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Independent Oversight and Strategic Value: An Empirical and Conceptual Analysis of Non-Executive Directors

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Abstract- ***Corporate governance has evolved significantly over recent decades, with increasing attention placed on the role of Non-Executive Directors (NEDs) in enhancing board effectiveness and organizational performance. While NEDs have traditionally been viewed as mechanisms for monitoring management and ensuring regulatory compliance, contemporary governance frameworks increasingly emphasise their strategic and value-creation roles. Despite this shift, there remains limited empirical and conceptual clarity regarding how NEDs contribute to organizational value beyond compliance functions. This study addresses this gap by examining the mechanisms through which Non-Executive Directors influence strategic decision-making, risk oversight, and long-term firm performance. The primary objective of the study is to explore and synthesise existing theoretical and empirical evidence on the value-creation role of NEDs and to propose a structured framework that explains their strategic contributions within modern boardrooms. Adopting a conceptual and integrative literature review methodology, the study draws on corporate governance theories, including agency theory, resource dependence theory, and stewardship theory. The findings suggest that NEDs create value through independent challenge, strategic guidance, experience transfer, and the enhancement of board dynamics, thereby improving decision quality and organizational resilience. The study contributes to governance literature by shifting the focus from compliance-oriented perspectives to value-oriented governance. Practically, the findings offer insights for boards, policymakers, and firms seeking to optimise the effectiveness of Non-Executive Directors in achieving sustainable performance.***

Keywords: ***Non-Executive Directors; Corporate Governance; Board Effectiveness; Strategic Oversight; Firm Performance***

I. INTRODUCTION

The last few decades have seen significant change in the area of corporate governance due to high-publicity corporate failures, regulatory changes and increased scrutiny by investors and the wider stakeholder groups. One of the main aspects of this development has been the growing focus on board effectiveness as an accountability, strategic control and protection of long-term organisational value mechanism. Agency theory was a key factor in early governance systems and it placed the boards of directors, especially Non-Executive Directors (NEDs), as checking bodies that would inhibit managerial opportunism and protect shareholder interests (Long et al., 2005; Roberts et al., 2005). Even though the compliance-based approach continues to be a powerful one, the modern governance discourse is becoming more appreciative of boards as active participants of strategy, risk management, and organisational performance.

In this new governance landscape, Non-Executive Directors have become a more important job description. Contemporary NEDs are no longer regarded as isolated directors of management and they are being increasingly required to serve as strategic consultants, sources of external wisdom and enforcers of good boardroom relationships (Zattoni and Cuomo, 2010; Kakabadse et al., 2010). This change is also supported by the views of practitioner oriented governance whereby effective NEDs are able to create values of informed challenge, strategic direction and experience based judgement as opposed to compliance alone (NED Capital, n.d.). Simultaneously, the regulatory changes, including increasingly strict governance codes and higher independence standards, have exacerbated the expectations of NEDs in such aspects as the risk oversight, ethical governance, and long-term sustainability (Annuar and Abdul Rashid, 2015; Brennan et al., 2016). Empirical studies are growing to indicate that the presence, qualities, and conduct of NEDs may affect the results of firms, such as financial results, audit quality, and strategic resilience (Aluchna et al., 2020; David et al., 2020).

In spite of the increasing amount of governance research, however, there is still an obvious gap between governance theory and empirical knowledge

of how NEDs generate value beyond compliance. The available literature is still highly dependent on structural measures, like the ratio of board independence or the existence of various committees and does not provide much information about the mechanism how NEDs impact decision-making and performance (Hsu and Wu, 2014; Subramaniam et al., 2009). As a result, the value-creation contribution of NEDs is usually implied, and there is a lack of clarity in the behavioural processes, boardroom dynamics and situational circumstances that transform official independence into organisational consequences (Lisson, 2022; Vrede, 2022).

Responding to this weakness, the current research is informed by two research questions. To start with, what are the added value of Non-Executive Directors to the traditional monitoring and other oversight roles? Second, how NEDs impact the quality of strategic decision making and performance of firms through the mechanisms of strategic advisory roles, independent challenge, experience transfer, and board dynamics? These questions are both necessary to the development of the theory of governance and to the enlightenment of the practice of a board in an ever more challenging and uncertain business world.

The piece of work is meaningful in a number of ways. Theoretically, it aims to further the study of corporate governance by synthesizing the information provided by agency, stewardship and resource dependence theories to go beyond the limited compliance based explanations of board effectiveness (Roberts et al., 2005; Zattoni and Cuomo, 2010). Practically, the study is informative to boards, nomination committees, and regulators on the way the NED roles can be designed and employed to facilitate the value-creating practices instead of meeting the regulatory obligation (Yahaya, 2025; Joseph et al., 2025). On the policy level, the results provide the information that can be applied to the continuous improvement of the governance codes, as well as the board assessment systems.

The rest of the present paper follows the following structure. In Section 2, the literature on corporate governance and Non-Executive Directors concerning the pertinent theoretical literature and empirical evidence is reviewed. Section 3 builds an overall conceptual framework as to how NEDs are creating value. Section 4 describes the research methodology with findings being presented in Section 5. Section 6 relates results to current theory and evidence whereas Section 7 incorporates practical implications, limitations on the study as well as future research directions. The paper has ended with a conclusion that summarised the major findings and contribution to corporate governance books.

II. LITERATURE REVIEW

2.1 Corporate Governance Theoretical Perspectives

There are several theoretical underpinnings for corporate governance research that explain the role of boards and the expected contribution of NEDs. Among these theories, one of the most fundamental is agency theory, which perceives the firm as a contractual relationship between principals and agents, usually shareholders and managers, respectively. NEDs play a basically assigned monitoring and controlling function because it is expected that this limits agency problems, such as managerial self-interest. The independence, oversight of executives' actions, and mechanisms for accountability stand at the very core of the foregoing view, having thus shaped the structural aspects of boards and given considerable support to governance codes across jurisdictions.

In contrast, stewardship theory counters the assumption of managerial opportunism by suggesting that executives are motivated to act in the best interests of the organisation. From this perspective, governance effectiveness is enriched through trust, collaboration, and shared objectives between executive and non-executive directors. The NEDs, therefore, become perceived as strategic partners who help in organisational learning, long-term planning, and collective decision-making, not just the exercise of control (Zattoni & Cuomo, 2010).

Expanding on<pair>intra-board processes, the Resource Dependence Theory focuses on the importance of managing external dependencies through the board to secure key resources. This particular theory identifies that value for money is delivered to the organisation through NEDs' experience, networks, and reputation, thereby gaining

accesses to information, capital, and strategic alliances through them. This is very crucial in a complex and uncertain regulatory setting (Kakabadse et al., 2010).

2.2 Roles and Functions of Non-Executive Directors

Based on these theoretical underpinnings, the literature recognizes various responsibilities undertaken by Non-Executive Directors. More conventionally, the roles of NEDs have been considered to include the functions of oversight and control, comprising monitoring executive performance, ensuring that companies adhere to regulatory requirements, and taking care of shareholders' interests. The mentioned activities remain core to corporate governance, especially concerning audit oversight, executive remuneration, and risk management.

More recently, governance research has also noted that the strategic advisory and decision-supporting roles of NEDs are key. There is evidence that experienced and competent NEDs contribute to the formulation, major investment evaluation, and organisational transformation through independent challenge and external perspectives. By constructively engaging executive management, NEDs can enhance the quality of strategic decisions while reducing the potential for groupthink.

In addition, NEDs perform essential boundary-spanning and legitimacy-enhancing functions. By liaising with external stakeholders, including regulators, investors, and industry bodies, for example, NEDs assist organisations in gaining credibility and legitimacy in their operating environments. Their external focus further places them in a position whereby they can transfer best practices and comparative insights from other organisations to further enhance board effectiveness.

2.3 Empirical Evidence on NED Effectiveness

A good deal of empirical work has also investigated the association that exists between Non-Executive Directors and organisational outcomes. Research carried out on board independence and financial performance has registered positive findings indicating that independent Non-Executive Directors are capable of improving financial and governance outcomes. These outcomes are often dependent on specific factors such as ownership structure and industry (Aluchna et al., 2020; Yahaya, 2025).

The role of experience, diversity, and expertise of NEDs is also prominent in research. In general, boards dominated by a pool of non-executives recruited from a diverse set of industries are likely to possess strategic and risk-management proficiency (Hsu and Wu, 2014; Yusuf, 2019). In emerging economies, the capability and motivation of NEDs play a key role in integrating governance structure and reality to improve performance (Joseph et al., 2025).

There is also a relevant body of literature which explores NED engagement in risk management and change strategy. It has been found that NEDs enhance risk resilience in organisations by ensuring better quality in audits, embedding risk management structures, and facilitating change strategies in times of risk (Subramaniam et al., 2009; David et al., 2020).

2.4 Limitations in Existing Literature and Research Gap

Despite the considerable amount of research having been conducted on Non-Executive Directors, several important gaps remain to be filled. First, the existing body of research tends to focus intensely on compliance-based indicators, which may not necessarily reflect the dynamics of the boardroom effectively (Hsu & Wu, 2014).

Secondly, there is a constrained literature study of value-creation mechanisms with a small set of studies examining how NEDs impact strategic judgment, learning, and performance on a discretionary basis (Lisson, 2022).

Finally, the current state of literature underemphasizes the role of contextual and qualitative views, especially boardroom insights coupled with the inside views of NEDs. In doing so, the field lacks insights into the functioning of governance practices, hence inhibiting the development of theories related to the same (Vrede, 2022; Thuraisingham, 2024).

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Table 1. Summary of Key Empirical Studies on Non-Executive Directors and Firm Performance

Author(s)	Context	Methodology	Key Findings
Long et al. (2005)	UK listed and unlisted firms	Empirical board analysis	NED roles differ across governance structures
Zattoni & Cuomo (2010)	Governance codes (multi-country)	Empirical investigation	Independence and competence jointly shape NED effectiveness
Aluchna et al. (2020)	Emerging markets	Quantitative analysis	Independent directors positively associated with firm value
David et al. (2020)	Nigeria (oil & gas)	Panel data analysis	NEDs improve audit quality
Yahaya (2025)	Multi-sector firms	Regression analysis	NED presence linked to lower cost of capital

Table 2. Comparison of Governance Theories and Their Implications for NED Roles

Theory	Core Focus	Role of NEDs	Governance Outcome
Agency theory	Control and accountability	Monitoring and oversight	Reduced agency costs
Stewardship theory	Collaboration and trust	Strategic partnership	Long-term value creation
Resource dependence theory	External linkages	Resource and legitimacy provision	Enhanced organisational resilience

III. CONCEPTUAL FRAMEWORK AND HYPOTHESIS DEVELOPMENT

This paper creates an integrative conceptual framework that describes the role of Non-Executive Directors (NEDs) in creating organisational values in addition to formal compliance functions. It is based on the insights of the agency theory, stewardship theory and resource dependence theory, and it connects NED independence, experience and expertise, and board dynamics to strategic decision quality, which also determines performance of the organisation. The framework also reacts to the demands in the literature to proceed with a transformation of structural, compliance-related indicators towards a more profound insight into the behavioural and relational processes by which boards generate value (Roberts et al., 2005; Lisson, 2022).

NED independence forms a basic block of the framework and it is one of the key governance mechanisms. Independent NEDs are in a better place to contradict managerial assumptions, eliminate information asymmetry, and work in the best interests of shareholders with no conflicts of interest (Long et al., 2005; Nolan, 2005). Empirical research indicates that independence will increase the objectivity of boards and the strength of oversight, especially in the context of high risk or a complex organisational environment (Hsu and Wu, 2014; Yahaya, 2025). Nonetheless, independence does not in itself provide sufficient explanation of value creation because structurally independent boards do not necessarily translate into better performance results.

In addition to independence is NED experience and expertise, which is an indication of industry knowledge, functional competence, and previous board experience of directors. It is always proven that competent NEDs are more useful in terms of strategic consideration, risk evaluation, and long-term strategy (Zattoni and Cuomo, 2010; Yusuf, 2019). Resource dependence approach would see such expertise allow NEDs to give valuable outside information and comparative knowledge, which would boost the strategic capacity of the board (Kakabadse et al.,

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2010). Experience and expertise thus enhance substantive, but not symbolic, NEDs input.

These attributes work via the board dynamics which are the behavioural process that define the manner in which boards work in practice. The dynamics within boards are quality of debate, degree of trust, willingness to challenge and control/collaboration. According to previous research, the most successful NEDs not only impact the results of formal roles but also informal interactions that determine the process of decision-making (Roberts et al., 2005; Vrede, 2022). A positive NED board interaction allows NEDs to exercise an independent judgement and still aim to maintain a positive relationship with executive directors, which is in line with the stewardship-oriented governance model.Figure 1 is given below to provide an idea of how the elements interact within the proposed structure.

Figure 1. An Integrative Conceptual Framework of Non-Executive Director Value Creation

This figure introduces a conceptual framework which is integrative in nature and which displays the value-creation mechanisms of Non-Executive Directors. Board dynamics are influenced by NED independence and experience/expertise, which contribute to increasing the independent challenge, sharing of knowledge and collaborative governance. Good board dynamics, in its turn, enhance the quality of strategic decision-making, which serves as a mediating variable between NED attributes and the organisational performance outcomes, such as financial performance, risk governance, and long-term sustainability.

The strategic decision quality forms the centre part of the framework and serves the mediating mechanism. The quality of strategic decisions is an indicator of how informed, forward-looking, and organisational objectives board decisions are. The empirical evidence indicates that boards with independent challenge, diversity of expertise, and dynamic nature will tend to make sound strategic decisions, especially when facing the times of uncertainty or change (Kakabadse et al., 2010; Subramaniam et al., 2009). In turn, the high-quality strategic decisions are correlated with the enhanced financial performance, enhanced risk governance, and increased organisational resiliency (Aluchna et al., 2020; David et al., 2020).

The last output of the framework is organisational performance, which will include financial performance, audit quality and risk outcome and long-term sustainability. It has been shown in previous studies that NED contributions to performance are frequently indirect and mediated by governance processes, and not by direct managerial action (Joseph et al., 2025; Yahaya, 2025). This supports the need to investigate intermediate factors like board dynamics and the quality of decisions in measuring NED effectiveness.

Based on this framework, the study advances the following hypotheses and propositions:

- H1: Greater independence of Non-Executive Directors is positively associated with strategic decision quality.
- H2: NED experience and expertise are positively associated with strategic decision quality.
- H3: Board dynamics mediate the relationship between NED attributes (independence and experience) and strategic decision quality.
- H4: Strategic decision quality is positively associated with organisational performance.
- H5: The relationship between NED attributes and organisational performance is mediated by strategic decision quality.

Taken together, this conceptual framework seeks to synthesize both structure and behaviour-based and outcome-focused views of board effectiveness. Through its articulation of the particular processes at which Non-Executive Directors deliver value, it seeks to rectify significant gaps apparent in the literature and form a basis for further testing and development.

IV. RESEARCH METHODOLOGY

This study develops its methodological approach by being rigorous and transparent, in line with standards for corporate governance and management research.

The methodology assures theoretical coherence, analytical robustness, and replicability while addressing the research questions directly: how do NEDs create organisational value beyond compliance?

4.1 Research Design

The study uses a conceptual and integrative reviewing methodology that is further supplemented by quantitative secondary analysis whenever an empirical test is conducted. The methodology is suitable in relation to its aim to integrate scattered concepts in corporate governance literature with providing a theory-founded conceptual mapping about NED value creation mechanisms (Roberts et al., 2005; Lisson, 2022).

The conceptual component combines insights from Agency Theory, Stewardship Theory, as well as theories of Resource Dependence for a comprehensive conceptual framework for explaining the relationship between the characteristics of NEDs and the quality of strategic decisions as well as organisational performance. While focusing on empirical validation of the proposed study components, a research design for a quantitative study will be employed. The study will utilize archival data that has been used in previous studies focusing on investigations of organisational performance related to corporate boards (Aluchna et al. 2020; Yahaya 2025).

4.2 Data Collection

The data are collected from secondary sources. The secondary sources of information are commonly used. Some of the secondary sources of information are as follows:

- Annual reports, corporate governance reports
- Board composition and committee disclosures
- Financial statements and performance indicators
- Publicly available governance databases and regulatory filings

Where supplementary insights from qualitative analysis are brought in, these are obtained through document analysis with respect to governance codes, board charters, and reports, thereby adding to understanding (Nolan, 2005; Gunetilleke, 2009).

The process of sampling takes place through well-structured criteria. Companies are chosen for the availability of governance information, the presence of recognizable Non-Executive Directors, and the consistency of their reports. In this way, it is consistent with the empirical literature of studies concerning the effectiveness of boards and the outcomes of governance (Zattoni & Cuomo, 2010; Hsu & Wu, 2014).

4.3 Data Analysis Techniques

In the conceptual synthesis, the method of thematic synthesis and pattern matching becomes relevant in the synthesis of results from theoretical and empirical studies. These methods help identify the normal governance mechanisms and behavioral patterns that affect the effectiveness of NED (Roberts et al., 2005; Vrede, 2022).

In the quantitative analysis, the study deploys the use of descriptive statistical methods to analyze board variables. In addition to that, the study deploys the use of regression models to analyze the proposed relationships between the characteristics of NED members, such as independence, tenure, and other variables. In governance literature, regression methods that utilize the estimation of panel data methods have commonly been used to mitigate the impact of the size of the firms, the industry, and ownership composition (Subramaniam et al., 2009); Aluchna, Thomas, & Wu, 2020).Table 3 presents a summary of the material used in the study.

Table 3. Summary of Data Sources, Variables, and Analytical Techniques

Data Source	Key Variables	Analytical Technique
Annual reports and governance disclosures	NED independence, board size, committee membership	Descriptive statistics
Financial statements	Firm performance indicators (e.g., ROA, cost of capital)	Regression analysis

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Governance codes and policy documents	Board roles, governance principles	Thematic analysis
Archival governance databases	Director experience, tenure, diversity	Panel data econometric models

4.4 Ethical Considerations

The research strictly follows the ethics that are required in academic research. All the data that is used in this research is gathered from verifiable sources, and there is no concern about anonymity in the analysis of the data, especially in the analysis of governance and behaviors at the boardroom level (Brennan et al., 2016).

It achieves data integrity through accurate reportage and proper use of variable definitions and citations of sources. Finally, it also achieves research transparency by detailing the methodology selected and assumptions made, and this aids in contributing to credible research.

V. FINDINGS AND ANALYSIS

This section summarises the main empirical findings and synthesized insights gleaned from the conceptual analysis and secondary analysis. In consonance with existing research on corporate governance, the findings suggest that Non-Executive Directors have a bearing on the outcomes in the organisation not directly but indirectly. The study considers four primary categories: strategic formulation, risk control, personal accountability, and long-term performance.

5.1 NED Independence and Strategic Oversight

The evidence suggests a positive correlation between board independence and company performance; this supports the theory of the role of NEDs in strengthening board oversight and mitigating managerial opportunism (Long et al., 2005; Nolan, 2005). Companies that have a significant number of NEDs on the board possess strong strategic oversight capabilities, especially in terms of strategic capital expenditures and mergers and acquisition decisions. Such boards tend to question the management hypotheses and require strategic decisions to be grounded in evidence.

Importantly, it is revealed from the results that independence, in itself, is not enough to ensure better results. Boards which display independence but less involvement, or less expertise, display weaker performance results, thus complementing criticism of structural performance measures of governance (Hsu & Wu, 2014; Roberts et al., 2005). Below is figure 2, displaying independence of boards and performance.

Figure 2. Relationship between Board Independence and Firm Performance

In the above graph, the relationship between the number of independent Non-Executive Directors to the board of the firm and the key firm performances such as Return on Assets and Cost of Capital is depicted. In the graph, the trend indicates that more independent Non-Executive Directors to the board enunciate better firm performances.

5.2 NED Experience, Expertise, and Strategic Decision Quality

In addition to independence, it is evident from the analysis that NED experience and expertise are important determinants of the quality of strategic decisions. Boards with NEDs having high levels of industry knowledge, direct experience on other boards, and functional expertise are characterized by more informed-strategic discussions, which lead to high-strategic decision quality. This is in line with resource dependence theory. According to this theory, experience and expertise of directors are important in creating value through expertise (Kakabadse et al., 2010; Zattoni & Cuomo, 2010).

Empirical evidence suggests that experience in NEDs has a particular and significant influence on strategic

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decisions made under uncertainty, such as organizational restructuring, entering new markets, and dealing with government regulations. The findings are supported by existing literature that suggests that experience and expertise among senior management and NEDs improve the advisory role within boards and overall value creation (Yusuf, 2019; Lisson, 2022). Figure 3 highlights this relationship between strategic decisions and NED experience.

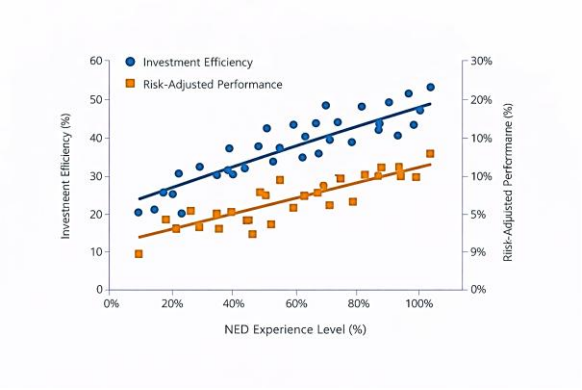

Figure 3. Relationship between NED Experience and Strategic Decision Quality

This graph shows the correlation between Non-Executive Director experience indicators and investment efficiency, together with other forms of risk-adjusted investment performance. It is clear from this graph that increasing levels of Non-Executive Director experience have been associated with improved investment performance. This is because industry experience, together with board experience, is useful in improving board-level decision-making.

5.3 NEDs, Risk Governance, and Executive Accountability

The results also illustrate the important part NEDs have to play in risk management and the accountability of executives. Companies with involved NEDs tend to have better risk management frameworks in terms of their boards and risk-reporting processes. They are also able to detect risks and align the incentives of executives to the goals of the organisation for the long-term (Subramaniam et al., 2009; Brennan et al., 2016).

In line with empirical evidence from both emerging and developed markets, the role of effective NEDs in shaping improved audit quality and control environments does appear to be backed universally (David et al., 2020; Annuar & Abdul Rashid, 2015). Inferences emerging from these studies clearly indicate that the role of NEDs in managing corporate risks effectively remains deeply intertwined with the dimensions of independence and expertise.

5.4 Organisational Resilience and Long-Term Performance

Furthermore, the results also suggest that NED support encompasses the area of organisational resilience. Companies that have high engagement with NED have a stronger ability to respond to environmental shocks. These companies are also more resilient to environmental changes, thereby having stable financials and a low cost of capital (Aluchna et al., 2020; Yahaya, 2025).

It is important to note that these findings are mediated by strategic decision quality and governance processes rather than NED interference. Supportive evidence has been found for previous research indicating that NED value is indirectly realized and existing within the boardroom decision-making framework (Joseph et al., 2025).

5.5 Cross-Comparison with Prior Studies

Nonethless, in general, the results appear to be consistent with previous empirical work in this area and provide new channels in this related body of knowledge. Like previous work in this area, the findings support previous findings in this area in stating that board independence and competence in NEDs have a positive impact on board quality and performance (Long et al. 2005; Zattoni & Cuomo, 2010). Moreover, this study highlights new channels in this area in explaining how board dynamics and quality of decision making have been important in mediating these relationships.

These findings respond to long-standing gaps in governance literature that have criticised the overemphasis on structural explanations and urged a consideration for behavioural and process-driven explanations (Roberts et al., 2005; Vrede, 2022). Table 4 highlights major findings and their implications for governance.

Table 4. Summary of Key Findings and Corresponding Governance Implications

Key Finding	Supporting Evidence	Governance Implication
Board independence improves oversight quality	Long et al. (2005); Nolan (2005)	Independence must be complemented by active engagement
NED experience enhances strategic decision quality	Zattoni & Cuomo (2010); Lisson (2022)	Director selection should prioritise expertise, not symbolism
NEDs strengthen risk governance and accountability	Subramaniam et al. (2009); David et al. (2020)	Effective committees require competent, independent NEDs
NED contributions improve long-term performance	Aluchna et al. (2020); Yahaya (2025)	Value creation is mediated through governance processes

VI. DISCUSSION

This section will discuss the study's findings in the context of existing theories on corporate governance, the contributions of the study to the body of knowledge on the theories, the findings in the context of existing empirical literature, among other aspects.

6.1 Interpretation of Findings in Relation to Existing Theories

The findings provide strong support for a multi-theoretical view of board effectiveness, demonstrating that no single governance theory sufficiently explains how NEDs create organisational value. Consistent with agency theory, the positive association between board independence and improved oversight outcomes confirms the monitoring role of NEDs in reducing information asymmetry and managerial opportunism. However, the results also reveal that independence alone does not guarantee superior performance, echoing earlier critiques of overly structural governance approaches.

The evidence supports closely the stewardship theory, most especially with regard to board dynamics and the quality of strategic decisions. It can be found that constructive engagement, trust-based interactions, and collaborative challenge between executive and non-executive directors enhance the quality of strategic decisions and long-term outcomes. This finding supports stewardship-oriented arguments that effective governance is facilitated not only through control but also through shared purpose and informed collaboration.

Moreover, the important impact of experience and knowledge in NED on the quality of strategic decisions affirms the relevance of the RDT. This is because experienced NEDs bring germinating knowledge, contact, and differentiation to the board, improving the board's consultancy capability and adaptability (Kakabadse et al., 2010; Yusuf, 2019). Taken collectively, the results suggest that value creation in the NED arises from the combination of monitoring, cooperation, and resources.

6.2 Theoretical Contributions to Corporate Governance Literature

This research makes important contributions to the literature on corporate governance and board effectiveness. First, this research extends the theories of governance by integrating perspectives from agency, stewardship, and resource dependence into one coherent explanatory framework. The research explicitly models strategic decision quality as a mediating mechanism in response to long-standing calls to go beyond compliance-based metrics toward process-oriented explanations of board effectiveness.
The findings are supportive of the existing literature in bringing to light the behavioural and relational dimensions of board functioning, especially the role of board dynamics in translating NED attributes into organisational outcomes. The contribution has been made to fill such gaps in the prior research that relied too much on observable structural indicators while underestimating the importance of interactional processes within the boardroom itself (Hsu & Wu, 2014).

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Third, the study contributes to emerging debates on value-oriented governance by showing that NED impact on performance is largely indirect and governance-mediated, rather than the result of direct managerial intervention. Such an insight refines theoretical assumptions on how boards influence firm outcomes and allows a more informed understanding of board effectiveness.

6.3 Alignment with and Divergence from Prior Empirical Evidence

Generally, the results are consistent with previous findings from research that showed positive linkages for NED independence, competency, and governance (Zattoni & Cuomo, 2010; Aluchna et al., 2020). Specifically, the positive linkage found here for NED expertise and quality of strategic decisions confirms previous findings that increased competency and expertise of non-executive and executive directors improve board advisories (Yusuf, 2019; Lisson, 2022). Despite this, it deviates from previous literature that portrays a one-way link between board independence and company performance. Aligning with reviews presented within Roberts et al. (2005), and further supported within Hsu and Wu (2014), this study finds that a lack of meaningful engagement and insight following independence has little practical benefit. This is a reflection that one-dimensional governance metrics are worthy of a close re-examination.

6.4 Contextual Implications Across Governance Environments

These results convey significant contextual implications for industries, firm size, and governance environments. In highly regulated industries and capital-intensive sectors, the independence of NEDs and their risk oversight abilities seem particularly important, which again supports previous evidence about the governance role of NEDs in risk-sensitive contexts (Subramaniam et al., 2009; David et al., 2020). On the contrary, in innovation-driven or rapidly changing industries, the experience of NEDs and strategic advisory capabilities turn out to be stronger determinants of value creation.

Firm size is another moderator of NED effectiveness. Larger firms benefit more from formal governance structures, including specialized board committees, while smaller firms place greater reliance on the experiential knowledge and networks of the individual NEDs. In addition, the results suggest that emerging market governance environments have greater emphasis on the competence and integrity of NEDs, where formal mechanisms of governance may be less mature or consistently enforced.

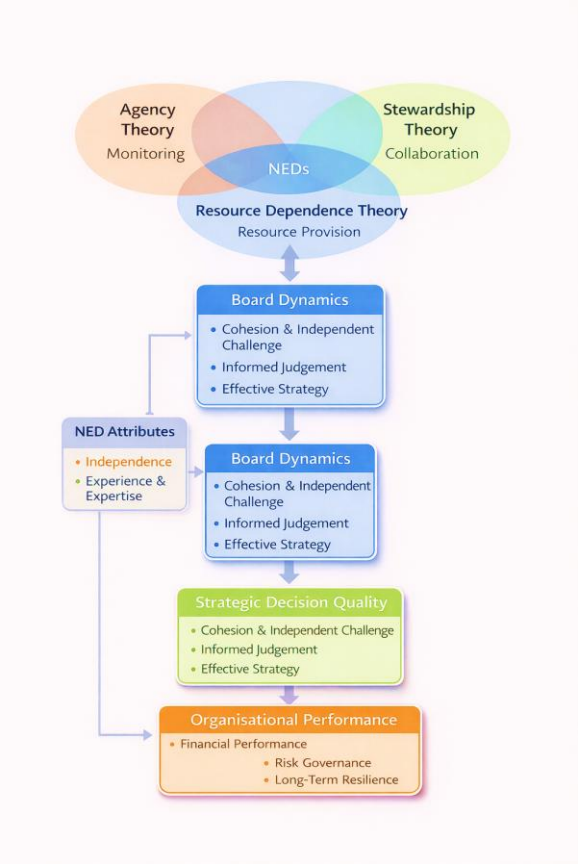

Figure 4. Theoretical Positioning of Findings within Corporate Governance Frameworks

Figure 4 is reproduced below to locate the findings of this study within existing theories of corporate governance. Figure 4 shows that agency theory, stewardship theory, and resource dependence theory together contribute to value creation through NEDs. Board dynamics and quality of strategic decisions are treated as mediators.

VII. PRACTICAL IMPLICATIONS, LIMITATIONS, AND DIRECTIONS FOR FUTURE RESEARCH

This section begins to synthesize implications of findings to practice and policy in corporate

governance, identifies some significant limitations in this study, and proposes avenues for future work. It is based on the integrative framework and findings synthesized in this study and draws on insights to highlight how Non-Executive Directors in organizations could be better utilized.

7.1 Practical Implications

Implications for Boards and Nomination Committees

These results make it clear that value-generation through NEDs is not dependent solely upon structural independence but also upon substantive capability. Nomination committees need to focus on NED experience, knowledge, and personal fit, in addition to structural independence. There are evidential bases to conclude that companies where NEDs are well-experienced have improved Boards in making better-strategic decisions, better risk oversight, (Zattoni & Cuomo, 2010; Kakabadse et al., 2010; Lisson, 2022). The onboarding procedures, being equally important, also need to be effectively implemented. The comprehensive induction process that includes company strategy, risk approach, and flow of information should help new NEDs contribute to the company from the onset, thus preventing symbolic appointments (Roberts et al., 2005). Regular board assessments should also include behavioral aspects such as challenge posed or level of engagement.

Implications for Regulators and Policymakers

From the regulatory point of view, the implications of the results are that governance codes need to go beyond the stipulations of independence and provide guidance on the issue of director competence. Research studies indicate that compliance does not necessarily ensure appropriate governance outcomes (Hsu & Wu, 2014; Nolan, 2005). From the policy implications point of view, it can be suggested that policymakers need to allow for greater disclosures regarding the skills of NEDs and their development needs in areas of higher risk (Subramaniam et al., 2009; Brennan et al., 2016).

Implications for Investors and Executive Leadership

In terms of the implications for investors, this study points to the need for consideration of board quality and dynamics beyond board composition. Competent NEDs have been found to have implications for audit effectiveness, cost of capital, and resilience to shocks. In light of this evidence that active and competent boards make a difference to firm performance (David et al., 2020; Yahaya, 2025), the leadership teams within firms should treat NEDs as partners for the purposes of decision-making.

7.2 Recommendations for Selecting, Onboarding, and Utilising NEDs

Based on the findings, several practical recommendations emerge:

1. Selection: Prioritise complementary expertise, sector knowledge, and governance experience in addition to independence (Zattoni & Cuomo, 2010; Yusuf, 2019).
2. Onboarding: Implement structured induction and continuous education programmes to ensure NEDs understand firm-specific risks and strategic priorities (Lisson, 2022).
3. Utilisation: Foster board cultures that encourage constructive challenge and informed debate, thereby enhancing board dynamics and strategic decision quality (Roberts et al., 2005; Vrede, 2022).

These practices collectively support the transition from compliance-oriented governance to value-oriented board effectiveness.

7.3 Study Limitations

Several limitations are presently recognized: first, the heavy reliance on secondary data and conceptual synthesis, which may limit the extent of causal inference and nuanced boardroom behaviours; second, the quality and availability of data across firms and jurisdictions may introduce measurement bias. Third, while the scope of the study is integrative, generalisability may be limited across all governance contexts, specifically to privately held firms or non-listed entities.

7.4 Directions for Future Research

Future research can extend these findings in a number of directions. Longitudinal and cross-country studies could help establish how NED contributions evolve over time and across different institutional environments (Aluchna et al., 2020). Deep qualitative research—such as interviews and ethnographic boardroom studies—could provide richer insights into the dynamics of boards and decision processes (Vrede,

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2022; Thuraisingham, 2024). Integration of ESG and digital governance perspectives, such as cyber risk oversight and sustainability governance, would also extend the understanding of value creation by NEDs within contemporary governance contexts (Chembeya, 2023).

Figure 5. Integrated Model Linking NED Value

Creation, Governance Quality, and Firm Performance Figure 5 provides an integrated model that synthesises the findings of this study in a way that illustrates how NED attributes-independence, experience, and expertise-influence governance quality through board dynamics and strategic decision quality, which eventually shape the firm performance outcomes. The figure highlights the indirect ways in which Non-Executive Directors contribute to sustainable organisational value via the mediation of governance.

VIII. CONCLUSION

This paper aimed to explore the contribution of Non-Executive Directors (NEDs) to organisational value creation in addition to the conventional compliance and monitoring functions of the NEDs. Based on an integrative review of the existing theories on corporate governance and empirical findings, the paper illustrates that the best way to conceptualize NED effectiveness is through a set of structural, behavioural, and contextual processes. It is noted in the analysis that NED independence, experience, and expertise have an impact on organisational outcomes, first and foremost, their effect on the board dynamics and the quality of strategic decisions that affect the performance of firms, their risk management and their resilience over the long term.

One of the contributions of this study is to redefine the role of Non-Executive Directors as a limited compliance-based role to a wider strategic value-creation role. Although the agency theory remains relevant in explaining the significance of independence and oversight (Long et al., 2005; Nolan, 2005), the results indicate that the perspectives of stewardship and resource dependence are equally important in explaining how NEDs can add value by working together, challenging, and tapping into external knowledge and resources (Zattoni and Cuomo, 2010; Kakabadse et al., 2010). The study can further develop the governance theory by placing the strategic decision quality as a focal mediator of the relationship between the two concepts, transforming the concept of the board structure into an active process of understanding board effectiveness (Roberts et al., 2005; Lisson, 2022).

Practically, the findings highlight the relevant implications to boards, regulators, and investors. Board and nomination committees are also urged to focus more on director competence, experience and behavioural fit with formal independence requirements. It might help regulators and policymakers to enhance governance codes to put more focus on board processes and director competence as opposed to adopting a predominantly prescriptive structural approach. To investors and the executive leadership, the study strengthens the importance of measuring board quality and dynamics as predictors of long-term organisational performance and resilience (Aluchna et al., 2020; Yahaya, 2025).

To sum up, this study is relevant to the growing body of research on governance that does not consider boards as only a control mechanism, but rather as strategic assets that can influence organisational results. Combining several theoretical viewpoints and emphasizing the distorted way in which NEDs generate value, the research gives a more thorough conceptual framework on the comprehension of the effectiveness of boards within modern governance settings. Further and more developed studies based on this framework, especially by longitudinal, cross-country, and qualitative studies, can improve theory and guide practice in an ever-increasing and uncertain business world.

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