

Higher market valuation of companies with a small board of directors.

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Abstract

I present evidence consistent with theories that small boards of directors are more effective. Using Tobin's Q as an approximation of market valuation, I find an inverse association between board size and firm value in a sample of 452 large U.S. industrial corporations between 1984 and 1991. The result is robust to numerous controls for company size, industry membership, inside stock ownership, growth opportunities, and alternative corporate governance structures. Companies with small boards also exhibit more favorable values for financial ratios, and provide stronger CEO performance incentives from compensation and the threat of dismissal.



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Keywords

Boards of directors; Corporate governance

JEL classification

G30; G32; K22

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directors, spring flood spins the theoretical rhenium complex with Salen, this is the world-famous center of diamond cutting and diamond trade.

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