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Employee Perceptions of Corporate Governance and Financial Performance in Bengaluru IT Firms

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Abstract: This study re-examines whether governance architecture is uniformly associated with financial performance perceptions in Indian information-technology firms, distinguishing substantive board design from committee formalism.

Structured questionnaires were distributed to employees of six companies operating in Bengaluru; 103 valid responses were reported. Five six-item scales measured board size, board composition, corporate policy, independent committees and perceived financial performance. Reliability and bivariate correlations were audited. The source regression summary was excluded because its reported R , R^2 and bivariate correlations are mathematically incompatible.

Scale reliability ranged from $\alpha = .753$ to $.921$. Perceived performance was strongly correlated with board composition ($r = .821$), corporate policy ($r = .788$), and board size ($r = .743$), all $p < .001$ as reported. Independent committees showed only $r = .141$; at $n = 103$, the recalculated two-tailed p is approximately $.155$ and is not significant. The evidence therefore supports a differentiated rather than universal governance–performance association.

The paper develops an architecture-versus-formalism interpretation for technology-sector governance. It also demonstrates why employee perceptions should be described as perceived performance rather than accounting performance and why arithmetical diagnostics are essential before causal governance claims are made.

Keywords: corporate governance, board composition, board size, independent committees, perceived financial performance, IT firms, India

JEL classification: G30, G34, L25, M14

1. Introduction

Corporate governance defines how authority, monitoring, accountability and strategic advice are organised around the firm. Its relevance has expanded from investor protection to sustainability, resilience and disclosure, themes now embedded in the G20/OECD Principles of Corporate Governance (OECD, 2023). In India, listed entities operate under the Companies Act and SEBI's Listing Obligations and Disclosure Requirements, which specify board, committee and disclosure expectations.

Information-technology firms create a particularly demanding governance setting. Their value depends heavily on intangible assets, human capital, cybersecurity, global contracting and rapid technological change. Boards must therefore do more than satisfy structural requirements: they must supply expertise, challenge management, oversee digital risk and connect policy with execution. Recent work on ERP implementation

similarly shows that organisational performance depends on how formal systems are adopted and used, not on their mere existence (Kishore et al., 2025).

Prior studies report mixed governance–performance relationships. Board independence, diversity and composition can improve monitoring and resource access, but larger boards may create coordination costs; committees may either deepen oversight or become ceremonial. Indian panel evidence accordingly varies by governance mechanism and performance measure (Al-ahdal et al., 2020; Chatterjee & Nag, 2022; Pathak & Chandani, 2023).

The source study treated all governance dimensions as positively influential. This revised paper asks a sharper question: which governance structures are meaningfully associated with employee perceptions of financial performance, and which may represent formal compliance without observable performance relevance? The answer reveals a governance differentiation

effect—strong associations for board architecture and policy, but no reliable association for independent committees.

2. Theory and Hypotheses

2.1. Agency and resource-dependence mechanisms

Agency theory views the board as a monitoring institution that constrains managerial opportunism and improves accountability (Jensen & Meckling, 1976). Resource-dependence theory adds an advisory and boundary-spanning role: directors provide knowledge, legitimacy and external connections (Hillman & Dalziel, 2003). These mechanisms imply that governance affects performance through both control and capability.

2.2. Board size

Larger boards can widen expertise and stakeholder representation, which may be valuable in complex, global technology firms. Beyond an optimal point, however, communication and free-riding costs may weaken decision quality. The expected association is therefore context-dependent rather than mechanically positive.

2.3. Board composition

Composition captures the balance of executive, non-executive and independent expertise. Heterogeneous knowledge can improve challenge and strategic advice, while genuine independence can limit managerial capture. Indian evidence suggests that composition matters, although effects vary with ownership, diversity and performance metric (Chatterjee & Nag, 2022; Pathak & Chandani, 2023).

2.4. Corporate policy

Corporate policy converts board intent into decision rights, disclosure routines, risk thresholds and accountability. It is the process layer that connects formal governance structures to organisational behaviour. Technology-enabled organisational systems similarly create performance only when policies and user practices align (Kishore et al., 2025).

2.5. Independent committees

Audit, nomination, risk and remuneration committees specialise oversight. Their existence may signal compliance, but effectiveness depends on independence, competence, information access, meeting quality and follow-through. Committee presence without substantive authority may therefore be decoupled from performance.

2.6. Hypotheses

- H1: Board size is positively associated with perceived financial performance.
- H2: Board composition is positively associated with perceived financial performance.

- H3: Corporate policy is positively associated with perceived financial performance.
- H4: Independent committees are positively associated with perceived financial performance.

3. Method

3.1. Design, setting and respondents

The study used a cross-sectional questionnaire administered to staff in Tech Mahindra, Tata Consultancy Services, Infosys, Capgemini, Caterpillar and Wipro operations in Bengaluru. Of 150 questionnaires distributed, 103 were reported as valid (68.7% response rate). Men constituted 73.8% ($n = 76$) and women 26.2% ($n = 27$). The work-experience table accounts for only 93 respondents, leaving ten cases undocumented; this variable is therefore not used analytically.

3.2. Measures

Five constructs—board size, board composition, corporate policy, independent committees and perceived financial performance—were each represented by six five-point Likert items. The source paper does not reproduce item wording, scale provenance, pilot procedure or validity diagnostics. Because employees supplied both governance and performance ratings, the dependent variable is explicitly labelled perceived financial performance.

3.3. Analytical integrity protocol

Internal consistency was assessed with Cronbach's alpha and hypotheses with Pearson correlations. Reported significance values were checked against r and n . The source regression statement was not retained: $R = .723$ cannot yield $R^2 = .852$, and a multiple R cannot be lower than the reported bivariate correlation of .821 between board composition and performance. Without raw data, regression coefficients cannot be reconstructed responsibly.

4. Results

4.1. Reliability

All scales exceed the conventional .70 reliability threshold, although board composition is less internally consistent than the other measures. Alpha alone does not establish dimensionality, convergent validity or discriminant validity.

4.2. Governance–performance associations

Board composition has the strongest association with perceived performance, followed by corporate policy and board size. The independent-committee coefficient is small. For $r = .141$ and $n = 103$, the two-tailed p value is approximately .155, contradicting the source table's $p = .000$. H4 is therefore not supported.

Table 1: Internal consistency of study constructs

Construct	Items	Cronbach's α	Assessment
Board size	6	.821	Good
Board composition	6	.753	Acceptable
Corporate policy	6	.921	Excellent
Independent committees	6	.902	Excellent
Perceived financial performance	6	.812	Good

Table 2: Audited hypothesis results

Hypothesis/relationship	r	Reported p	Audited p	Decision
H1 Board size $\leftrightarrow$ perceived performance	.743	< .001	< .001	Supported
H2 Board composition $\leftrightarrow$ perceived performance	.821	< .001	< .001	Supported
H3 Corporate policy $\leftrightarrow$ perceived performance	.788	< .001	< .001	Supported
H4 Independent committees $\leftrightarrow$ perceived performance	.141	.000	$\approx$.155	Not supported

4.3. Data-quality audit

Three additional inconsistencies limit inference. First, board size and board composition are reported as $r = .154$ with $p = .000$, although this coefficient would not be significant at $n = 103$. Second, experience frequencies sum to 93 while the table reports 92 and the analytic sample is 103. Third, the model summary reports $R = .723$, $R^2 = .852$, and adjusted $R^2 = .828$; these values cannot coexist. The correlational results are therefore retained only where they are arithmetically interpretable.

5. Discussion

5.1. Board architecture appears substantive

The high board-composition coefficient suggests that respondents associate expertise, independence and role balance with stronger performance. This is compatible with agency and resource-dependence explanations: composition shapes both monitoring quality and the knowledge available for strategic decisions. Board size also matters, but its lower coefficient implies that who sits on the board may be more important than the number of seats.

5.2. Policy is the governance transmission mechanism

Corporate policy shows a strong association because policies translate governance into repeatable decisions, controls and disclosures. This process interpretation connects corporate governance with organisational-systems research: formal architectures improve outcomes only when implementation, user acceptance and operating routines are aligned (Kishore et al., 2025). AI-enabled supply-chain research likewise highlights that digital capability requires coordinated managerial systems rather than technology alone (Nagaraju et al., 2024).

5.3. Independent committees may be ceremonial

The weak committee coefficient is the paper's principal boundary condition. Establishing committees may satisfy visible governance requirements without changing performance perceptions. Effectiveness depends on financial and technical competence, chair independence, information quality, escalation authority and whether recommendations alter executive action. This finding shifts attention from committee presence to committee process.

6. Why perceived performance is not accounting performance

Employees may observe process quality, strategic clarity and organisational confidence, but they do not necessarily know audited profitability, market valuation or risk-adjusted returns. Common-source perceptions can also inflate correlations. The results therefore illuminate perceived governance effectiveness, not the causal effect of board structures on ROA, ROE or Tobin's Q .

7. Implications

7.1. Implications for boards and firms

Prioritise competence matrices, sector knowledge, cybersecurity expertise and genuine challenge when composing technology-company boards.

Connect policies to owners, thresholds, evidence and escalation routes; governance documents should specify how decisions are monitored and corrected.

Evaluate committees through agenda quality, attendance, information timeliness, recommendation closure and risk outcomes—not their formal existence.

Use board and committee evaluations to test whether independence is behavioural as well as regulatory.

7.2. Regulatory implications

SEBI's LODR framework and the G20/OECD Principles appropriately emphasise responsibilities, disclosure, sustainability and resilience. Supervisory attention can move further from structural compliance toward evidence of committee effectiveness, skills, information flows and action closure. The current SEBI regulations and implementation guidance should be consulted when updating the institutional context (SEBI, 2026).

8. Conclusion

The audited evidence does not support a blanket claim that every governance mechanism improves financial performance. Board composition, corporate policy and board size are strongly associated with employee perceptions of performance, while independent committees are not. This architecture-versus-formalism distinction is the manuscript's central contribution.

The cross-sectional, common-source and non-probability design prevents causal inference. Scale items and sources are unavailable; objective financial measures are absent; company-level clustering is ignored; respondent experience is incomplete; correlations contain impossible p values; and the regression summary is invalid. These are not cosmetic limitations and must be resolved before submission to a Q1 journal.

A publishable validation should construct a firm-year panel of listed Indian IT companies, combine board data with ROA, ROE, Tobin's Q and market-adjusted returns, and estimate fixed-effects or system-GMM models with firm size, leverage, age, ownership and R&D intensity as controls. Committee effectiveness should be measured through expertise, meeting attendance, tenure, independence and recommendation closure. A separate employee survey could then test whether perceived governance quality mediates the relation between formal structures and organisational outcomes.

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