HOW STRATEGIC DECISION MAKING IN THE MANUFACTURING INDUSTRY IS INFLUENCED BY CORPORATE GOVERNANCE?

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ABSTRACT

Corporate Governance constitutes the policies, laws, institutions, and customs that are directed to conduct the operational activities of an organisation. SDM is influenced by corporate governance as it enables in unbiased decisions which exhibit financial as well as non-financial benefits for all the stakeholders. The impact of corporate governance within the US Manufacturing industry has been assessed on the CEO duality, independent directors, and board size. A developed methodology focusing on quantitative analysis of the secondary data obtained from the credible online resources and annual reports of the firm exhibited that capital structure is one of the significant strategic decision makings of firm. Findings obtained from correlation revealed that amid identified independent variables of board size, CEO duality, and independent directors, only independent directors was significantly correlated with capital structure of firm as the correlation value was (-0.624). Therefore, it has been inferred that independent directors who are responsible for strategic decision making are likely to reduce the firms' debt reliance.

INTRODUCTION

The term corporate governance has become common since the last few decades in businesses. Almost all organisations that are legal entities are subject to sanctions from a group of people to ensure that the organisation has a well-designed strategy to ensure its overall organisational efficiency (Jo et al., 2015). The people in the group represent various stakeholders cooperating with the organisation. In fact, this group of people usually acts on behalf of corporate governance, entrusting the task of developing a sound strategy to management. There are two main roles in corporate governance. The first and most frequently discussed role is of monitoring. The service role is the second and less frequently studied role. Successful strategy development requires a thorough understanding of the organisation and its environment (Emeagwali, 2017). This reality is at the centre of the problem-how can corporate governance act only as supervisors and part-time consultants, effectively promote, assess, and challenge the development and implementation of strategic decision making? In other words, what appropriate corporate governance should have to ensure the company's future success and longevity?

In this regard, strategic management researchers have put their efforts to examine the impact of business management and strategic decisions as independent variables on the organisation's performance (Xiao-qing et al., 2011). These efforts led to a gradual development of managerial literature that focuses on the impact of predictors on results. However, some organisations perform well in organisations in the same industry and environment and are more successful than others in achieving and maintaining a competitive advantage. Organisational performance is affected by the external environment in which it operates. Organisations operate in a dynamic environment, so strategies need to be developed to gain a competitive advantage over industrial competitors (Jo et al., 2015). If the organisation does not fully adapt to environmental challenges, it would encounter strategic problems. However, one of the most frequently asked questions is why some organisations have achieved excellent results due to their uniqueness, which is difficult to imitate (Emeagwali, 2017). Researchers who try to answer this question vary, so it is needed to be further explored the impact of the CG (corporate Governance) on SDM (Strategic Decision Making) in the manufacturing industry.

The main aim of this research is to examine how strategic decision making (SDM) in the manufacturing industry is influenced by corporate governance (CG)? Considering the purpose, the objective of this research is to seek the influence of corporate governance on strategic decision making. Also, investigation of the relationship between SDM and CG is also adhered to explore the factors and analyse its significant impact on the manufacturing industry.

This research provides an important analysis of the relationship between CG and SDM in the manufacturing industry. The increasing involvement of the CG and their practices in the organisations' decisions making has led to the realisation of the practical importance of this study. Good management of CG ensures that the organisation is functioning in an effective manner. Furthermore, CG plays an essential role in strategic decision making of the organisation as well as it creates value for an organisation (Xiao-qing et al., 2011). Therefore the importance of CG can never be ignored in the business specifically in the manufacturing industry. Therefore, this research is significant as it discusses the practices and the factors influence the relationship between CG and SDM.

LITERATURE REVIEW

Corporate Governance (CG) plays a crucial part in the proper functioning of an organisation and for manufacturing firms; its importance is further signified. A manufacturing firm requires Standard Operating Procedure's (SOPs) on a higher level to achieve consistent quality and CG helps the company to maintain standards and make decisions effectively (Sueyoshi et al., 2010). CG provides different ways to manage the activities of a manufacturing firm so that the flaws can be reduced and the productivity can be increased.

A study by Sarpong-Danquah et al. (2018) conducted in manufacturing firms of Ghana to understand the impact of CG on the financial and overall performance of the manufacturing firms. The results of the study demonstrated that manufacturing firms with CG tend to perform better than other firms. The manufacturing companies that have proper CG tend to have stronger systems and decision-making abilities. One of the significant achievements of manufacturing firms through CG is the standardisation of processes. It is also mentioned that the firms with a mix of gender in the board of directors (BOD) are better performing in comparison with the same gender BOD. The manufacturing companies with a mix combination of internal and external directors are also less subjected to personal biases and better decision making. There is no doubt about the positive impact on manufacturing firm from the perspectives of financial and overall performance through proper and systematic CG.

According to Andrews et al. (2018), the aluminium manufacturing companies in Nigeria worked through CG in most of the cases. It was found out that the companies were better performing because CG provided structured procedures and unbiased evaluations from the BOD regarding their manufacturing processes and overall performance. The non-bias evaluation is one of the significant factors of CG that leads to a high and positive impact on the performance of manufacturing firms.

One of the major goals of CG is to make sure that strategic decisions are made in favour of the organisation and its stakeholders. Decision making is the key to the success of any organisation and the focus of CG is to develop the ability of the organisation to make effective and visionary decisions. The outcomes of any decision in the organisation need to be aligned with the benefits of the stakeholders (Bailey & Peck, 2013). CG helps the organisation to make well-direct policies and strategies for consistent growth and profits. CG plays a role in the strategic direction in different areas of the organisation such as customer service, product quality, marketing, employee-employer relationships, and supply chain management. All of these areas are crucial for the management and operations of an organisation to achieve a high level of success and growth.

Morden (2016) mentioned that the CG model is a model in which the directors participate in the major decision of the organisation. The directors are elected by the shareholders of the company and the whole structure of the organisation is formalised through rules and principles. Each department of the organisation is set for specific roles and responsibilities and the employees in the departments have to be responsible for the decisions made. Effective CG has enabled the involvement of employees in decision making as the model focuses on right and effective decision making. According to Rao & Tilt (2016), the decision would be proved effective only if the employees take ownership of the decision during the decision making the process. This is the way CG has impacted the strategic decision making from autocratic decisions to a decision-making process that involves relevant employees to increase the ownership.

CG is an important contributor to the development of an environment and culture of the organisation that enables the organisation to think from the perspective of stakeholders' benefits. Ilyas & Rafiq (2012) mentioned that exist is a positive association between CG and effective decision making in organisations. CG builds the attitude of employees to make the right decisions and one of the aspects of CG is to empower employees to make decisions in important situations.

According to Antwi & Binfor (2013) CG has a direct link with the improved decision making and overall performance of the organisation in the banking industry of Ghana. CG has able to achieve this improvement because it sets rules and procedures for every single decision and activity of the organisation. This set of procedures and proper conduct for making decisions is a significant reason for the high level of success of CG in decision making.

One of the major influences of CG on the organisational capacity of making strategic decision is that the decisions are not based on mere judgments and they are also not for the short term. CG focuses on aiming decision through proper documented working and probabilities and then making the forecasting. The decisions in organisations at the strategic level with CG are made with a long term approach rather than taking the lead in the current scenario solely. The visionary approach in decision making is the result of CG in organisations.

According to Rossi et al. (2015), the model of CG also focuses on the financial aspect during decision making. This is another significant impact of CG that every decision made in the organisation has a financial impact. The financial analysis and impact of the decision made is an obligation to do on the decision-maker. This is the difference identified between the organisation run through and without CG. The essence of CG lies in formulating the principles of right decision making in the favour of organisation and all of its stakeholders.

According to Al-Azzam et al. (2015) organisations with CG tend to perform better in the financial terms as compared to organisations without CG. The study in Jordan showed that organisations with weak CG developed weak strategies and made ineffective decisions. The development of weak strategies and decisions led towards decline in financial performance of the organisations. As opposed, the organisation with high and effective CG makes decisions that were favourable for the financial and overall performance of the organisation.

There are different aspects of CG which needs to be given attention to understand the working and impact of CG on the decision making and overall working of the organisation.

CEO Duality

According to Ahmad (2014) CEO duality in CG means one individual having two important positions in the organisation which are CEO and the chairperson of the BOD. There are advocates of dal role of CEO while there are some critiques as well. The advocates of CEO duality believe that this way the board would be able to perform well and make better decisions (Alhazaimeh et al., 2014). The CEO is aware of the exact position of the company and the CEO can guide the members of the board in a more précised and effective manner. This would make a complete link to the discussion of the BOD with the current situation of the company. Many organisations have successes because of the dual role of the CEO as it justifies the decisions made in the BOD (Gill & Mathur, 2011; Dalton & Dalton, 2010). Another positive aspect of CEO duality is the high level of ownership of the decision by the employee. When the CEO is not part of the BOD, the employees feel that the decision is made from someone outside of the organisation (Carty & Weiss, 2012). In the case of the duality of the CEO, a high level of ownership and affiliation of the employees has been observed with the decision as they have the perception of the decisions made by the internal person. On the other hand, the critiques of CEO duality believe that this duality creates discrimination and biases in the decision making of the strategic nature of an organisation (Obradovich & Gill, 2013). The biases in the decision making would ruin the whole company as the CEO would most probably be dominating the board as per his perceptions and benefits. It is highly unlikely that the CEO as the chairperson of the board would let any decision that is against his role as CEO. This affects the neutrality of the decisions made by the BOD. Nevertheless, as the CEO is potentially aware of the firm’s internal and external operations, therefore duality is critical in the influential SDM.

Independent Directors

Masulis et al. (2012) mentioned that independent and external directors are appointed in the board to make neutral evaluations and the decisions do not favourable for any particular department or employee but would be favouring the overall performance of the organisation. The independent directors of the board and their working are directly linked with the unbiased decision making of the organisation. The outside directors help the organisation to view the performance from a neutral point of view (Fooladi & Chaleshtori, 2011). It provides a third opinion and evaluates the performance without any biases and personal benefits. It is regarded for the organisation to have independent directors and this independency of the directors help the organisation to find out flaws that are not visible to the internal management of the organisation.

Kumar & Singh (2012) mentioned that there should be a mix of the internal and external BOD to create a balance between neutrality and knowledge about the organisation. The hiring of all outside directors results in decisions that are not relevant to the organisation. It could also lead towards undirected evaluations and decision making which is why a combination is needed so that the exact situation of the company could also be known in the board meetings.

Board Size

The size of the BOD varies from organisation to organisation but the average range lies in between 3 to 31 members. The experts of CG believe that 7 is the ideal number for the BOD for several benefits (Kyereboah-Coleman and Biekpe, 2008). The 7 members of the board mean that there are fewer chances of decisions that are influenced by the perceptions of one person. If the board consists of 2 or 3 people, the probability of the biases is high. The 7 number is adequate because it protects the biases as well as it protects the confusion and greater number of conflict (Arnegger et al., 2014). Keeping a board size of 25 members would create a high number of conflicts and it would be highly difficult to make consensual decisions. In the case of 7 members, the conflict would arise but the solution would also be made and the effective decisions would be made in time. In the case of a high number of members, the decisions would be delayed which would harm the effectiveness of the decisions.

According to a study by Swastika (2013) the average board size in the firms is 8 because it helps the organisations to make effective decisions with full consent and ownership. The results indicate that the members of the board around 8 are sufficient for putting the organisation on the right track. One of the benefits of this number of members is to have a high level of concern, commitment as well as ownership of the BOD with the decision made. The members do not wait for the failure to blame anyone but all of the members take ownership in most of the cases

Generally, two committees from the BOD are made which are compensation and audit committees that also play a key role in evaluating the overall performance of an organisation (Allegrini, 2013). The role of the BOD is not crucial only for decision making but for the overall performance of the organisation.

Impact of CG aspects of Capital Structure

According to Ahmed & Wang (2012) capital structure (CS) decisions are the decision of the organisation to raise funds either through equity, debt, or any other source. The BOD are the decision-makers for deciding the CS of the organisation. The aspects of size, independent, and duality of the CEO is linked with the organisational capital structure. According to a study on the Srilankan companies by Kajananthan (2012) it has been proven that CG has a direct 34 per cent impact on the organisational CS. The change in the aspects of the BOD creates a change in the organisational CS.

Jiraporn et al. (2012) mentioned that the increase and decrease in the size of the BOD create a change in the CS of the firm. The members need to range 7-12 to make an effective capital structure that would be persistent for the organisation. This helps the organisation to explore multiple options and make a decision in favour of one option with the complete consent of the directors. This increases the ownership of the directors with the decision made regarding the organisational CS. The independence of the directors also creates an impact and the companies with a mixed combination of the BOD as outside and inside directors tend to have better capital structure and perform well financially (Masulis et al., 2012). Whereas, it is suggested that the CEO should not be having the duality for better capital structure related decisions as to the CEO need to be dominating the decision for his favour. The mixed combination of directors along with independent chairperson and 7-12 total numbers of board members would most probably be resulting in a CS that would be aiding the organisation to financially perform better in short and long run.

Below statements are developed as the hypotheses of the study:

H1: *CG improves the strategic decisions making the ability of an organisation.*

H2: *CG creates a positive impact on the financial performance of the organisation.*

H3: *CEO duality is linked with biased decision making in organisations.*

H4: *The mixed combination for the directors of the board is positively related to better strategic decision making.*

H5: *The BOD has a direct impact on the capital structuring of the organisation.*

METHODOLOGY

Research Approach and Design

The study investigated the impact of the organisational strategic process of decision-making on the corporate governance structure by using positivist research philosophy. According to the researchers, the research philosophy helps to adopt the most appropriate research design and reflect the research purpose (Blaxter et al., 2010; Saunders et al., 2016). The present study adopted the positivist research philosophy, which helped to collect the data about the reality to find the causal relationships between the variables of the study (Saunders et al., 2016). Using positivist research philosophy, the present study chose quantitative research approach to address the research questions (Collins, 2010). The choice of selecting quantitative research was based on the cause and effect relationship between the variables of the study i.e. the corporate governance and the strategic decision making variables in manufacturing firms based in US. Once the most appropriate research plan was adopted based on the research objectives and the statistical relationship, a descriptive as well as correlational designs were selected to illustrate the variables of the study, which were studied to reach the goal. The rationale for choosing the descriptive correlation research design is to investigate the existence of dependence between the two or more situational aspects (Appuhami & Bhuyan, 2015). The present study opted for a descriptive correlation research design because independent variable corporate governance causes a change in the dependent variable strategic decision-making (SDM) process and the rational impact of corporate governance variables including board members and CEO dichotomy on the US manufacturing firms.

Sampling and Data Collection

The research study has adopted the most appropriate source to collect the data and address research objectives. Since the present study collected the information about the corporate governance and SDM of US manufacturing firms, secondary data collection source was utilised and collected the authentic data from the financial databases such as Reuters, Yahoo Database, and Morningstar, in addition to the US manufacturing firms' annual reports. The data was collected for two years (2016-2018) and some of the facts and figures related to the corporate governance mechanism of the US manufacturing firms were collected from the firm's official websites. However, a primary source provided the original data but due to lack of time and minimal ethic risks involved in secondary data, the study focused on only secondary source. The collected data from the credible sources i.e. Yahoo Database, Morningstar and Reuters was analysed to examine the research findings by considering the research approach and design. Amongst the available data analytical techniques, the present study used the numerical statistical technique, which included descriptive statistics, correlation, and regression analysis. For descriptive analysis, the data interpretation was carried out through the measures of dispersion as well as central tendencies like mean, mode, and variance. The present study focused on examining the existence of the relationship between the two variables of the study (corporate governance and strategic decision making) by using correlation analysis and the effect of independent variable (corporate governance) on dependent variable (strategic decision making) in addition to the statistical investigation of the impact corporate governance on the capital structure of the firms which has been illustrated by regression equations

RESULTS AND DISCUSSION

Descriptive Statistics

The descriptive statistics of manufacturing companies entail the variables that were used against all selected companies. These include board size, CEO duality, independent directors, total assets, liabilities, total debt, total equity, and capital structure. All of these trends are demonstrated with respect to their dispersion through standard deviations and ranges (minimum and maximum). As shown in the table, boards of all companies are comprised of 13 members wherein 5 members are independent directors. However, it is noted that this figure is unable to depict the true picture as its observed standard deviation is 4. This demonstrates that range of independent directors may vary from 2 to 10 shows in Table 1.

Table 1
DESCRIPTIVE STATISTICS

	N	Minimum	Maximum	Mean	Std. Deviation
Board Size	33	9.00	19.00	13.3030	2.65147
Independent Directors	33	0.00	10.00	5.3939	4.00733
CEO Duality	33	1.00	2.00	1.4545	0.50565
Total Assets	33	22.37	375.32	178.9927	110.45253
Total liabilities	33	12.75	292.36	123.5579	85.25475
Total Equity	33	9.62	155.64	55.2300	44.42512
Total Debt	33	6.28	154.29	59.9482	44.25772
Capital Structure	33	0.22	4.90	1.6164	1.33395
Valid N (listwise)	33				

Furthermore, the mean capital structure (i.e. 1.61) shows that companies are highly dependent on debt (i.e. 60). However, since the capital structure can have a deviation of 1.3, it does not depict the real picture. Also, due to increased distribution in debt ratio can be demonstrated through varying maximum and minimum range values of total equity and total debt. Of note, increased dependence on debt is likely to lead firms either towards conflicts between debt-holders and shareholders or bankruptcy (Buvanendra et al., 2014). Thus, firms are required to maximise their equity stocks. However, study of Kulati (2014) asserts that firms should keep an optimal balance on both debt and equity to maximise the value of firm by means of tax benefits. Overall, the standard deviation of all variables except for board size is higher in their respective means that depicts that entire data is scattered.

Correlation

Using the Pearson coefficient correlation, correlation was found out between proposed variables. This helps in presenting and interpreting the relationship between four key variables inclusive of capital structure, CEO duality, independent directors, and board size of selected manufacturing companies.

Table 2
CORRELATIONS

		Board Size	Independent Directors	CEO Duality	Capital Structure
Board Size	Pearson Correlation	1	-0.032	0.547**	0.147
	Sig. (2-tailed)		0.859	0.001	0.414
	N	33	33	33	33
Independent Directors	Pearson Correlation	-0.032	1	-0.230	-0.624**
	Sig. (2-tailed)	0.859		0.198	0.000
	N	33	33	33	33
CEO Duality	Pearson Correlation	0.547**	-0.230	1	0.323
	Sig. (2-tailed)	0.001	0.198		0.067
	N	33	33	33	33
Capital Structure	Pearson Correlation	0.147	-0.624**	0.323	1
	Sig. (2-tailed)	0.414	0.000	0.067	
	N	33	33	33	33
**. Correlation is significant at the 0.01 level (2-tailed).					

Table 2 presents a significant correlation between board size and CEO duality (i.e. 0.547) at level 0.01 level. It is to be noted that this is irrelevant to the research objective that intends to evaluate the effect of CEO duality, independent directors, and board size on capital structure. Moreover, there was found to be a significant positive correlation between CEO duality and board size (i.e. 0.547). However, a significant correlation of (-0.624) was observed between independent directors and capital structure. It is clear that this correlation value indicates the strong while inverse relationship between capital structure and independent directors of manufacturing firms. In simpler terms, the increased number of independent directors on boards of such companies decreases their dependence on debt. This is due to the fact that calculation of capital structure is done by dividing the total debts with total equity of company. Thus, firms that companies that have more independent directors are equipped with more market exposure, industry expertise, and these employed directors focus on reducing their reliance on debt. Nevertheless, literature claims that high debt offers firms with increased opportunities in terms of tax savings. However, in certain instances, increased debt may end up in bankruptcy of firms (Buvanendra et al., 2014). It is also acclaimed that due to high market exposure, independent directors may benefit firms. Hence, it is deduced that independent directors can offer numerous positive benefits to manufacturing firms by means of reducing debt ratios.

Table 3 reveals that the overall regression model predicts that impact of independent variables such as board size, independent directors, and CEO duality has a significant influence on the independent variable that is capital structure of selected manufacturing firms as its value is 0.001 at 0.01 levels.

REGRESSION

Table 3 ANOVA[a]						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	24.154	3	8.051	7.121	0.001[b]
	Residual	32.788	29	1.131		
	Total	56.941	32			
a. Dependent Variable is the Capital Structure						
b. Predictors: (Constant), CEO Duality, Independent Directors, Board Size						

Table 4 COEFFICIENTS						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.777	1.008		1.764	0.088
	Board Size	0.018	0.085	0.036	0.212	0.833
	Independent Directors	-0.194	0.049	-0.584	-4.007	0.000
	CEO Duality	0.445	0.459	0.169	0.970	0.340
a. Dependent Variable: Capital Structure						

Table 4 shows the individual impact of each predictor of the dependent variable on capital structure. As per these observations, it is clear that independent directors have a strong positive relationship with capital structure as it has a coefficient value of (0.000). This demonstrates that independent directors hold a negative effect on capital structure of the manufacturing company. Based on these observations, it is affirmed that when number of independent directors in the boards of manufacturing companies is increased, a decrease of (-0.194) in capital structure can be achieved. It is to be noted here that this negative value depicts the debt ratio that is calculated by dividing total debts with total equity.

The main aim of this research study was to assess the impact and influence of corporate governance on the strategic decision making (SDM) of US manufacturing firms. In order to achieve this research aim, the formulated objectives of this study were to investigate the relationship between strategic decision making and corporate governance. In addition, this study attempted to explore the key factors that are likely to influence the relationship between corporate governance and strategic decision making, more specifically, in terms of the manufacturing industry. Overall, on the basis of the obtained findings, it is interpreted that independent directors have a strong and inverse relationship with the capital structure of firm. The study of Bokpin & Arko (2009) asserts that there is a significant impact of independent directors on the decision making of firms that is responsible for governing corporate strategy. It is also argued that firms should maintain a right and an optimal balance between independent executives and internal managing directors. This balance is crucial to ensure that effective strategic decisions are taken (Brenes et al., 2008). This is due to the fact that different independent directors possess different visions and diverse experiences that could guarantee enhanced firm value.

More precisely, the increase in the number of independent directors significantly reduces the debt ratio. This is because independent directors with diverse market exposure strive to reduce their reliance on debt. This, in turn, declines the probability of manufacturing firms to go bankrupt. Moreover, literature has also found that an increase in total liabilities increases the capital structure of firms that shows increased dependence of firm on debt. Furthermore, the findings of the present study demonstrate that independent directors tend to have a negative impact on capital structure. This finding can be backed by the study of Mujahid et al. (2014) which acclaimed that there is a positive impact of independent directors on firms' performance in terms of reduced capital structure (decreased debts). This is because increase number of independent directors possesses substantial understanding with regards to external situations of industry. From the observations of Tables 2 and 4, it can be interpreted that by bringing more independent directors, US manufacturing firms can significantly reduce their dependence on debt irrespective of the size of company in relation to liabilities and assets.

Ethical Consideration

Ethics in research demonstrates the truthfulness and integrity of the researcher’s attitude about the research methodology, including those who are affected by the research study and protect them from any harmful activities (Cooper & Schindler, 2014). To find the solution to the present research questions, the researcher set the guidelines that helped him conduct the research study error-free and fairly carried out (Brigham et al., 2014). Since the present study was based on the collection of secondary data sources, it was ensured that highly credible and authentic sources were used to collect the financial figures and corporate governance mechanism of the US manufacturing firms. The data accuracy was ensured by double-checking of the financial figures from databases to avoid the data manipulation issues and enact plagiarism content in a professional manner.

CONCLUSION

In brief, this study was intended to evaluate the impact of CG on the strategic decision making of organisation. In order to achieve this aim, the influence of corporate governance was examined on three identified predictors that included board size, CEO duality, and independent directors on capital structure of manufacturing firms that specifically based in US. It was observed that capital structure is one of the significant strategic decision makings of firm. Theoretical underpinnings of corporate governance entail frameworks for key stakeholders inclusive of managers, employees, and other shareholders to collectively work to achieve organisational effectiveness. Moreover, the role of board is considered to be crucial in corporate governance to link the constituents such as organisational vision, mission, goals, resource utilisation as well as interests of shareholders. The present study is considered to be significant in assessing the role of independent directors in strategic decision making pertaining to capital structure. More particularly, the high dependence of firms on debt is likely to pose challenges for firms such as bankruptcy, interpersonal conflicts of debt-holders and shareholders that ultimately influence the firms’ performance.

Based on the significance of CG on the strategic decision, this study has adopted a quantitative research method to find out the statistical relationship between corporate governance and strategic decision. Moreover, secondary sources were undertaken for collecting data from US manufacturing firms. Data was collected from reliable databases that included Reuters, Yahoo Database and Morningstar along with financial reports and corporate governance reports of selected manufacturing firms. To analyse the gathered data, techniques of descriptive statistics, correlation, and regression were executed. Findings obtained from correlation revealed that amid identified independent variables of board size, CEO duality, and independent directors, only independent directors is significantly correlated with capital structure of firm as the correlation value was (-0.624). Furthermore, regression analysis also demonstrated that independent directors have strong and significant influence on the capital structure of manufacturing firms as the observed value was (-0.194). Therefore, it is inferred that independent directors who are responsible for strategic decision making are likely to reduce the firms' reliance on debts.

Considering the implications of the present research with regards to US manufacturing firms, it was found that the role of independent directors is of undeniable importance in the corporate governance of firms. However, certain limitations were also found in the present research that should be considered in future researches. These include the small sample size as it only entails the data of few manufacturing companies. Moreover, transferability of the study is limited due to the fact that it merely covered US firms' data. In addition, the study included merely 3 variables to evaluate the impact of CG on strategic decision making of firms. Besides, quantitative research method was adopted; however, qualitative method can provide more detailed insights into the research problem. Therefore, it is recommended to consider increased number of companies to enhance sample representativeness; in addition, qualitative method can offer the researcher to obtain in-depth insights that cannot be achieved through quantitative method. It is also suggested that future researches should adopt more constructs of CG like non-executive directors, committees, other board members, etc.

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