

Corporate governance reaction to declining firm performance:

Abstract:

one were to choose the one issue that simultaneously places the CEO's job security in the cross-hairs while also testing to the limit the board of directors' oversight role in mitigating the agency conflict between management and shareholders, that issue would likely be the spectre of sustained decline in financial performance over the years. This study investigates how the corporate governance structures and practices of firms at the NSE change as a remedial reaction to persistent fall to a company value. After a decline of two consecutive years we examine change in four governance structures and practices. We find that board meeting frequency increase with declining performance, the number of outside independent directors on the board increases, Insider ownership falls with falling firm, and finally, CEO remuneration appears insensitive to firm performance.