership positions, committee structures, board diversity, and tenure, and their association with the evaluation of governance, depending on the stakeholders. The existing literature points out that boards with structure that are well-defined with respect to the distinctiveness and autonomy from the management are the ones that tend to attract more interests and trust from the stakeholders, and the executive board committees with independence mechanism and diversified composition helps to grow the stakeholder confidence and trust more. It is further revealed that boards that focus on the independence of oversight mechanisms as well as diversity creates a more substantial trust among stakeholders. It is evident from empirical literature that boards with independent oversight functions and teams with diverse member compositions are more likely to gain and retain stakeholder trust. However, the divergent views which exist in theoretical frameworks point one to the fact that longitudinal studies and cross-national comparisons are required to discover the social and institutional influence on stakeholders' evaluation of board structure.

Keywords: Board Diversity, Board Structure, Corporate Governance, Stakeholder Confidence.

INTRODUCTION

Background

The board structure includes a board of directors that make-up of a corporation or organization and comes with policies about the organization and policies for board operations (Briano-Turrent, 2022). The board of directors is a significant factor in corporate governance because it is mandated by the management, and gives tactical direction of the company on behalf of shareholders or investors. Through the years, the progress in corporate governance has been catalyzed by multiple regulatory reforms and instances of corporate scandals. Meaningful regulations followed such as Sarbanes-Oxley Act, United States (2002) and the United Kingdom's Corporate Governance Code, as of (2018) which demanded a strict adherence to transparency and the strengthening of the internal control and boosting of the board's independence. The purpose of these reforms was to create a healthy business environment in the market and to prevent a repeat of the corporate misconduct and financial mismanagement by policing the activities of promoters and investors. For instance, financial scandals such as the Enron and WorldCom debacles in the early 2000s were the key drivers that facilitated the evolution of corporate governance by exposing the weaknesses in the existing governance structures and leading to calls for reforms (Tutu, 2020). Although this kind of scandal is certainly not new, there has been a renewed interest in the mechanisms that can effectively curtail managerial discretion over sensitive company issues that can have an impact on the welfare of the stakeholders. At the same, time, and especially after some well-publicized company failures in the late 1980s/early 1990s, numerous sets of recommendations on corporate governance issues have been published worldwide and adopted, in particular, by many stock market regulators since the seminal Cadbury (1992) report in the United Kingdom.

Changing powerful stakeholder's expectations, appearances of new markets in the world have impacted on the evolution of the corporate governance. The World Bank's report on "Corporate Governance: According to "Making Corporate Governance Work: A Framework for Implementation" (2015), adaptive governance structures taking all Environmental Social Governance issues into account ought to be provided. Such a holistic approach to the governance is widely known as an indication of an understanding where all the company's

activities at the operational level, restart structure and long-term creation of value must be connected.

Board diversity and inclusion have emerged as focal points in contemporary corporate governance discourse, as highlighted in report by the McKinsey & Company's "Gender Diversity on Boards: A Global Perspective", which was the title of my college essay that I submitted in the year 2021. These surveys support gender-inclusive boards and point to the fact that diversity delivers more profits, design, and risk better performances. In addition, the inclusion of Environmental Social Governance factors in corporate governance frameworks is equally important and favorable as the institution of ethical investment tools. For example, the United Nations Principles for Responsible Investment Annual Report (2019) highlights the necessity for Environmental Social Governance integration to those who desire a sustainable business plan that ultimately fosters long-term value generation. More firms tend to embrace Environmental Social Governance reporting and disclosure within their financial reports as a way for enhancing transparency, getting attention from responsible investors, as well as reducing risks linked to environmental and societal matters.

The transformation of corporate governance reflects the new paradigms in the economic, social, and political frontiers. The debate around corporate governance has seen a remarkable shift, from traditional theories that emphasize shareholder primacy to contemporary ones that advocate for a stakeholder-centric approach (Katelouzou & Zumbansen, 2020). The emergence of stakeholder theory has contributed to the expansion of governance beyond shareholder wealth maximization to a more holistic stakeholder interests' recognition and sustainable value creation.

Technology is playing a pivotal role in corporate governance nowadays. With the integration of technology, there has been a significant shift in the way governance processes are carried out, such as using data analytics for making decisions or incorporating blockchain technology for shareholder voting (Benvenisti, 2018). As a result, traditional governance norms are continuously evolving. While technology brings benefits like enhanced transparency, streamlined operations, and improved engagement, it also poses challenges like safeguarding against cyber threats, protecting data privacy, and mitigating algorithmic bias.

Board Structure

This concept of board structure and stakeholder confidence has emerged as critical area of study in the field of research as well as real-world business management (Heath & Norman, 2004). The topic of corporate boards has been hotly debated, particularly regarding their composition and level of independence. Many are calling for a more diverse, inclusive, and independent board to ensure effective oversight and strategic guidance (Rhode & Packel, 2014). This has led to discussions about optimal board structures, the role of independent directors, and the importance of board refreshment.

The composition of the board of directors, including the diversity among its members in terms of skills, experience, and backgrounds, is a key factor in whether the board performs well in decision-making and oversight (Rao & Tilt, 2016). A board that is diverse in terms of the areas of expertise of board members will enhance strategic decision-making and reduce the risk of groupthink. A board of diverse people promotes innovation, stimulates productive debate, and enriches the stakeholder interests' representation process.

The board structure is a determining factor of the corporate governance mechanisms. The existence of independent directors, board committees, and leadership positions like the chairperson and Chief Executive Officer is as important as any other factor that influences the accountability and transparency of an organization. The independent directors act as a way of governance to management decisions, thereby protecting the rights of shareholders and stakeholders (Priscilla, 2022). Board committees, such as audit, compensation, and nomination committees, act as a platform for specialized oversight and decision-making in critical areas. They subject corporate governance processes to rigorous scrutiny and accountability. Good leadership roles, such as the change of the chairman and the Chief Executive Officer, can spread power, avoid conflicts of interest and promote responsible decision-making at the top level of the organization.

Stakeholder Confidence

Stakeholder confidence refers to the degree of trust, assurance, and belief that stakeholders has in the integrity, competence, and moral character of the organization (Ogbor & Ugherughe, 2018). This group comprises of the shareholders, employees, customers, suppliers, creditors, regulators, and the wider community. It represents the competence of the organization to achieve its commitments and meet the expectations of the stakeholders for long-term sustainable value creation (Crane, 2020).

Furthermore, the trust and loyalty of stakeholders greatly impact a company's performance and competitiveness. A strong focus on engaging with stakeholders, being transparent, and holding oneself accountable can lead to increased trust, loyalty, and a positive reputation (Taghian et al., 2015). On the other hand, companies that ignore stakeholder concerns or prioritize quick profits over long-term sustainability run the risk of damaging their reputation and facing consequences (Freeman et al., 2007).

Statement of the Problem

The debate around the board structure and stakeholder confidence presents a more daunting task to thoroughly investigate the workings of corporate governance systems. While the theoretical synthesis including agency theory, stakeholder theory, and institutional theory offer vital insights, there still persists a divide in integrating these frameworks so as to have a comprehensive understanding of what makes up the board structure and how they affect stakeholder confidence. Thus, the aim of this paper is to interrogate theoretical frameworks and empirical research in order to suggest a model on how board structure affects stakeholder confidence. This paper integrates different theoretical frameworks in examining the roots of board structure and their role in sustaining stakeholder confidence. Moreover, an empirical review is conducted on the twofold influence of board structure, especially tenure and diversity, and stakeholders' perceptions of board structure effectiveness.

METHODS AND MATERIALS

A systematic search has been pursued along with a review of literature on board structure and stakeholder confidence. In order to ensure a thorough coverage, conducting a comprehensive critique of journal articles, books, and research reports published between 2014 and 2024 were done. This period was designed to include studies conducted in the present and recent years.

Research by Hossain and Hammami (2017) in the Middle East, by Khan et al., (2019) in Europe and by Omondi et al., (2020) in Africa included systematic searches using comprehensive search strategies to identify relevant literature. They combined the original research methods of the past by using a variety of electronic databases, and adopting advanced search techniques to make sure the literature is extensively covered. For the purpose of finding the appropriate research, the efficient databases, like PubMed, Google Scholar, and Web of Science were used. A mix of keywords such as "board structure," "stakeholder confidence" and "corporate governance" was applied in the search strategy to cover all aspects by disparity. The retrieved ones were going through the screening for their relevance to the research goals with the use of premade criteria. Selected studies were evaluated carefully in order to determine the extent to which they are methodologically sound, the evidence they are based on, and their contribution to the existing knowledge base (Hopia et al., 2016). Along with, increasing method as well had used for identifying more facts from references lists of retrieved articles.

The synthesized literature was reviewed for extracting key insights, unearthing common themes, and noting any trends or variations in outcomes across studies. Through this methodical process the article seeks to present the readers with a thorough analysis of the literature concerning the board structure and stakeholder confidence, which should contribute bringing corporate governance dynamics into sharper focus (Hoppmann et al., 2019).

RESULTS AND DISCUSSIONS

Theoretical Literature

The landscape of board structure and stakeholder confidence is the subject of many theories that shed light and find a place in organizational structure and practices. Agency theory, stakeholder theory, and institutional theory are three extant theories that are discussed independently. Since each theory is very distinct from the others, they all provide fresh and intriguing perspectives on the issues of who is in charge and how those in lower positions are kept in check.

Agency Theory

The agency theory is the underlying principle of corporate governance that addresses the relationship between shareholders, represented by principals, and managers known as agents. According to this theory, the conflicts of interest are born when agents rather than principles' interests get the most prioritized (Löhde et al., 2022). Hence, the agency theory mainly attempts to design mechanisms to promote the parallel interests of the principals, as the shareholders, and the agents, as the managers, recognizing the inherent conflicts between them and, therefore (Marashdeh et al., 2022). An illustration of the above argument is found in executive compensation practices where companies give incentive schemes to managers which require the managers to work in the best interest of the shareholders.

Initially introduced in 1976 by Michael C. Jensen and William H. Meckling, in their seminal paper "Theory of the Firm: 'Ownership Structure, Agency Behavior, and Agency Costs', early years of the theory marked the beginning of its growth. Jensen, the colossal figure of the agency theory, insists on the effect of producing the best results by using performance-based rewards and stock options. He implies that this will get the manager to have the same interests with the shareholders. While Meckling takes another turn into agency theory and clarifies the fundamental assumptions that lead to agency costs and the resultant inefficiency of the organization, the costs include monitoring and residual loss among others. Besides Jensen and Meckling (1976), other scholars such as Bengt Holmström, Oliver E. Williamson, and Eugene F. Fama have made outstanding implication of agency theory to the application. Holmström's work on theory of incentives and the firm provides the relevant stakeholders with the insights as to how the clearly designed contractual rules which include contracting parties' intentions are the key to addressing the agency problem. In addition, Williamson's transaction cost model assists in the choice of governance structures that resolve conflicts that usually arise and reduce the associated costs.

Although the agency theory has not been free from criticism, it has closely worked with the corporate governance. It is often claimed that it is not an adequate theory for the rationalization of the organizations' complex relationships and their social and relational factors. Furthermore, agent theory critics argue that agency theory only aims to regulate and check agent behavior while ignoring the positive dynamics of trust and cooperation in principals-agents' relationship.

Agency theory has not only developed beyond its original principal-agent framework to occupy various organizational fields such as corporate governance, executive compensation, financial economics and organizational behavior but also extended to other complex areas such as the development of social capital. This evolution emphasizes the vibrancy of the theory to guide managers' choice of strategies and policy decisions in a bid to increase organizational performance and accountability. Subsequently, agency theory does just that to provide a theoretical framework in order to analyze and properly handle conflicts of interests which are a feature of principal-agent relationships in organizations.

Stakeholder Theory

Stakeholder theory, a key concept within the capitalist perspective, assumes that any organization is connected to its stakeholders such as suppliers, customers, employees, investors, and the community that is located at the local level (Harrison & Wicks, 2013). This concept was introduced in the 1980s and has since then undergone modifications through several works of scholars and practitioners alike (Freeman, 2010). However, there is no one individual responsible for the invention, the key contributors have entirely contributed to the development of the idea.

Robert Edward Freeman is notably recognized for articulating stakeholder theory in his book "Strategic Management: An article entitled “Can There be a Place for Ethics in Decision Making” authored by (Harrison, 2015) in 1984. Unlike those who regard shareholders as the sole primary stakeholders, Freeman proposes that the employees, customers, suppliers, and community also deserve recognition as the principal stakeholders (Bonnafous-Boucher and Rendtorff, 2016). His focus on participative leadership at the organizational level suggests that the organization is made up of a network of social entities such as employees, investors, and customers that should be viewed as equal stakeholders, which, in turn, advocates for collaborative leadership.

Ian Mitroff, in turn, has developed the moral dimension of the relations between stakeholders and the management functioning (Tavares, 2021). He points out that the stakeholders not only form part of physical investment, but also social investment where they play an important role in managing impressions, beliefs and expectations that enable trust and credibility of the enterprise, which in turn, set up the base for ethics and integrity.

Furthermore, theorists like Thomas Donaldson, Lee E. Preston and Archie B. Gelton have been crucial in the development of stakeholder theory as they have established frameworks and undertaken practical research (Freeman et al., 2010). In 1995, Donaldson and Preston published an outstanding contribution to the stakeholder theory, entitled "The Stakeholder Theory of the Corporation," which is vital in understanding the role and importance of stakeholder theory in corporate governance and accountability studies (Donaldson & Preston, 1995).

Initially, stakeholder theory was a concept that was meant to bring into focus all the interested parties in any decisions that were made. Today, stakeholder theory has been redefined to reflect the relationship of all the stakeholders with the environment of the organization (BonnafousBoucher & Rendtorff, 2016). Researchers have studied various elements of stakeholder theory, such as the process of identification, priorities, involvement, and relationship creation as well as value sharing between stakeholders in different industries and organizational settings (Crane & Ruebottom, 2011). Therefore, while stakeholder theory has moved the scholarly discussion forward and directed entrepreneurial ventures and corporate strategies, especially in the areas of corporate social responsibility, sustainability, and stakeholders' engagement (Jamali, 2008).

At the core of the stakeholder theory is its emphasis of the role of each identified stakeholder, thereby attributing a lot of importance to considering the stakeholders' interests in the governance arrangements as well as minimizing the conflicts of interest (Dmytriyev et al., 2022). This approach which is inclusive in nature that involves both internal and external stakeholders' makes the stakeholders interdependent with the corporations. Hence, they mutually design strategies that are holistic and sustainable for the environment and in the long run, sustain the organization.

Institutional Theory

Institutional Theory, one of the views of organizational sociology, was coined in the 1970s and 1980s and sought to study the way external environments affect organizational behavior and actions (Meyer and Rowan, 1977; DiMaggio and Powell, 1983). DiMaggio and Powell laid the foundation for Institutional Theory, introducing the concept of institutional isomorphism in their seminal work "The Iron Cage Revisited: "Deinstitutionalization and Collective Rationality: A study of Implosion in East Germany" (1983). They thought that the fact of the existence of someone being legitimate and is at peace with the uncertainty of existence is that people stick to the norms, way of life and the practices of the society. William Raymond Scott further enriched this framework in his 1987 publication "Institutions and Organizations," unveiling an exhaustive analysis of institutional perspectives on organizations. Scott's theory puts an institutional focus on the way organizations behave. There are three basic institutional categories - regulatory, normative, and cognitive - in which each of them is effective in terms of affecting organizational behavior in different ways. It is argued that in order to be functionally legitimate an organization adopts structures, processes, and norms not only to meet the needs of its environment, but also to demonstrate its legitimacy and its acceptance within its institutional environment (Powell & Colyvas, 2008). This external impulse bends the enterprises to fit into the schemes of the established social ethics and culture, which may not be in consonance with rationality considerations. The theory provides an understanding of the role of regulatory regimes, selfregulating mechanisms, and norms of society in determining organizational behaviors (Chiu, 2018). Firms undertake this through compliance with the legal requirements, embracing the best practices in the industry and complying with the social responsibilities. Organizational systems that match the predominant norms and values are capable of developing trust among stakeholders, which is one of the factors that boosts the reliability and reputation of that organization.

DiMaggio and Powell (1983) were the first to propose institutional isomorphism, emphasizing the roles of social norms in organizational behaviors. W. R. Scott (1987) developed the notion of institutions further by classifying them as the regulative, normative, and cognitive types to highlight their contribution to organizational architecture and process. Chiu (2018) stated that regulatory regimes and societal norms were two major determinants of an organization's behaviors, and that they heavily shaped how organizations conducted themselves, and whether they were considered legitimate or not.

Bowring (2000) suggested that Institutional Theory has been subject to criticism for its deterministic approach, because it purports that organizations adjust their behaviour to institutional forces without taking account of rationality. Critics doubt that this theory does not give agency of organizations and is not capable to strategic actions in formation of institutional environments. On the other hand, there is also a situation where institutional theory works perfectly, for example, in cases where institutions change their structures and practices in line with the needs of regulation as well as social norms and as a result, they get more legitimate and reliable. Firms that follow institutional governance practices in harmony with the existing norms and values are likely to enjoy stronger stakeholders' relationships and good credit standing (Dinh & Calabrò, 2019).

Empirical Literature

In a recent study conducted by Wang and Li (2017) in China, the connection between board leadership structure (specifically, the distinction between CEO duality and separate CEO and board chair roles) and stakeholder perspectives on the effectiveness of governance were investigated. Their findings show that companies with separate CEO and board chair roles are viewed more favorably by stakeholders, as this structure provides a stronger system of checks and balances and improved accountability. In a similar subject, the study conducted by Johnson et al., (2019) in United States conducted a study on the influence of board committee structure on stakeholder trust, with a specific focus on the presence of specialized committees such as audit, compensation, and nominating/governance committees. The results demonstrate that organizations with a well-defined committee structure and actively engaged committees are perceived as more reliable by stakeholders.

Smith and Johnson's (2020) investigation focused on the relationship between board structure and the stakeholder confidence in the US pharmaceutical business. They used logistic regression to conduct their quantitative research on a set of publicly listed pharmaceutical businesses. The study found that board diversity is a positive factor that has a clear correlation with greater stakeholder confidence, particularly among investors and the regulatory bodies.

Chen et al. (2021) scrutinized the relationship between the board independence and stakeholder confidence among Chinese manufacturing enterprises. Longitudinal studies and structural equation modeling were used here after collecting data from the annual reports and the interviews. The investigation concluded that higher degrees of board independence were linked to a stronger backing by the stakeholders, in particular employees and local communities.

Garcia and Rodriguez (2022) studied the connection of board diversity and stakeholder confidence in the context of the European banking sector. Adopting a mixed-methods approach, which included surveys and content analysis of governance reports, the researchers discovered that banks with diverse boards were found to be have higher levels of stakeholders' confidence, particularly among shareholders and regulatory bodies.

Kim and Lee (2019) investigated the impact of size of board on stakeholder confidence in technology companies listed in South Korea. Based on a quantitative assessment of financial data and corporate governance disclosures, they concluded that the smaller boards are tied with increased stakeholders' confidence, especially among customers and suppliers.

Wang and Liu (2020) carried out study on board leadership structures and of stakeholder confidence in Chinese telecommunications industry. By using a sample of publicly traded telecom companies and regression analysis, they discovered that companies with separate roles as chair of the board and CEO have greater levels of stakeholder confidence. This figure is especially high among investors and government agencies.

Nguyen et al., (2021) examined the relationship between the boardroom expertise and stakeholder confidence in Vietnamese retail companies. In their qualitative research and interviews with board members and stakeholders, they discovered that a board with industryrelated experience builds confidence among the stakeholders, especially consumer and government regulators.

In a study carried out by Gonzalez and Martinez (2019), the impact of having board tenure on confidence of stakeholders was analyzed in the Latin American energy companies. Their study and panel data responses revealed that moderate board tenure was a beneficial element in enhancing stakeholder confidence, whereas excessive tenure could lead to a reduction in confidence, especially among environmental groups and local communities.

Zhang and Li (2020) examined whether board transparency could affect the trust in Chinese manufacturing firms' stakeholders. They selected a sample of publicly listed companies and conducted content analysis of corporate governance disclosures. It turned out that the deeper they went in the board operations and decision-making processes, the higher stakeholder confidence, especially among shareholders and workers.

The study of Khan et al., (2021) focuses on the effect of board remuneration on stakeholder confidence of the financial institutions in Pakistan. By conducting a quantitative analysis of executive compensation data along with stakeholder surveys, they came to know that the policies which incorporate transparency and performance have a positive impact on stakeholder confidence, especially for the shareholders and regulatory authorities.

Huang and Wang (2019) found out that the accountability mechanisms of the boards increase the stakeholders' confidence in Taiwanese technology firms. The board accountability mechanisms such as regular performance evaluations and disclosure practices have been instituted using the mixed-methods approach, which includes surveys and archival data analysis by the researchers, they found that these mechanisms increase stakeholders, particularly investors and customers, trust.

Li and Wu (2020) studied the performance of gender board diversity and shareholder confidence in the Chinese financial institutions. By means of a longitudinal study and performing regression analysis, they discovered that the higher the gender diversity on the boards is the better for stakeholder confidence, especially among female clients and government regulatory bodies.

Santos and Silva (2021) conducted the effect of the board education and training on the shareholder confidence in the Brazilian telecommunications companies. By conducting interviews with board members and examining governance reports, they concluded that frequent education and training programs for board members build stakeholder trust, especially of investors and regulatory bodies within the industry.

Tan and Lim (2019) in their article on how board cultural diversity influences stakeholder confidence in Malaysian hospitality industry. By combining survey and content analysis of corporate governance reports, they found that the boards which have diverse cultural backgrounds are more likely to strengthen stakeholder confidence, especially among the international customers and governmental authorities.

According to Xiao and Zhang (2020), the authors examined the association between board risk oversight and stakeholder confidence in Chinese financial service firms. By means of a quantitative analysis of board committee structures and surveys of stakeholders they concluded that risk governance mechanisms as well as dedicated risk committees have a positive impact on stakeholder confidence, especially in the case of investors and supervisory authorities.

Cheng and Wong (2021) investigated the influence of board communication strategy on stakeholder confidence in Hong Kong retail firms. The authors conducted interviews with a group of board members and content analysis of the corporate communication channels and discovered that effective and proactive communication from boards increases stakeholder confidence, especially among customers and sector analysts.

Additionally, in another study conducted by Chen et al., (2021) in France and Park and Kim (2022) in South Korea looked into how board tenure and diversity affect stakeholder views on board effectiveness and decision-making quality. While there were previous concerns that longer board tenure could harm stakeholder confidence due to worries about independence and complacency, these recent studies suggest that a moderate level of board tenure along with regular board refreshment can actually enhance institutional memory and strategic consistency, ultimately strengthening stakeholder trust.

Furthermore, a study by Muthama et al., (2017) conducted in Kenya, investigated the relationship between board structure and stakeholder confidence in Kenyan firms. Analyzing data from 80 companies, the study found that boards with a balanced mix of executive and nonexecutive directors tended to foster greater stakeholder trust. Moreover, boards with strong independent oversight mechanisms, such as board committees, were associated with higher levels of stakeholder confidence, according to a report by the Capital Markets Authority (CMA) of Kenya in 2020.

Discussion

Agency Theory, Stakeholder Theory and Institutional Theory each give fundamental information about corporate governance to some extent. However, each one has its deficiencies. Agency Theory, although presents a theory of principal agent relationship and the issues of conflicts of interest, mostly concentrates on the alignment of the interests of shareholders and managers. While it may adopt a simplified perspective of organizational dynamics, evoking them to a binary relation, other stakeholders may be absent such as employees, customers, and the community.

The Stakeholder Theory, however, highlights the necessity of involving other stakeholders in the decision-making process whose interests exceed those of the shareholders and encourages a more integrated approach to governance. Nevertheless, the extensive outlines can also cause its implementation problems because you can sometimes have subjective problems into deciding and setting their interests in different way and in different context. Institutional Theory marks the shift of focus from purely organizational behavior to how organizational behavior is molded by wider institutional environments and general societal norms. While it explains the way that external forces set the tone for organizational governance, the former could also be the reason why leaders and individuals in organizations do not receive enough credit for the changes they make from within. However, all these theories are based on a common ground that management has to be set in order to provide for the process of conflicting interests aligning and assuring accountability. Having said that they all realize that to build an inherent ambience of transparency, trust and moral principles, organizations needs to follow a number of rules and systems.

Additionally, they maintained that organizations are functionally interrelated with external environments, be it through interactions with shareholders, stakeholders or representatives of conformist institutions. It shows that a moderate approach should be adopted that aligns the governance practices that are used internally with the external demands. Differently, these theories emphasize different groups of stakeholders and their particular interests. On the other hand, the Agency Theory lives up to the principles of the shareholders whereas the Stakeholder Theory emphasizes the interests of a wide range of stakeholders. This always is so, thus, the type of approach to leadership can be different, as well as to governance and decision-making.

Furthermore, contrasting Agency Theory and Stakeholder Theory which usually present the organizational behavior from a normative standpoint, Institutional Theory gives a more factual explanation of how organizations assimilate into institutional constraints. This theorisation provides an opportunity to choose different theories which in the end contribute to the type of interventions proposed for the improvement of governance. While the theoretical literature reviewed raises essential implications of governance, different views are also possible concerning its focus, contextuality, approaches, and outcomes. One can point to the fact that the overwhelming majority of studies invests in this connection or that other kind of connection, which in turn might neglect other factors contributing to good governance.

Empirical studies have shown to be a reliable source for examining the cause and effect between board structure and stakeholder confidence in different areas and regions. Such as studies done in China by (Wang & Li, 2017), in the United States by (Johnson et al., 2019) and in Europe by (Garcia & Rodriguez, 2022), they show that the companies with diverse boards are favored more by the stakeholders, which results in more trust from the investors, regulatory bodies and the community.

Similarly, studies in countries like South Korea (Kim & Lee, 2019), Taiwan (Huang & Wang, 2019), and Vietnam (Nguyen et al., 2021) demonstrate that board attributes such as independence, transparency, and knowledge signifies consistently high stakeholder confidence. Also, case studies in companies like pharmaceuticals (Smith & Johnson, 2020), telecommunications (Wang & Liu, 2020), and retail (Cheng & Wong, 2021) provide evidence that proper board communication and risk monitoring can work to enhance stakeholder trust.

Moreover, recent studies prove the myth about the short term of boards where it is found that moderate period of tenure and diversity can improve the confidence of stakeholders (Gonzalez & Martinez, 2019; Tan & Lim, 2019). These outcomes underscore how board interactions can be complicated in terms of stakeholder perception and therefore call for well-balanced governance structure, and strategic communication strategies.

One of the major methods that are followed in the empirical literature review is the quantitative analysis which is a statistical technique used to measure the relationship between the board characteristics and the stakeholder confidence. China, the United States and Europe studies are done by regression analysis and structural equation modeling to measure effect of variables such as diversity of board, independence and transparency on stakeholders' perceptions. Through quantitative analysis we can detect these patterns and associations within the large data sets and we can use this as the evidence which will show us the factors influencing stakeholder confidence.

The application of qualitative research methods is of great importance to the supplementing of quantitative analysis that yields to the depth of comprehension of the interworkings of board governance and stakeholder opinions. Qualitative studies were performed in countries such as Taiwan, Vietnam, and Brazil by means of applied interviews, focus groups, and content analysis to examine stakeholders' views on board work and its impact on trust. Qualitative research offers an opportunity to collect information that is more detailed and contextual compared to quantitative measures, hence enabling the researcher to understand the perspectives and perceptions of the stakeholders beyond what can be obtained through quantitative measures.

In addition, approach using mixed-methods implement both quantitative and qualitative methods to increase knowledge of board structure and improve stakeholder confidence. Whereas studies that apply mixed-methods approach like those implemented in South Korea, Kenya, and Hong Kong combine survey data with interview, archival data analysis, and content analysis to perform triangulation and validation, it becomes possible to validate the findings. The triangulation of data from various sources by researchers can improve the credibility and reliability of their outcomes, which in turn would offer a more comprehensive analysis of the relationship between board dynamics and stakeholders' perceptions. Lastly the majority of empirical studies on board structure practices are concentrated in developed countries, primarily in Europe and North America, indicate the significance of comprehending governance dynamics in these regions. Recent years have seen a shift in the focus of study, resulting in the absence of knowledge about the governance practices in emerging markets like Asia, Africa, and Latin America. Furthermore, study findings may in some cases be inconclusive or contradictory, reaffirming that governance phenomena are complex.

CONLUSIONS AND RECOMMENDATIONS

This paper has explored the intricacies of Agency Theory, Stakeholder Theory and Institutional Theory, three of the most important theories in corporate governance. However, while each theory provides with a valuable knowledge, they also come with their own limitations. The Agency Theory, which addresses the alignment of shareholders and managers, is usually viewed as a simplistic approach to organization dynamics that overlooks the interests of other stakeholders. Stakeholder theory, however, does not stop at the boardroom but considers a broader spectrum of stakeholders but faces the challenge of defining and prioritizing their interests. Institutional Theory accentuates external factors affecting organizational behavior but can be perceived to be less focused on internal initiatives which strive to improve governance.

However, the theories in combination stress the significance of good governance systems that would be used to solve the disputes and make relevant parties accountable. They bring to the forefront the relevance of transparency, integrity, and ethics as core organizational values. Empirical research has shown that the relationship between corporate board structure and stakeholder confidence is deeper and goes beyond just including factors like diversity, independence, transparency, and communication. On the contrary, the researches usually focus on developed countries only, which in turn leads to gaps in comprehension of governing mechanisms that exist in developing markets.

This paper makes various suggestations based on the review and synthesis of the existing literature. The use of mixed methods research, which integrates quantitative and qualitative methodologies should be adopted by researchers. This approach entails using the strengths of each technique in a way that keeps the downsides at bay. Through combining the data from several sources and using different research methods, mixed methods research provides the view which is holistic and complex phenomenon more comprehensive.

The gap between developed and emerging markets should be a priority for future research and it can be bridged by comparison across various contexts. Furthermore, the current studies have more bias towards the quantitative approach and there is need to embrace qualitative research to complement the quantitative analyses and capture the real insights of the stakeholders.

Adopting an Integrated Governance Approach. Integrating Agency Theory, Stakeholder Theory, and Institutional Theory into an organization's governance, shareholders, stakeholders, and institutional forces have to be balanced for the individual interest and the interests of the organization. This method entails identifying relations among different governance mechanisms and coordinating them with both the internal organizational purposes and the external societal anticipations. Through the application of principles from various theorems into the governing practices of the organization, organizations will be able to improve transparency, accountability, and stakeholder trust. As a result of this, a generic model of the board structure and stakeholder confidence is proposed as follows:

The Board Structure-Stakeholder Confidence Model

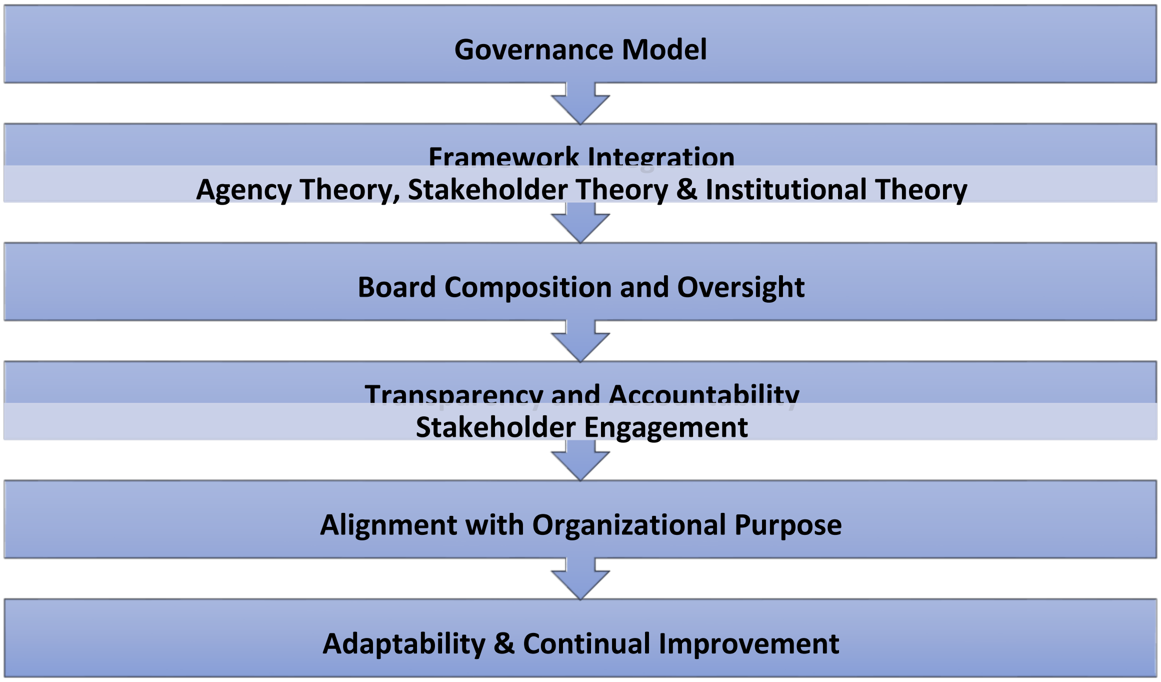

Figure 1: Board Structure and Stakeholder Confidence Model

Figure 1 depicts the main modules of the model, which include implementing the framework, governance board and supervision, publicity and accountability, stakeholder engagement, alignment with the organization's mission or purpose, and transformability through a continuous improvement. Each component of the corporate governance framework contains an element which helps the organization to gain public trust and confidence in its practices.

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