

**PERFORMANCE DECLINE AND CHANGES IN CORPORATE GOVERNANCE STRUCTURE: TESTING  
THE THEORY-PRACTICE LINKAGE FROM A HISTORICAL PERSPECTIVE**

Ashay B. Desai, University of Wisconsin- Oshkosh, Oshkosh, Wisconsin, USA  
John Francis, San Diego State University, San Diego, California, USA.

[dx.doi.org/10.18374/JABE-14-4.9](http://dx.doi.org/10.18374/JABE-14-4.9)

**ABSTRACT**

Based on a longitudinal data set, the paper analyzes the effect of performance declines on governance mechanisms. We investigate the relationship as suggested by agency and stewardship theories. We provide arguments consistent with both theories of board roles. Consistent with agency theory-driven predictions, our results indicate that board monitoring intensity increases in the period following declines in performance. We find evidence that lower performance in firms is followed by greater board independence and lower CEO and top management power.

Keywords: *corporate turnarounds, corporate governance, organizational decline, firm performance*