Board Independence and Persistent Corporate Risk: A Review

Ife Adegunloye, Motubatse Kgobalale Nebbel

Abstract: *Purpose: It is traditionally presumed that oversight lower firm risk. This study examines the intricacies in which structures intended to enhance risk oversight may unintentionally introduce new risk. The novelty of this study lies in accentuating the instances where excessive oversight may create crisis and secondly disputing the intuition that independence is uniformly validated.*
Research Design/Method/Approach: Integrating the agency, resource dependency and stewardship theories, this study embraced qualitative research approach, employing review of literatures.
Findings: The theoretical findings divulged that while board independence augment the organisation, its effectiveness is premised upon organisational nuances, board expertise, information quality and oversight intensity.
Originality: Empirical results on the effectiveness of oversight in risk mitigation remain inconclusive and blur. Emphasis has not been given to the monitoring myopia that accompany hyper surveillance. This study expands the body of knowledge by reframing board independence as a mechanism with hidden risk. It additionally contributed in introducing a balance frame work comprising of benefits and constraints of board independence.
Practical and Social Implications: Practically, independence does not automatically guarantee risk eradication, review of literatures suggests it can impede development in some instances. These consequences indicate the necessity of a sound governance design that mitigate against risk without constraining innovations and expansion. Future research should engage on longitudinal and context-specific empirical studies of these dynamics.

Keywords: Board Independence, Governance, Corporate Risk, Information Asymmetry

Introduction

Increasing complexity of risks demand for better oversight, modern corporate governance affirms the necessity of board independence and risk mitigation, nonetheless, the detachment effects of board independence such as information asymmetry, conflicts, limited knowledge and increased cost remain inconclusive, the very mechanism intended to boost good governance can weaken it. Effort to improve governance can undermine governance itself, more control can contribute to less effective outcome. Board independence is perceived to be an essential governance tool, nevertheless, the empirical assertion relating to the significance of board

Ife Adegunloye (glory01.great@gmail.com) South Africa
Motubatse Kgobalale Nebbel (blessedchild11241@gmail.com) South Africa

independence is mixed. Investors and governance advocate run on the premise that independent directors ensure efficient oversight and invariably make firms safer. Emerging body of empirical research challenges this intuition and disclose a more nuanced evidence. Firm with independent board do not always display regular long term performance and lower risk profiles, this counterintuitive pattern forms the basis for the governance myopia, extensive board independence, though intended to protect the firm, does not automatically imply firm's safety. In situations where board comprises more of outsiders, oversight role become more symbolic than substantive with little contribution to firm's risk management. Rather than treating board independence as a global remedy, scholars and practitioners must wrestle with the conditions under which independence foster oversight and when it impede it. Insufficient studies explore how information constraint affect the risk monitoring capacity of independent boards. Existing studies has majorly focussed on whether board independence strengthen or curtail corporate risk, but limited focus has been centre on the mechanisms through which independence can be ineffective, especially the association among board expertise, organisational knowledge, information asymmetry and oversight intensity. Limited studies explore how industry peculiarity impact on the independence risk relationship. Industrial studies often assume one size fits all governance models, without paying attention to contextual variations in risk exposure. Limited evidences exist on non-financial risk dimensions such as cyber risk, misconduct and ESG violation, most studies focus on financial performances. Previous empirical research disclosed irregular results relating to the relationship between board independence and corporate risk. On one hand researchers found that excessive board independence augment risk oversight, other contested that greater board independence may restrict board effectiveness by weakening communication with executive management and constraining organisational learning. The non-consistency of prior discoveries indicates the necessity for thorough synthesis of existing knowledge. This research aims to review circumstances where board independence may adversely affect organisational risk mitigation. The main objective of this study is to highlight the effect of board independence in risk management within the enterprise through review of existing literatures. Specifically, the study seeks to;

(I) Highlights organisational elements that restrict the effectiveness of independent directors in risk management

(II) Explain theoretical perspectives of the relationship between board independence and organisational risk's management.

(III) Propose governance framework that can enhance board independence in risk mitigation.

In order to actualise these objectives, the study intends to proffer answer to the main research question. What is the effect of board independence in risk mitigation? Corporate governance should ensure that organisations have the mechanism and ethics in place to reduce risk. Specifically, this study intends to proffer answers to the following:

(I) What organisational elements restricts the effectiveness of independent directors in risk management?

(II) What theoretical lens describe the relationship between board independence and organisational risk management? Agency and resource dependency theory reveal a positive outcome as a result of enhanced oversight, however, stewardship theory disclosed a no effect

or negative result. This reveals a research gap, the consequences of board independence remain theoretically contested.
(III) What governance framework can enhance board independence in risk mitigation?

Conducting qualitative descriptive research on oversight gaps requires objectivity and rigor during research process. Objectivity entails collection. analysing and interpreting of data without bias. Transparency, credibility and reliability is essential in documenting research outcomes. By exploring this domain through qualitative descriptive research, researcher contribute to policy maker in expanding board independence literature with a governance lens by highlighting how board structure can impact the enterprise growth and development, unlike existing literatures that focusses on frameworks and systems with limited board level governance issues.

Literature Review (Theoretical Framework)

A number of theoretical frameworks explain the necessity of board independence in enhancing corporate governance. The blind spot of board independence in risk mitigation can be analysed through three key theoretical lenses: Agency theory, Resource dependency theory and Stewardship theory. The assumptions of each of these theories are different on board management relationship, human pattern and organisational requirements. This literature review integrates theoretical and conceptual studies in understanding this nuance. Figure 1 below depict the theoretical framework employed in this study

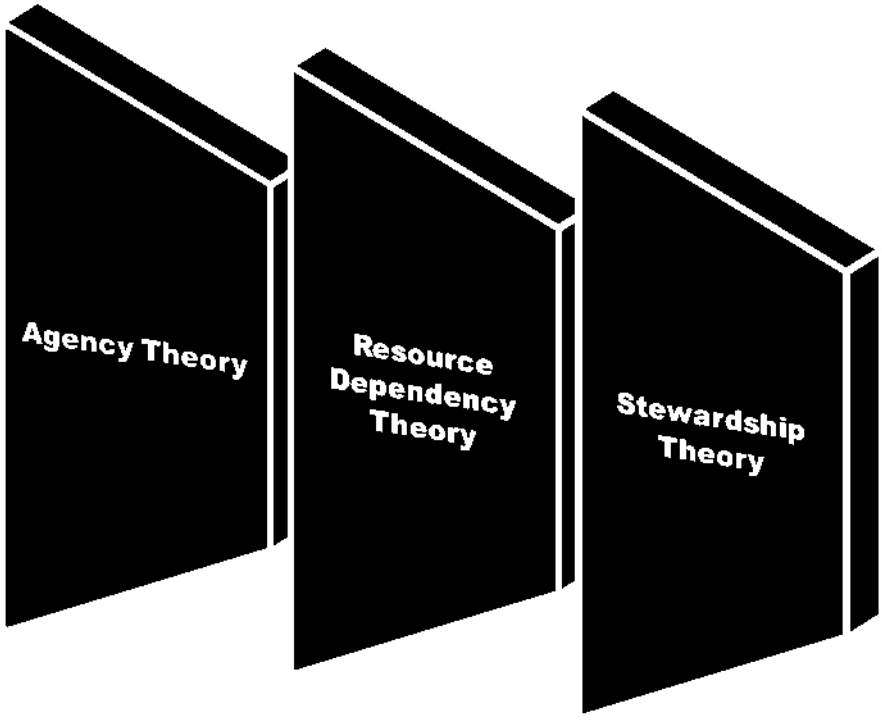


Figure I: Theoretical Frame work

Table I: Matrix

Theory	Opinion of independence	Positive Effects	Detachment Effects	Risk Mechanism
Agency	Oversight	Effective supervision	Increased cost	Improved supervision
Resource Dependency	Emphasise significant of access to essential network	Expertise and legitimacy	Inadequate experts	Improved strategic response
Stewardship	Emphasise integrated governance	Integrity and information flow	Excessive trust	Improved organisational knowledge

2.1 Agency Theory

The agency theory provides a solid theoretical frame that validate the significance of board independence (Jensen & Meckling, 1976). The agency theory according to the documentation of Naz *et.al*., (2022), operates on the following assumptions:

1. That executives and managers may not serve the interest of shareholders at all time. The stewardship theory conversely disputes this assertion, indicating managers are stewards that pursue the interest of the shareholders. The agency theory attest that risk mitigation does not only involve financial loss but ensuring executives and managers are free from self-seeking interest.
2. Secondly, the agency theory runs with the assumption that flow of information may be limited. The theory believe that managers are acquitted with more knowledge than the shareholders.

Research by Musallam (2025) delineate that independent board may reduce various category of risks including; operational risk by monitoring the internal controls and ensuring adherence to policies thereby reducing errors. Concurrently, studies of Kumar *et al*., (2022) underscore the notion of the agency theory, risk mitigation is enhanced by independence of the board, their studies attested that independent directors are able to supervise and challenge the decisions of the executive that are risky in nature. However, in practice, information asymmetry is associated with making oversight less effective, which has been linked to constraining the viability of board independence in risk mitigation.

2.2 Stewardship Theory

Unlike agency theory that postulate that agents may not serve the interest of shareholders, the stewardship theory on the other hand, indicates that managers are stewards whose intention align with the objectives of the shareholders, the theory embrace the assertion that executives are not just committed to personal gains but committed to the organisation's success as well (Bui & Krajcsak, 2024). The stewardship theory operates on the assumption that managers are reliable as well as responsible and serve the interest of the organisation. Stewardship theory embrace risk taking as a tool for innovation, the theory advocate for managers to be fortified with essential support in order to manage risk, while embracing collaboration with the board. The theory is of the opinion that executives can be trusted to embark on risk that improve the

overall objective of the organisation, this is opposing to the agency's theory that has been linked with intense monitoring. The theory posit that excessive oversight may hamper trust and flow between directors and management, which may contribute to limited information sharing and strategic collaboration. thereby restricting effective risk management.

2.3. Resource Dependency Theory

This theory was developed by Preffer & Salancik (1978), it presents the board as a tool that aid the organisation in adjusting to uncertainty within the environment. It main idea is that organisation are not self-sustenance, hence strategic relationship is core. This theoretical knowledge posits that independent directors can mitigate against organisational risk by acquiring required resources and enhancing legitimacy by reason of their connectivity to external networks which provide valuable resources (Ng & Khodakarami, 2022). Resource dependency theory affirm that boards do not only occupy a supervisory position as indicated by agency theory but serve as boundary spanners who control external dependencies (Maswadi & Amran, 2023). Board independence through resource dependency theory mechanisms depicts an impactful role in curbing corporate risk, however, its impact is more obvious in a situation where environmental certainty exists and where ownership is dispersed. In essence, performance of board does not solely depend on independence but on directors' capacity to advanced required knowledge and essential resources. An independent board without required expertise may be limited in advancing sound strategic guidance and risk management. Agency theory disclose that independent directors advocate for accountability, this positively impact on compliance relating to ethical standards, regulatory standards such as anti-money laundering, and anti-fraud mechanism (Agarwala, *et al*., 2023). The stewardship theory on the other hand contest this assertion, indicating that board independence may be demotivating and can impair trust with management, the resource dependency theory likewise disclose that highly independent boards might lack firm specific knowledge. While agency theory relies on independent board to build safer firm, the resource dependency theory suggest that high independence may weaken governance considering underlying factors such as lack of operational knowledge, technical expertise and industry expertise. In practise board created to supervise may not be strong in terms of strategy and insight resulting in firm that struggle to adapt. The stewardship theory on one hand opined that trust, empowerment and collaboration generate better outcome than excessive oversight. This perspective stand that too much monitoring may yield to adverse relationship between directors and managers which may hamper decision making process during crises. Stewardship theory believe that high control portrays distrust which can negatively impact the morale and initiative of managers and thus create an unsafe firm. Resource dependency show that board may be weak, lacking expertise and risk management skills, while stewardship theory predicts more conflicts and minimised strategic response. This study is better understood by integrating agency, resource dependency and stewardship theories. All the three theories attest to the fact that a board can be independent, however, each theory shows a different dimension of board effectiveness. A combination of all these three theories will produce an effective governance. Only a balanced governance mechanism that combine oversight, resource provision and collaborative stewardship can contribute to a safe firm. Review of literature suggest merging monitoring with expertise, information access and careful managerial input. Combination of expertise, information flow and constructive administration will make independence effective.

Research Methodology

The perception of board independence in risk mitigation has gained scholarly attention. A qualitative research approach complemented by review of literatures serve as an appropriate tool to synthesize varied theoretical perspectives and interpretive findings to illuminate this ramification. Qualitative research approach is relevant because it provides exploration of complex governance dynamics that cannot be completely captured utilising quantitative indicators. It also allows for critical study of contextual variables of board dynamics in generating a conceptual governance framework. It allows for recognition, assessment and integration of peer-reviewed evidence in transparent and manner that foster continuity. Secondary data was generated from academic and institutional sources that are reliable. Sources includes, Web of Science, Science Direct, Scopus, Emerald insight. Google scholar, Sage journals and Springer link. Institution publications includes King IV report, Annual reports, Corporate governance reports, audit and risk committee reports. Search activities were conducted using key words such as board independence, corporate governance, board expertise, independence directors, risk oversight, risk mitigation and governance failure. Inclusion criteria included older theoretical studies to establish the theoretical framework and studies published between 2021 and 2026 to validate current empirical evidence, peer-reviewed studies published in English, empirical reports, studies that centred on risk governance and board independence. Exclusion criteria excluded opinion articles, publications that are not in English, dissertations, studies with no methodological transparency, duplicate studies and conference abstracts. Full texts, title and abstract was done independently against inclusion criteria. Each selected article was reviewed based on significance, theoretical impacts, reliability, risk of bias and methodological rigor. Combination of Narrative Literature Review (NLR) and Thematic Content Analysis was integrated in data analysis. Firstly, studies were categorised based on year of publication, methodology, and theoretical foundation. Secondly data were synthesised into themes following procedure identified from the study of Virginia and Victoria (2022), themes were identified, reviewed, defined and named as follows:

Theme 1: Board independence and effects

Theme 2: Risk Mitigation

Theme 3: Information Asymmetry

The last stage of thematic analysis entails conceptual consolidation. Themes were integrated into proposed framework, highlighting the model that can minimise the effect of board independence in risk mitigation. Validity was ensured by triangulation of multiple databases, inclusion of peer-reviewed studies with good quality and triangulation of theories utilising agency, resource dependency and stewardship theories. Reliability of data was enhanced through documented inclusion criteria, standardized coding process, transparent search strategy and reproducible study process. Ethical considerations were thoroughly adhered to. This was ensured by complying with acceptable research standards through utilisation of credible sources, ensuring transparency in search, selection and examination of literatures, accurate interpretation of findings of original authors, ensuring proper citation and referencing and by reporting findings objectively in order to guarantee academic integrity. Selection bias was reduced to the barest minimum by applying inclusion and exclusion criteria throughout the study. These precautions strengthen the credibility, reliability and integrity of this study. A qualitative research approach is appropriate for exploring context dependent challenge. It

enables insight to contextual nuances and gives understanding on how board independence impact on risk oversight.

Discussion and Findings (Effect of Board Independence in risk mitigation)

Empirical studies on board independence remain mixed. A number of studies disclose board independence as an essential mechanism in enhancing corporate governance, incipient evidence reveal excessive oversight may negatively impact risk mitigation.

4.1 Board Independence and effects

Board independence denote the existence of directors with no major relationship with the organisation except their board membership. It's a representation of the proportion of independent non-executive directors operating on the organisation's board. Their duties are supervision of financial reporting, monitoring risk management, enforcing adherence to compliance, supervising executive management, safeguarding the interest of shareholders and implementing corporate strategy. Independence alone is not sufficient, board expertise, which implies financial literacy, legal knowledge, strategic abilities, industry and director's professional experience has a strong influence on board effectiveness. The review of literature suggests that, they can assess and improve the internal control systems by ensuring compliance and transparency in financial statements, this has been linked to lowering the risk of misstatements and operational default, which may strengthen the reputation of the organisation. This justify the assertion of the agency theory, that posit that board independence is expected to boost supervision of management thereby elevating the firm's performance. Addo *et al*., (2025) highlight that, they are able to review management's decisions without any form of bias, making sure risks are well assessed, they can query unethical behaviours and organisational plan that may be risky in nature. However, board independence can essentially be effective on basic premises; organisational knowledge, quality of communication, availability of necessary expert, board engagement, executive cooperation and collaboration. Board independence must function with supporting governance elements. its effectiveness will continue to thrive on the expertise of board members. The effect of board independence in risk mitigation is highlighted as follows:

Board independence can assist risk management, notwithstanding, result is dependent on the mode of implementation. Resource dependency theory stand at the point of view that the absent of operational knowledge may constrain the ability of director in identifying and managing complex risk. Study of Elamer and Boulhaga (2024) likewise reveal that independent board may not be able to perform their oversight functions in assessing technical risk, thereby depending on management. Lack of full operational knowledge may limit their contribution to response to strategies during critical times, they may not be able to thoroughly comprehend the company's operations, technology and market dynamics, making risk assessment difficult. Additionally, Independent directors may lack expertise in certain industries such as energy, technology, health care and mining, required technical knowledge may be lacking thereby constraining their ability to evaluate operational risks. The decisions in USA v Holmes (2025) revealed the necessity of informed board decision making. The board of directors of Theranos a biotechnology lack required medical expertise necessary to evaluate medical claims. The

company claimed it was able to conduct several medical test with a small drop of blood, however, this assertion was discovered to be false. The board though highly independence, however comprise of ex-politicians, and diplomats with no medical skills, hence, they could not query the assertion nor verify performance claims. Management were trusted and heavily depended upon for information, directors were not readily disposed to query management because of owner's prestige and charisma. This case indicate, independence alone cannot effectively mitigate against risk, a board may be technically independent yet characterised with hiatus of required expertise, unable to recognise risk relating to strategic, operation and ethical failures. Independent directors will appear as passive observers where essential knowledge is lacking, independence alone cannot compensate for absence of expertise. Review of literatures further revealed that independent directors rely on audit and risk committee, emerging risks may be omitted in situation where the flow of communication is weak. Independent directors may lack knowledge in finance and risk, they may likewise have deficient understanding of complicated control environment, this may impede risk mitigation (Faridi & ul Hameed, 2025). Muhammad *et al*., (2023) in their studies likewise divulged that independent directors require several approval and documentation in decision making, this has a tendency of increasing company's risk during crises. The study of Horvey (2025) disclosed the presence of multiple committees such as audit committee and risk committees' increases required time to ratify decision on issues, thereby causing further delay on overall decision. Stewardship theory concur that more independent directors may extend discussions and inhibit the autonomy of managers. Situations requiring prompt action in order to avert risk may be delayed, this may cause the organisation to miss opportunities especially in sectors like technology, where time and change is key. Innovative idea, research initiatives, strategic investment and opportunities that can foster digital transformation may be rejected by the board in a bid to safeguard shareholders and guide against reputational damage. This conservatism may contribute to decrease in firm's competitiveness.

4.2 Risk Mitigation

Mitigation of risk within the corporate setting entails all effort put in place to guide against regulatory breaches, financial misreporting, reputational harm and missteps Corporate risk entails risk relating to financial, operational, strategic, reputational, cyber, ESG, innovative and regulatory risk (Camelia & Nadia, 2022). Research by Kalia & Gill (2023) explained risk mitigation as all efforts and activities involving spotting. evaluating and averting operational, strategic, reputational and financial risk relating to an organisation's capital and earnings. Risk management is an avenue that enhance the effectiveness of corporate governance resulting in improved firm value. Organisation value can be improved with sound financial knowledge by directors through risk management channel, it is essential for board member to have adequate expertise in order to effectively manage the organisation's risk (Karim *et al*., 2024). A wise governance incorporates an operating system that reduce risk to the barest minimum. Risk mitigation involves implementation of system of accountability, supervision and transparency into the organisation structures in order to ensure effective management of risk. For the purpose of this study, risk would imply, financial, operational, strategic, compliance, reputational, cyber, ESG and innovative risk. In practical situation, where oversight and control is given priority over development, manager' s discretion can be inhibited, innovative projects may be hindered. Studies by Horvey & Odei-Mensah (2025) revealed that independent directors avoid

innovative projects that are capital intensive without guaranteed returns. Research by Velte (2024) further documented that independent directors lacking expertise and competent in sectors such as biotech may not be able to assess innovative projects, this may contribute to potential opportunities being blocked, which can be linked with discouragement of technological advancement in certain situations within the organisation. Organisation may prefer to put up with "safe bet" avoiding project that indicate high potentials but long gestation span, thereby loosing competitive edge. Benneh (2025) concluded that organisation must adopt an equilibrium between oversight and advancement, governance structures must not down play initiatives and innovation that create long term success. Research by Dagunduro *et al.,* (2023) additionally highlight that independent directors may reject long term investment that are viable in a bit to embark on investment with short term earnings in order to reduce cost. Heavy focus on compliance can compel board to focus on short term investment. Risk oversight structures may unintentionally limit creativity and innovation, business unit heads are restricted in tailoring strategies to the demand of local market, this leaves business leaders to be compliance and symbolic leader rather than innovators, limiting strategic adaption and competitive advantages. Organisation can prioritise risk eradication over development, stewardship theory emphasises how governance structures may hinder long term value creation and resist initiatives with unclear earnings. Rigid structures can stiffen initiatives; risk matrices are unable to accommodate creative ideas and can be viewed as unmanageable risk. The study of Aidoo *et al*., (2024) further explained that independent directors in a bit to protect shareholders' interest can be too careful for fear of wrong steps thereby giving preference to low risk strategies over high valuable initiatives. From the resource dependency perspective, excessive independence can constrain board's capacity in providing sound judgement. Research by Yahaya (2025) likewise explained that lack of full comprehension of the organisation's internal processes by independent directors may negatively influence their decision. Decisions may be influenced by governance structures not patterned according to market environment, this might impact on strategies. Fayad *et al*., (2025) additionally confirmed that governance framework such as enterprise risk management and committee structures utilised by board members are not always tailored to specific lifecycle stage of the organisation resulting in counterproductive effect. Risk mitigation mechanisms depend on policy manuals and compliance checklist that operate effectively with familiar risks, they may however, fail with new and unfamiliar situations that may result in poor strategic alignment. Independent board with different risk oversight perpetuate overheads such as consultation cost, board compensation, compliance and legal costs. Adhering to regulatory requirements, engaging software platforms, system upgrade have cost implication. The studies of Heroux and Fortin (2024) further emphasize that independent directors in performing their role of risk mitigation execute excessive internal controls cumulating in increased cost.

4.3 Information Asymmetry

Review of literatures indicates board independence as viable tool in disclosing risk. Conversely several studies revealed information asymmetry as a factor often mentioned restricting their operations. Salehi *et al*.,(2022) in their studies provided a valuable insight with respect to effect of information asymmetry. Independent directors rely heavily on management reports, Issa & Zaid (2023) delineates that invalid information can negatively affect corporate governance, especially since directors are limited in verifying operational realities independently. Resource

dependency theory further contest the effectiveness of independent directors in risk mitigation, disclosing that highly independent boards might lack firm specific knowledge. The theory affirms the oversight gap of information asymmetry, the possibility of absence of embedded knowledge. This is further confirmed by research by Adeniran *et al*., (2024) that found that independent directors do not possess complete knowledge of the organisation due to their non-involvement with the day to day operation of the organisation, evidence indicates dependence on management reports and disclosures which may be biased thereby, limiting their effectiveness in risk mitigation. Chen (2024) study likewise argue that imperfect information constrains the effectiveness of oversight regardless of board independence. Emerging governance failure indicate slow response to emerging risk as the aftermath effect of management selectively releasing information, Study on recent interview conducted with 27 professional investors in the Nigerian banking sector found board independence to be less effective because directors mostly depend on management for information., directors seems to be more interested in board position than in ensuring the validity of information (Nwafor & Nworie, 2025). Resource dependency theory stress that independent directors are most time unfamiliar with organisation operating processes, thus depending on information from management, flow of information suffer delay, this has been linked to the need for extra time to comprehend, appraise and discussed issues that are complex, thus extending decision making cycle and limiting operational efficiency initiatives. The stewardship theory expresses the possibility of conflict between managers and board due to excessive oversight. Presence of conflict has been associated with the release of partial information by managers on risk related transactions. Organisation must through constructive initiatives and well-arranged system and processes address the information gap. As a result of over dependence on executives, directors may miss emerging risks. The court emphasized the significance of access to full information in USA v Holmes. The case indicated how management have access to substantive information more than directors making oversight less effective, critical warning signs were ignored, this may have contributed to the risk of reputational damage. At its essence, independent director enhances risk oversight, nonetheless this is largely depended on contextual factors including leadership quality, access to information, expertise and peculiarity of the organisation.

Governance Frame work

Gaining understanding why independent board do not always create safer firm is pivotal for creating governance structure that can enhance corporate resilience. Figure 2 below portray a display of governance frame work.



Figure II: Governance Framework

5.1. Methodological Advancement Development and Regular Training Framework

Organisations would benefits from technology enabled framework that can enhance governance. For instance, governance risk and compliance software (GRC), artificial intelligence risks analytics, monitoring systems and business intelligence dashboard. This can augment early detection of incipient risks, complement evidence based decisions and enabled real time reporting. The study of Liu (2024) further confirmed the impact of innovative technology in combatting risk within the organisation. Continuous training is essential for independent director, training should cover areas relating to artificial intelligence, cybersecurity, digital transformation, climate risk, nascent risks, fraud and financial reporting. This has been linked to strengthen directors in decisions making,

5.2. Information Governance and Board Evaluation Framework

Information governance framework can curb concern of information asymmetry. The board should be furnished with complete and accurate information on key risk indicators(KRIs), real-time dashboards, cyber security updates, incident and compliance reports. Information governance has been linked to heighten transparency, accuracy, timeliness, constituency and completeness. Utilisation of real time data tools can improve flow of information. This would limit reliance on management while elevating board decisions. Research by Musallam (2025) further suggested that oversight gap of information asymmetry can be mitigated by appointing directors with relevant industry experience, implementing constant training and education for board members on operations of the organisation and emerging risk.

5.3 Risk Governance Framework

Integration of compliance, ethics, risk management, sustainability and performance management would give room for risk considerations in decision making within the company. A risk governance that clearly spell out duties will aid an effective management of risk. The board on one hand should set the tone at the top by supervising risks, setting risk appetite and approving risk strategy, while management should supervise operational risks and ensure risk policies are adhered to in order to improve risk mitigation. Benneh (2025) further confirmed that clear definition of expectations would eradicate confusion and boost board oversight.

5.4 Enterprise Risk Management (ERM) Framework

Enterprise risk management is one of the most effective governance framework. Integration of ERM into all the company's activity has been confirmed by the Committee of Sponsoring Organisations of the Treadway Commission as an effective mechanism. The various element of ERM includes; strategy and goal setting, information and communication, performance, governance and culture, review and risk assessment. This has been associated to upgrade communication, limit information asymmetry, improve identification of emerging risks and enable a disclosure of structured risk information.

5.5 Stakeholders Governance Framework

Encouraging the involvement of stakeholders would assist boards in recognising risks that might be omitted in financial report. Risk management committee should actively engage all categories of stakeholders including, investors, employees, customers, suppliers, regulators and communities. The studies of Stoelhorst and Vishwanathan (2024) on the stakeholders' theory additionally confirmed the benefits of advocating for the participation of the company's stakeholders in risk management.

5.6. Three Lines Model

Three Lines Model by the Institute of Internal Auditors improve accountability for risk, it provides assurance from more than one source. The first line tackle daily operations, identification and controlling of risk, while, second line address activities relating to compliance, it handles supervision of risk, internal control, development of policy and enforcement of compliance to regulations. The third line comprise of the internal audit, they report directly to the board and saddled with the following duties; reviewing of controls, providing independent assurance and evaluation of governance.

Proposed Taxonomy

This study advocate for a structure that integrate governance mechanism in a manner that reshape the effect of board independence on risk. The matrix therefore postulates that the impact of board independence on the result of organisation risk is a function of interdependent governance mechanism as indicated below:

Board independence – Oversight intensity-- Quality of Information-Expertise-Quality of Decision-Risk consequence.

These variables are dependent on each other, oversight intensity, quality of information and expertise operate as structures that allow independent directors to turn their independence into robust decisions and consequently optimal risk consequence

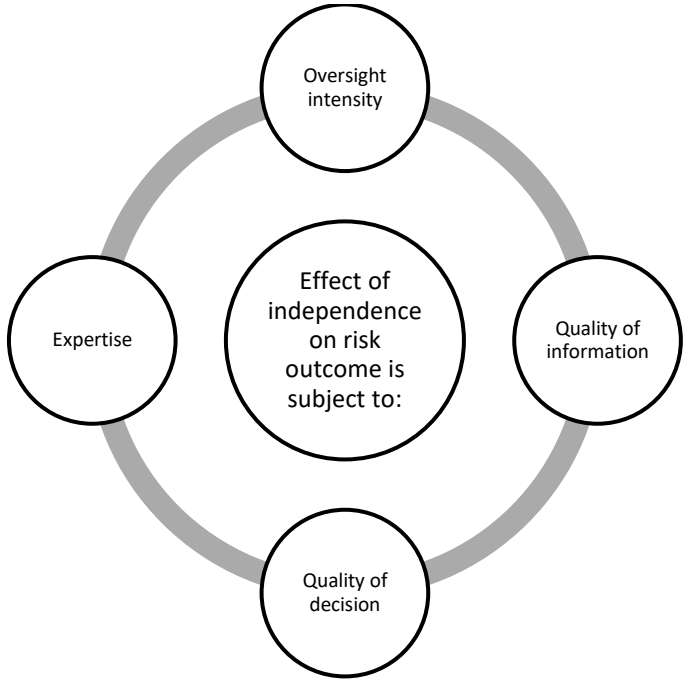


Figure III: Proposed Framework

Proposition 1: Board Independence

Independence is beneficial, it provides a system that safeguard shareholder and stakeholder interest, it allows director to query detrimental risk taking, management presumptions and certify that risks ratification are not influence by executive management. Excessive independence can be detrimental to the wellbeing of the organisation. Independent directors most times are unfamiliar with the organisation's internal processes, they may not have information of daily risk relating to the organisation, rely on management for information and may therefore be unwilling to take decisions. Excessive oversight, limited organisation specific knowledge, information asymmetry, ineffective monitoring and negative decision will result in negative risk repercussion. This pillar does not oppose independence, rather, it advocates complementing independence with robust information, required experts and oversights.

Propound Hypothesis

P1: Board independence has the capacity to complement risk mitigation, it effectiveness however is a function of availability of robust information, essential experts and sound oversight mechanism.

Proposition 2: Oversight Intensity

Oversight intensity connotes the level, volume and extent of board participation in monitoring management and company's risk. The activities are portrayed through time utilised on risk discussion, interrogating executive, scenario analysis, sequence of board meetings, internal audit engagements, external audit relationship, sequence of committee meetings, assessment of

risk report, supervision of risk indices and stress testing. Independence is meaningless if directors are not active. Highly independent board irregular meetings and acceptance of management reports without queries may create weaker oversight than an independent board that assess risk. Oversight intensity thus relate to the behavioural dimension of board independence. Oversight as a control mechanism can be represented thus:

Independence-willingness to query
Expertise-capacity to comprehend
Information quality-capacity to recognise
Oversight intensity- eagerness and capacity to scrutinise
Oversight intensity should not indicate excessive monitoring. Excessive oversight can result in delay in decision making, excessive bureaucracy, unclear board-management duties and high cost of monitoring. The matrix therefore focuses on effective oversight intensity.
Propound Hypothesis.
P2: Appropriate oversight intensity complement the capability of independent directors in recognising, assessing and responding to organisational risks.

Proposition3: Quality of Information
Quality of information implies comprehensive, necessary, timely, error free, valid, and detailed information is being furnished to the board. A board may be independent but without robust information, that can enhance decision. Management have direct information relating to customers, internal risk indices, incipient threats, administration, strategic, employees and financial budgets. Hence, the absence of robust information may only create formal independence. High quality information minimise detrimental effect, it boosts directors in recognising inconsistences, evaluating risk concentrations, querying management, comprehending risk interconnectivity, arriving at certified decisions and identifying traces of risk on timely basis. Quality of information thus serve as a connection between independence and effective oversight.
Propound Hypothesis
P3: Independent directors are enabled to supervise management and produce effective risk oversight subject to the availability of robust, timely and dependable information.

Proposition 4: Quality of Decision
This connote the ability of the board to be able to make decisions that align with the risk appetite of the organisation, response to incipient risks, decision that can be validated, complete, timely and consistent with organisation's objectives. Quality of decision is a key mediating outcome, the decisions produced by the board have a repercussion on risk. Matrix for the quality of decision can be represented as follows: Board Composition-Board Process-Board Decision-Risk implication.

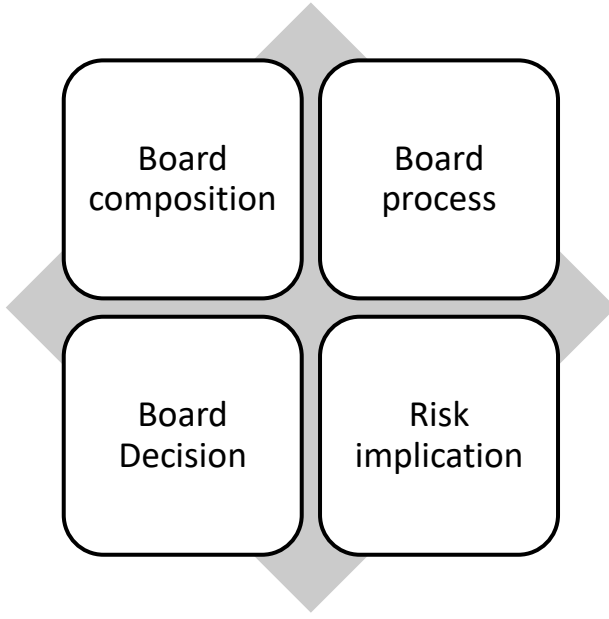


Figure IV: Quality of Decision

The board does not directly produce risk outcomes merely by being independent. It produces decisions, and those decisions subsequently influence risk. Independence with structural attribute, expertise and quality of information are required resources, oversight intensity portrays board behaviours, risk repercussion is the organisation's outcome. A board nay be independent but unable to arrive at quality decisions if oversight is ineffective, information is not robust, required expertise is absent, risk information has heavy intricacies, slow decision making, existence of disagreement and if directors failed to query management when necessary. The quality of board decision making should thus connect to the relationship between board independence and risk consequence

Propound Hypothesis.

P4: The connection between board independence and organisational risk outcome is mediated by high quality board decisions.

Proposition 5: Board Expertise

Board expertise connote the aptitudes, exposure and intellectual capacity directors acquire that capacitate them to comprehend and assess the organisation's risk. Necessary expertise includes industrial knowledge, accounting, risk management, regulatory, technological, cybersecurity knowledge, strategic and financial expertise. Expertise is essential in order to allow independent directors to query management report when necessary. Expertise enables directors to gain comprehension of intricacies of risk exposures, comprehend incipient risk, differentiate between material and non-material risk, query management presumptions, comprehend financial and non-financial information, assess strategies, and comprehend the implication of risk decisions. Expertise can cover for one of the issues connected with board dependence. "Issues of independent directors not familiar with organisation's internal processes." The proposition is not just high expertise imply improved risk outcomes. But instead independence would produce effective outcome when independent directors comprise of relevant expertise.

For instance, a board without an expert in finance may be able to query a project but incapacitated to evaluate the embedded financial risk, A board with necessary experts can query the project on substantive ground rather than on mere procedural grounds.

Propound Hypothesis

P5: Availability of required directors with necessary financial, industry and risk management expertise would strengthen the association between board independence and risk mitigation.

Risk Outcome

Risk outcome imply the end result of the board's risk administrative process. positive manifestations may include: lower risk exposure, minimal risk occurrence, strengthen crisis readiness, improved recognition of incipient risks, decreased volatility reduced possibility of major losses and elevated financial resilience. Negative repercussion may include fraud, administrative failure, financial distress, bad organisation image, slow crisis response, cyber security occurrence, and high risk taking.The vital point is that risk outcome should be interpreted as the output of a governance process rather than a direct implication of board structure.

Integrated conceptual framework (Board Governance Material)

Board independence



Oversight intensity

- Monitoring
- Constraint
- Risk assessment
- Post assessment



Quality of information

- Error free
- Relevance
- Complete



Board Expertise

- Financial competence
- Industry intellectual capacity
- Risk knowledge



Quality of Decision

- Relevance
- Proportionate
- Risk aligned
- Validated



Risk Consequence

- Risk control
- Adherence
- Resilience
- Reduced risk losses

Subsequent Relationship (Feedback Matrix)

Board independence



Quality of information



Expertise



Oversight intensity



Quality of decision



Risk consequence

- Board information
- Expertise
- Oversight requirement

This feedback acknowledge that outcome of risk can produce emerging information that reshape future board oversight, expertise and information needs. Board independence should not be conceptualised as independent administrative mechanism, its functionality in risk mitigation is a function of robust information, needed oversight and availability of required expertise. This proposition emphasise that board independence does not automatically imply safe firm, but rather expertise provides the capacity to comprehend, quality of information

provides the capacity to know, oversight provide the capacity to scrutinise and act, quality of decision indicates the governance outcome, risk implication depicts the ultimate result.

In addition to the above frameworks, organisation would further benefit from skills diversity among the board. An effective board should incorporate members with professional experience in various fields, cybersecurity, human resources, operations, legal affairs, risk management, marketing, technology, finance and accounting. Resource dependency theory likewise posit that members with wealth of experience and knowledge should be the component of the board. Regulating bodies such as OECD likewise attest to the need for required knowledge among board members and sufficient flow of information for improved oversight and for making strategic decisions. High impact strategic risk should be prioritized over operational issue. Furthermore, regular cost benefit review on overheads of governance duties should be carried out in order to eradicate ineffective committees and activities.

Practical Implication

In practise, independence does not imply effectiveness, information asymmetry can inhibit proper oversight, independent directors may not possess sufficient knowledge about the company and thus depend on management thereby making oversight less effective. Additionally, excessive independence can result to detachment, directors in paying attention to compliance may silently hinder innovation and advancement. Practically, independence can affect risk mitigation where oversight is augmented at the expense of good relationship between directors and management (Yadav & Jain,2023). An effective system should create a balance between oversight and trust. Another practical implication according to the resource dependency theory is independence versus expertise, independent directors may lack required expertise. Worthy of note is the implication of independent directors focussing on risks mitigation at the expense of investments that are not certain. In practise board should embark on seasonal evaluations of information quality, evaluate expertise not simply independence. Board should create basic technical competencies for risk committees, assess committee structures in order to ascertain if it slow down crisis decisions or not. Board should additionally assess if administrative controls commensurate with risk and integrate incipient risk expertise such as cybersecurity and AI risk. Board should further review board functionality rather than board independence alone. Overall, a governance model that collaborate independence with appropriate expertise and effective flow of information will make independence a valuable mechanism in risk mitigation.

Social Implications

At the societal level, empowered independent board can promote good attitude that foster environmental preservation and prevention of frauds. However, immediate versus long term societal impact can be an issue. Independent boards can be pressurised for financial accomplishment by investors. This can result in reducing investments in local communities and restricting research and development, which in turn raise the risk of low level of growth and developments. At the society, the agency theory confirm that independent board can complement supervision of environmental and social risks, such as enforcing adherence to

regulations and kicking against wrong practises (Aboud & Yang, 2022). Nonetheless, independent board may restrict activities that promote the community if these are perceived as risky. Board should integrate controls for evaluating employee's welfare and consumer's protection. Additionally, board should incorporate mechanism for mitigating and assessing environmental risk, risk relating to cyber, and ESG. The board should further integrate effective governance controls to evaluate community impact, financial stability and corporate misconduct. In essence, independence can complement, long term societal value and corporate efficiency if broader stakeholder perspective is employed, if on the other hand the focus is on shareholders' returns, it can result in short- termism as well as inequality, the result is a function of how it is being adopted.

Conclusion

This paper advanced theoretical knowledge by revealing the impact of board independence, the study adds a critical perspective to governance literature by advancing a contingency-based governance taxonomy describing when independence strengthen or weakens risk mitigation. The study contributes to policy makers in expanding board independence literature with a governance lens by highlighting how board structure can impact the enterprise growth and development unlike existing literatures that focusses on frameworks and systems with limited board level governance issues. A balanced governance mechanism that combine oversight, resource provision and collaborative stewardship can guarantee a safe firm. The study concluded that the effectiveness of board independence is a function of expertise, quality of information and constructive administrative operations. It is critical to express the limitations of this study, while the study contributed a critical perspective to governance literature by identifying board effectiveness as well as revealing the myopia of board independence in risk mitigation, they are based on review of existing literatures and empirical evidence. Additionally, the systematic review of literature majorly comprises of English language publications, which may have excluded studies in other languages which may be relevant, Future research should consider extending the study by engaging on longitudinal studies on impact of regulatory setting on board independent and risk mitigation, context-specific empirical studies of these dynamics, as well as how board independence impact on organisational resilience during the periods of economic instability.

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