Examining talent management using CG as proxy measure: a case study of State Bank of India

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Abstract
Purpose – The present paper aims to measure talent management using corporate governance as a proxy measure and examine its impact on business performance in a public-sector bank, i.e. State Bank of India.

Design/methodology/approach – Quarterly reports of State Bank of India from the financial periods 2006-2007 to 2009-2010 are used to collect data with respect to boardroom characteristics and ownership structure, and audit and nomination committees. The data used to assess boardroom characteristics and the audit committee include the number of meetings held, frequency, and meetings attended by board members. Business performance is assessed using ROA, ROE and Tobin's Q.

Findings – On the basis of the results, the study found that boardroom characteristics have an insignificant impact on business performance, while audit committee and ownership structure have a significant impact on business performance (i.e. ROA, ROE and Tobin's Q).

Research limitations/implications – The study considers corporate governance as a proxy measure of talent management, and only three corporate governance committees are used to examine their impact on business performance. Secondly, the results are based on quarterly reports from four years’ financial statements.

Originality/value – The paper contributes to the existing literature in exploring relationships between corporate governance, talent management governance and business performance in an Indian setting.

Keywords Corporate governance, Business performance, Boardroom performance, Banking, India

Corporate governance

The structure of corporate governance (CG) has received increasing attention in the accounting and financial literature (Webb, 2007). A series of high-profile corporate scandals in the USA and across the world and the collapse of prominent business firms such as Enron and Worldcom, etc., have led to the development of the CG concept. The literature confirms that the implementation of CG plays an important role in safeguarding the assets of firms (Madhani, 2007). Madhani (2007) also remarked that sound CG practices enhance the transparency and accountability of the overall system and reduce the risk of fraud or scams by the management of firms. Basically, the CG system relies on the board of directors as its main organ, which improves the performance of the board (Jamali et al., 2007) vis-à-vis firm performance. Bathala et al. (2006) and Chen et al. (2006) also emphasised that firm performance depends on the effectiveness of CG mechanisms such as board independence, board size, CEO roles, board composition and control. The board of directors and specialised committees play a key role in CG practices (Khiari et al., 2007) through formulating, developing, appointing, supervising and remunerating senior executives and ensuring the accountability of the organisation to its owners and authorities (Khanchel, 2007). Abor and Biekpe (2007) remarked that the implementation of CG practices helps in enhancing business prosperity, corporate accountability and shareholder value, and also protects the interests of stakeholders.
In India the concept of CG drew significant attention in the wake of economic liberalisation and the deregulation of industry, which demand a new corporate ethos and stricter compliance with legislation (Das, 2007). Since the adoption of the new economic policy in 1991, there has been a sea change in the structure of the public sector unit (Das, 2007; Ghosh, 2007). The first initiative in the area of CG was taken by the Confederation of Indian Industry (CII), which released its code on desirable CG practices in April 1998. The emphasis of this code was on the composition and structure of the Board of Directors and disclosures. Later, the Securities and Exchange Board of India (SEBI) constituted the Kumar Mangalam Birla Committee in early 1999 to make recommendations on CG practices. Subsequently, in early 2000, the SEBI inserted a new Clause 49 in the listing Agreement making companies adhere to certain principles of CG (mandatory as well as non-mandatory).

CG is not just corporate management; it is something much broader that includes the major parameters of accountability and reporting system in the governance of a corporation (Ghosh, 2007; Kumar, 2004). It is a system of structuring, operating and controlling a company with a view to achieving the long-term objective of satisfying shareholders, creditors, employees, customers and suppliers with legal and regulatory requirements, as well meeting environmental and social obligations (Gopalaswamy, 1998). Li et al. (2008) defined CG as a framework of legal, institutional and culture factors that shape the patterns of influence that shareholders exert on managerial decision making.

Talent management and CG

Talent management is a process that ensures that an organisation has the quality and quantity of people in place to meet current and future business priorities. The process covers all the aspects of an employer’s lifecycle, i.e. selection, succession, and performance management (Wellins et al., 200). The long-term health of the organisation and succession planning at the senior level are primarily the responsibility of the CEO and members of the corporate board (Berger and Berger, 2004). The board of directors plays a key role in CG practices and their talent gives shape to the success of the organisation. Whelan et al. (2009) remarked that CEO involvement in the talent management process has been increasing in recent years. Wellins et al. (2004) pointed out that the CEO is more significant in comparison to the HR manager in managing talent. Effective governance requires all employees from CEO and downwards to manage the organisation in a way that satisfies the need for accountability, integrity, efficiency and transparency. This ultimately paves the way for effective decision-making. Li et al. (2008) found a significant relationship between intellectual capital disclosure and CG. Hence, CG plays an indirect but key role in the way top talent is selected, and the way in which a process that applies to succession management is developed. Alternatively, the talent developed within the framework of CG can be seen as a key requirement of any approach relating to talent management. Primarily, the CEO can improve organisational performance through effective CG practices, which subsequently will nurture and develop talent at all levels.

Business performance

Business performance is a two-dimensional concept based on objective and subjective performance. Objective performance is the outcome of the business activities of the organisation. The indicators of objective performance are quantitative in nature and include measures such as return on assets, return on equity, economic value added, market value and Tobin’s Q. Accounting scientists, however, prefer the use of economic value added and Tobin’s Q over traditional existing measures. Economic value added is better as it deducts capital charges or the cost of capital employed from the net operating profit after taxes. Unlike a simple market valuation, Tobin’s Q considers asset value as well as market value. On other hand, subjective performance relates to the perceptions of individuals about organisational performance. The indicators used to reflect subjective performance may include customer satisfaction, employee satisfaction, service quality, reputation, etc.

The present paper considers CG as a proxy measure to reflect talent management. The higher efficiency of board members is always associated with their competency and skill.
The competent and skilled members, through better decision-making, pave the way for effective business performance. The primary objective of the study is to examine the impact of (talent management) CG practices of public banks through various items relating to financial performance measures, namely return on assets (ROA), economic value added (EVA) and Tobin’s Q. Further, the study also examines the functioning of the audit and nomination committees of the bank.

CG in the banking industry

Bank and financial institutions have made pivotal contributions over the years to India’s economic growth and development (Pati, 2007). Public-sector banks like State Bank of India and Punjab National Bank have adopted CG as a work ethos to encourage high standards of accountability, transparency, social responsiveness and operational efficiencies, the best ethical business practices for maximising shareholder value and to protect the interests of all stakeholders. Good governance facilitates effective management and control of the business, enables the bank to maintain a high level of business ethics and optimise value for all its stakeholders (State Bank of India, Annual Report 2007-2008). Ownership pattern, regulatory environment, societal pressure (on the development role of banks) and board structure are key elements in the design of the governance framework for the banking sector (Naryana and Mohan, 2007). Good corporate governance is considered much more than complying with legal and regulatory requirements. Private-sector banks such as HDFC and J&K consider independence, accountability, responsibility, transparency, fair and timely disclosure, credibility as significant cardinal principles of CG (Annual Report, 2008). In its Annual Report of 2008, HDFC bank specifically disclosed that it adopts and adheres to best international banking practices, which include best board practices, transparent disclosure and shareholder empowerment necessary for creating shareholder value. On the other hand, ICICI bank’s CG philosophy encompasses not only regulatory and legal requirements, such as the terms of listing agreements with the stock exchange, but also several voluntary practices that are aimed at a high level of business ethics, effective supervision and enhancement of value for all stakeholders.

Mandatory and non-mandatory guidelines of CG

The disclosure of CG practices by banking companies in India was evolved by the voluntary actions taken by the Reserve Bank of India, the Banking Regulation Act 1949, the Companies’ Act 1956 and the Securities Exchange Board of India (SEBI) and various other regulatory bodies. Initially in the year 2003, Clause 49 of the Listing Agreement of SEBI was accepted as the guideline for the disclosure of CG practices. SEBI revised Clause 49 in 2004 for listed companies, requiring the disclosure of information in annual reports of banking companies under two headings, i.e. mandatory CG requirements and non-mandatory CG requirements. Mandatory CG requirements include the information to be disclosed in annual reports relating to company philosophy on code of governance, board of directors (composition, category, number of meetings held and attended in the annual general meeting), audit committee, remuneration committee, shareholders’ committee, general body meetings, disclosure, means of communication and general shareholders. Non-mandatory requirements on the other hand include chairman of the board, shareholder rights, audit qualification, training of board members, mechanism for evaluation of non-executive directors and whistleblower policy.

Role of CG in TM

CG practices directly influence shareholders’ and stakeholders’ decisions through effective disclosures. The nature and content of disclosure in the annual reports is primarily the outcome of the skills and competence of the board of directors (BoD). The BoD is an internal control mechanism that takes decisions on behalf of the shareholders and ensures that management behaviour is consistent with the owners’ interests. Extending this argument, Li et al. (2008) justified that the BoD manages information disclosure in annual reports and therefore the
constituents of board are important in decision-making. The BoD is the heart of corporate financial communications, which play active role in the disclosure process related to:

- the provision of primary information regarding the corporate value creation process;
- the provision of information about themselves in terms of their skills in managing the business;
- the manner in which they are organised to conduct financial communications; and
- reputation for the honesty of disclosure.

Based on the literature review and mandatory and non-mandatory disclosures on CG, three significant committees are discussed:

1. **Board structure** – Good CG is an outcome of cognitive processes that depends on the efficiency of board members and their valuable contributions in different fields (Jamali et al., 2007; Muranda, 2006). Research in the area of board structure, particularly the size of the board, has a material impact on the quality of CG (Muranda, 2006) vis-à-vis performance. Abor and Biekpe (2007) also found a positive association between board size and performance, and suggested that a relatively larger board performs better as compared to a smaller board, as a large board helps in making better decisions. Further, as well as board size, board composition, management skill and CEO duality also have a significant positive impact on firm performance and firm profitability. Chen et al. (2006) found that firms that have a high proportion of independent directors on the board are less likely to engage in fraud. Other board characteristics such as the frequency of board meetings and a shorter tenure of the board also affect decision-making and indirectly reflect the competency of board members.

2. **Audit committee** – Basically, audit committee members are in charge of overseeing the internal control system and the financial reports of the company (Balasubramanian, 1998). Balasubramanian (1998) also remarked that the better the talent competency and skill of the committee members, the better will be the decision-making and the performance. Gillan (2006) contemplated that the quality of CG practices can improve with better composition of the audit committee and a higher frequency of meetings.

3. **Nomination committee** – The nomination committee is constituted to search, evaluate and recommend appropriate independent directors and non-executive directors. The efficiency of the nomination committee enhances governance quality through effective evaluation of board members in frequently conducted meetings. CG quality also increases with the existence of separate specialised committees and the number of meetings organised during the financial period. Khanchel (2007) also suggested that the majority of Indian firms need to formulate a nomination committee to garner the full benefits of corporate governance practices.

**Formulation of hypotheses**

**Boardroom characteristics**

A prime focus of our study is to see whether CG has an impact on business performance. The board is responsible for making major policy decisions as well as monitoring the day-to-day operations of the business, and has a major responsibility towards enhancing business performance. Board members are legally responsible for the management of the corporation and are accountable to their stakeholders. In other words, they have a duty to protect the interests of shareholders and provide an adequate return on their investment. Nelson (2005) examined the link between firm performance and CEO characteristics and the change in CG practices. He remarked that the shareholders of better performing firms are more likely to approve an increase in the power of the board of directors, while the boards of poorly performing firms are much more likely to initiate governance changes that circumvent shareholders approval. However, age and tenure do not have any relationship with governance change. Filatotchev et al. (2005) concluded that the board’s independence has a positive impact on firm performance. A board with a greater proportion of outside directors
makes better decisions – in particular, for example, better decisions on the appointment of a CEO. In this context, Muranda (2006) also remarked that firms do not perform effectively when the board chairman is an executive and holds major shareholder power. Focusing on Chinese firms, Chen et al. (2006) stated that board characteristics are important in distinguishing between fraudulent and non-fraudulent firms. They further asserted that the proportion of outside directors, the number of board meetings and the tenure of the board chair are associated with incidence of fraud and need to be checked. Similarly, Gillan (2006) examined CG from three aspects:

1. performance as a function of governance (i.e. Tobin’s Q as a function of board structure);
2. governance as a function of governance (CEO pay in relation to ownership structure); and
3. the impact of governance on performance (variation in governance structures).

Khiari et al. (2007) identified that efficient firms listed on stock exchanges have the best governance practices. They also remarked that a non-performing system is characterised by managerial discretion, ownership concentration, dominance of the board by the CEO and entrenchment of managers, whereas a well-performing system is characterised by internal control efficiency and external financial control efficiency. To summarise, good CG firms always have efficient directors and as such reflect the efficiency of the organisation. This study thus hypothesises that:

\[ H1a. \] Boardroom characteristics have an impact on business performance of the bank.

\[ H1b. \] Audit committee have an impact on business performance of the bank.

\[ H1c. \] Nomination committee have an impact on business performance of the bank.

**Ownership structure**

The structure of corporate ownership significantly influences the financial performance of the company. The board ownership structure of a firm depends on the shareholder pattern. The decision to issue shares to different institutions, bodies, government, individuals, etc., is fixed prior to listing and any transfer between these categories is very rare. A number of studies in the USA suggests that a large block of outside ownership may have a positive impact on performance (Filatotchev et al., 2005). Mittal and Kansal (2007) found three significant determinants of ownership structure:

1. institutional investors’ share;
2. shareholders’ share; and
3. leverage.

Chen et al. (2006) and Anderson and Campbell (2004) remarked that ownership structure (percentage of shares held by different individuals, legal entities and foreign stockholders) influences business performance to a greater extent. This has led to the development of the following hypothesis:

\[ H2. \] Ownership structure has a positive impact on business performance.

**Case study of State Bank of India**

The State Bank of India (SBI), incorporated in the year 1955 by an Act of the Parliament (i.e. The State Bank Of India Act, 1955; “the Act”). It is one of the largest public sector banks in the country, with equity exceeding Rs 34,09,846 crores (Annual Report, 2008-2009), and it possesses one of the largest core banking networks in the world. The bank continued on a growth trajectory during 2009 in respect of branch expansion, with 807 new branches being opened, the majority of which (481) were in rural and semi-urban areas. The bank also increased its ATM network by an impressive 44 per cent to 8,581 at the end of 2009. Besides increased infrastructure, the financial performance of the bank is also seen to be increasing. Its total assets increased by 9.23 per cent from Rs 9,64,432 crores at the end of March 2009 to Rs 10,53,41,373 crores at the end of March 2010. The key indicators of SBI (see Table I)
showed impressive growth with respect to return on assets (0.88 per cent), return on equity (14.84 per cent), total net income (52.59 per cent) and earning per share (144.37 per cent) in the financial year 2009-2010. SBI has been awarded the “Banker to Every Indian” certificate as it has gone for aggressive expansion in its number of customer services. Also, in 2008-2009 the bank received an award from Indian Bank Association and TFCI for best architecture and rural banking initiative. Further, the bank follows a comprehensive policy based on four pillars of good governance, which include transparency, accountability, integrity, disclosures and values. The good governance practices of the bank enable it to practise trusteeship, fairness and control, leading to shareholder satisfaction, enhanced shareholder value and ethical corporate citizenship.

Research methodology

Quarterly reports of State Bank of India from the financial periods 2006-2007 to 2009-2010 were examined to analyse boardroom characteristics, audit committee and ownership characteristics. In particular, the study analysed the number of directors, the number of board meetings held and attended by members of the board and the CEO to examine boardroom characteristics. Studies such as those by Abor and Biekpe (2007), Gillan (2006), Khiari et al. (2007), Nelson (2005), Chen et al. (2006), Filatotchev et al. (2005), Muranda (2006), Jamali et al. (2007) and Das (2007) also used the same items to examine boardroom and audit committee characteristics. Furthermore, to analyse the ownership structure, data were collected on the proportion of shares held by the shareholders, the state, legal entities and individuals for the four financial periods.

Data analysis

The mandatory information of CG practices as disclosed in the Annual Report of State Bank of India (SBI) is analysed as follows.

**Board of directors.** The board of State Bank of India (SBI) consists of eminent persons with considerable professional experience and expertise in banking, finance, economic, industry, law, etc., who provide information and decisions for the bank’s development and frame out policies and practices. This directly reflects the talent and competent skills of the board of directors. The board considers its primary responsibility to be ensuring the implementation of CG laws and regulation with respect to transparency, accuracy and accountability to its stakeholders.

- **Composition** – The board of directors, the apex of the internal control system, is charged with advising and monitoring management and has the responsibility of hiring and compensating senior management (Jensen 1993). The board of directors presently consists of the chairman/CEO, an executive director and non-executive directors. Tables II-IV show that the composition of the board is quite rational and judicious as per Clause 49 in all the quarterly reports from the financial years 2006-2007, 2007-2008, 2008-2009 and 2009-2010.

- **Participation** – Regarding the participation of each category of directors in board committee meetings, Table III shows appreciable participation of chairman (100 per cent) in all four financial years (2006-2007 to 2009-2010). The executive directors included in the committee from the years 2006-2007 onwards show 100 per cent participation in the first two years, 65 per cent in the third (2008-2009) and 95 per cent in 2009-2010. Overall
the figures reveal very good participation of the non-executive directors in board committee meetings. Regarding non-executive directors, the year-wise participation is 96 per cent (2006-2007), 97 per cent (2007-2008), 64 per cent (2008-2009) and 83 per cent (2009-2010). This also reveals above average participation of non-executive directors in board committee meetings.

**Board meetings** – Regarding the number of meetings held during the four financial years from 2006-2007 to 2009-2010, the findings are quite satisfactory. The average gap between two board meetings in all financial quarters under study (2006-2007, 2007-2008 2008-2009 and 2009-2010) was 34 days, 30 days, 32 days, and 30 days for the four periods, respectively. The average frequency of board committee meetings (i.e. 30 days to 34 days) shows good functioning of CG practices in terms of number of the board committee meetings held. The wider expertise and experience of executive and non-executive directors on the board encourage management to take voluntary disclosure decisions. The proactive position of the board reflects the value of talent management and performance.

**Audit committee**. The audit committee of the board was initially constituted on 27 July 1994 and later reconstituted on 1 October 2006. The audit committee of the board provides direction and oversees the total audit function of the bank and follows up the

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**Table II** Year-wise (2006-2007 to 2009-2010) information on CG determinants of State Bank of India: board characteristics

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<tr>
<td>Number of board members</td>
<td>CEO (1)</td>
<td>2</td>
<td>9</td>
<td>12</td>
<td>1</td>
<td>1</td>
<td>15</td>
<td>1</td>
<td>1</td>
<td>9</td>
<td>11</td>
<td>1</td>
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<tr>
<td>Number of meetings attended</td>
<td>CEO (9)</td>
<td>14</td>
<td>14</td>
<td>11</td>
<td>100</td>
<td>122</td>
<td>99</td>
<td>53</td>
<td>65</td>
<td>10</td>
<td>20</td>
<td>90</td>
</tr>
<tr>
<td>Percentage of meetings</td>
<td>CEO (100)</td>
<td>78</td>
<td>96</td>
<td>42</td>
<td>64</td>
<td>100</td>
<td>97</td>
<td>91</td>
<td>100</td>
<td>64</td>
<td>71</td>
<td>100</td>
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**Table III** Year-wise (2006-2007 to 2009-2010) information on CG determinants of State Bank of India: audit and nomination committees

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<tr>
<td>CEO/Chairman</td>
<td>CEO (1)</td>
<td>6</td>
<td>7</td>
<td>8</td>
<td>1</td>
<td>7</td>
<td>8</td>
<td>1</td>
<td>6</td>
<td>7</td>
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<tr>
<td>Number of meetings held</td>
<td>CEO (10)</td>
<td>60</td>
<td>70</td>
<td>9</td>
<td>55</td>
<td>64</td>
<td>9</td>
<td>50</td>
<td>59</td>
<td>8</td>
<td>47</td>
<td>55</td>
</tr>
<tr>
<td>Percentage of meetings</td>
<td>CEO (100)</td>
<td>50</td>
<td>57</td>
<td>50</td>
<td>100</td>
<td>50</td>
<td>58</td>
<td>100</td>
<td>54</td>
<td>61</td>
<td>100</td>
<td>68</td>
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<tbody>
<tr>
<td>CEO/Chairman</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
<td>ND</td>
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<td>ND</td>
<td>ND</td>
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</tr>
<tr>
<td>Number of meetings held</td>
<td>ND</td>
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<td>Percentage of meetings</td>
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Note: ND = not disclosed

**Table IV** Year-wise (2006-2007 to 2009-2010) information on CG determinants of State Bank of India: ownership structure

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<tbody>
<tr>
<td>President of India</td>
<td>59.73</td>
<td>59.73</td>
<td>59.41</td>
<td>59.41</td>
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<tr>
<td>FIIs/NRI/OCBs</td>
<td>19.83</td>
<td>19.59</td>
<td>12.23</td>
<td>13.77</td>
</tr>
<tr>
<td>Banks/financial institutions</td>
<td>5.28</td>
<td>7.17</td>
<td>10.90</td>
<td>12.97</td>
</tr>
<tr>
<td>Mutual funds</td>
<td>6.92</td>
<td>4.45</td>
<td>5.36</td>
<td>4.35</td>
</tr>
<tr>
<td>Domestic companies/trust</td>
<td>2.28</td>
<td>3.22</td>
<td>5.30</td>
<td>3.38</td>
</tr>
<tr>
<td>Other including resident individual</td>
<td>5.96</td>
<td>5.84</td>
<td>6.70</td>
<td>6.12</td>
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</table>

- **Composition** – The bank has designated the audit committee to review the internal inspection/audit functions of the bank with respect to the inter-branch adjustment account, unrecognised long outstanding entries, fraud, and arrears in the balancing of the books at various branches. Table II shows that the overall composition of the audit committee is up to the mark. This reveals that the quorum required as per BI guidelines is always met meticulously.

- **Participation** – As per the Clause 49 guidelines, the audit committee should be comprised of at least three members of the board, one of whom should be an independent director (Kumar, 2004; Khancel, 2007). Further, it is stated that committee should meet at least four times a year. The corporate governance environment is found to be quite adequate from 2006-2007 onwards as all annual reports disclose the participation of audit committee members. Further, their participation in the four periods examined is found to be 50 per cent (six members, 30 meetings), 50 per cent (seven members, 25 meeting), 54 per cent (seven members, 59 meetings) and 68 per cent (six members, 32 meetings) in 2006-2007, 2007-2008, 2008-2009 and 2009-2010, respectively. The result thus reflects the responsive attitude of the members of the committee.

- **Committee meetings** – The information on various audit committee meetings was disclosed in all four financial years (i.e. 2006-2007, 2007-2008, 2008-2009 and 2009-2010). The meetings of the audit committee were chaired by a non-executive director in the four financial years. The average gaps between audit committee meetings was 31 days (2006-2007), 38 days (2007-2008), 36 days (2008-2009) and 32 days (2009-2010). The results revealed that the audit board members meet more frequently and also directly influence and monitor the effective functioning of the bank. This indirectly reflects the competency and skill of management in decision-making.

**Nomination committee.** The nomination committee was constituted on the recommendation of the Ganguly Committee with the objective of deciding fit and proper person criteria for appointing/continuing to hold office of directors in the bank. However, in the financial years 2009-2010, 2008-2009, 2007-2008 and 2006-2007 the bank did not disclose any information on the nomination committee.

**Hypothesis testing**

**Multivariate result.** Table V provides the test results with respect to the governance effect of board characteristics on business performance. Board characteristics as dependent variables – i.e. the number of board members, the number of board meetings and the number of board meetings attended – showed negative and insignificant effects on independent variables – i.e. business performance (ROA). To explore this issue further and to test for any possible non-linearity in the relationship, piecewise linear regression using dummy variables,

<table>
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<th>Table V</th>
<th>Unstandardised and standardised coefficients, t, level of significance, R and F values for boardroom characteristics and audit committee models</th>
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<tbody>
<tr>
<td>Boardroom characteristics</td>
<td>Unstandardised coefficients b</td>
</tr>
<tr>
<td>Constant</td>
<td>2.289</td>
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<tr>
<td>Meeting attended</td>
<td>0.100</td>
</tr>
<tr>
<td>Meeting held</td>
<td>0.013</td>
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<tr>
<td>Audit committee</td>
<td></td>
</tr>
<tr>
<td>Constant</td>
<td>0.67</td>
</tr>
<tr>
<td>Board members</td>
<td>0.09</td>
</tr>
<tr>
<td>Meeting held</td>
<td>0.23</td>
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<tr>
<td>Meeting attended</td>
<td>0.03</td>
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dividing the variables into two variables on the basis of board attendance, was used. The attendance factor is found to have no significant effect on business performance. Overall, $H_1$ is not supported. The result also indicates that audit committee size and the frequency of audit committee meetings are positively associated with business performance (i.e. return on assets), supporting $H_2$. The regression coefficients for the audit committee were significant for the accounting measure of performance (ROA). $H_{1c}$ could not be tested since no information on the nomination committee was given in the annual reports (2006-2007 to 2009-2010).

Conclusion

Results based on linear regression models for the corporate governance disclosure measures indicate that, with the exception of boardroom characteristics, two corporate governance variables – i.e. audit and ownership structure – are positively associated with business performance measures – i.e. ROA, ROE and Tobin’s $Q$ (Table V). The study results indicate that meetings held have low and insignificant effect on ROA ($b = 0.013$, $t = 0.305$, significance $= 0.706$), whereas meetings attended by the members have meagre and significant effect on ROA ($b = 0.10$, $t = 2.183$, significant $= 0.04$). These results disagree with the findings of various other studies such as Chen et al. (2006), Abor and Biekpe (2007), Khiari et al. (2007) and Nelson (2005), where a positive association between boardroom characteristics and the business performance of the organisation was found. Multiple regression analysis also indicates that audit committee characteristics (board members, board meetings held and meeting attended by board members) significantly affect business performance. The result further shows that the number of meetings held has a greater impact in comparison to the other two variables, supporting $H_{1b}$. Further, the result also suggests that the audit committee is an important factor in monitoring management behaviour with regard to reduced information asymmetry through CG disclosure. The application of MANOVA further helped to identify the relationship between business performance measures (ROA, ROE and Tobin’s $Q$) and ownership structure (year wise distribution of shareholdings). The $F$ result (Wilks’ $\lambda$, see Table VI) indicates a significant impact of ownership structure on ROA and Tobin’s $Q$, whereas an insignificant impact is found with respect to return on equity. Content analysis of SBI indicates a lack of CG practices, as information on the nomination committee was not disclosed in the annual reports from 2006-2007 to 2009-2010.

<table>
<thead>
<tr>
<th>Ownership structure</th>
<th>Value</th>
<th>$F$</th>
<th>Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROA</td>
<td>0.00</td>
<td>14.08</td>
<td>0.038</td>
</tr>
<tr>
<td>ROE</td>
<td>0.003</td>
<td>6.21</td>
<td>0.145</td>
</tr>
<tr>
<td>Tobin’s $Q$</td>
<td>0.002</td>
<td>5.23</td>
<td>0.021</td>
</tr>
</tbody>
</table>

Limitations and future research

The study has certain limitations. First, the study considers corporate governance as a proxy measure of talent management. However, future research should examine CG as a mediating/moderator variable to understand talent management and business performance realistically. Hence, future research should make efforts to validate the results of the present study. Second, only the impact of three CG committees on business performance was examined. Further studies of both mandatory and non-mandatory committees and their impact on business performance need to be undertaken. Lastly, since quarterly information on ROE could not be identified/determined, evaluation of performance is confirmed only for ROA and Tobin’s $Q$ for ownership structure.

References


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