การปกครองบริษัทที่มีประสิทธิผล : โครงร่างเชิงบูรณการ และข้อเสนอในการวิจัย

(The Effective Corporate Governance:An Integrative Framework and Research Propositions)

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บทคัดย่อ

การเพิ่มขึ้นของกระแสโลกาภิวัตน์ของธุรกิจ และ ความสำคัญอย่างยิ่งยวดของการปกครองบริษัทที่มีประสิทธิผลต่อผลการดำเนินงานของธุรกิจ ทำให้ความสัมพันธ์ระหว่างกรรมการผู้ถือหุ้นที่มีความสามารถ คณะกรรมการผู้ถือหุ้นที่มีประสิทธิผล และการปกครองบริษัทที่มีประสิทธิผล เป็นประเด็นสำคัญทางธุรกิจที่หลีกเลี่ยงไม่ได้ สำหรับการวิจัยและแนวทางปฏิบัติด้านการปกครอง และการบริหารบริษัท โดยการทบทวน เรียบเรียง และประสานบูรณการ แนวความคิดของข้อปฏิบัติที่พบหรือเกิดขึ้นจริง บทความนี้ได้นำเสนอให้เกิดความเข้าใจ ความสัมพันธ์ในรูปของการเชื่อมโยงระหว่างกรรมการผู้ถือหุ้นที่มีความสามารถและปัจจัยต่าง ๆ มีผลกระทบต่อความมีประสิทธิผลของคณะกรรมการผู้ถือหุ้นและการปกครองบริษัทที่มีประสิทธิผล โดยบทความนี้ได้นำเสนอโครงร่างเชิงบูรณาการ รวมทั้งนำเสนอข้อเสนอการวิจัย และทิศทางการวิจัยในอนาคต สำหรับความสัมพันธ์ข้างต้น ซึ่งนับว่าเป็นประโยชน์ต่อการปกครอง และการบริหารบริษัททั้งในทางปฏิบัติและการวิจัยในเชิงวิชาการด้วย

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Abstract

A crescendo of globalization of business and the criticalityn of the effective corporate governance to business performanced make the relationships between the competent director, effective board of directors, and effective corporate governance an imperative area for academic research and governance and managerial practices. By means of reviewing and integrating various concepts and findings, this paper provides an understanding of the relationships in terms of the nexus between the competent director on the one hand and the determinants of the effective board of directors and effective corporate governance on the others. Integrative framework is developed, propositions for additional research are suggested, and direction for further exploration of the relationships is also identified.

Introduction

Although corporate governance and board of directors (hereafter, BODs) issues have been investigated during the past thirty years, there has been virtually no work in the area of the relationships between the competent director, the effective board of directors, and the effective corporate governance (hereafter, ECG). This is surprising because corporate governance is considered to be the driving force, impetus, core competence, structure, process, relationship, and constitution for any business enterprises to fulfill their vision and mission, attain goals and accomplish objectives, as well as to be the behind-the-scene mechanism for creating and sustaining competitive advantages as well as corporate, business, and functional strategies that move the corporation to success.

In addition, up to the present there has generally been a lack of conceptual frameworks to guide research efforts and reflects the reality and practicality of the boardroom to increase the understanding and insight into the interrelationships and interdependence involved in the processes, structures, procedures, methods, and systems. The development of explanatory models of the determinants of the ECG in a major research agenda and the critical impetus for this paper within which a main focus is overcoming the fragmented perspectives of the previous research.

To understand and insight into the effective BODs and its relation to the competent director and the ECG, and to advance research on the topic, an integrative framework is required that can illustrate the interdependencies among variety of relevant variables and constructs under consideration and that can provide the broader perspective as well as hat can complement and integrate the currently and previously fragmented views.

Purpose

This paper has drawn on the key evidence and findings, concepts and practices of several fragmentary views to synthesize a broader perspectives of both practices and research, integrative framework and process, that is both encompassed and comprehensive. The purpose of this paper is fivefold : (1) to review and integrate the various empirical findings and pratical suggestions and comments of the previous and current evidence under considerations ; (2) to present and suggest the guideline concepts, integrative framework, and practical steps that can be utilized and applied to greatly improve the effectiveness of corporate governance as well as can profoundly increase the corporate governance's chance of success, it is developing and sustaining the competent directors and the effective BODs. In essence; the proposed framework is not the "only" way, or even the "best" way, for any particular individual director and BODs, but it is a practical process that works well in many situations; (3) to present research propositions identifying the competent director's attributes, the determinants of the effective BODs, and the ECG; (4) to discuss the implications of the proposed framework; and (5) to provide the future research direction.

Background

Distinctiveness between Governance and Management

Corporate governance is concerned with the way corporate entities are governed, as distinct from the way business within those companies are managed. Corporate governance addresses the issues facing BODs, such as the interaction with top management, and relationships with the owners and others interested in affairs of the company, including creditors, debt financiers, analysts, auditors, and corporate regulators. Concern about corporate performance through involvement with strategy formulation and policy making, and about corporte conformance through top management supervision and accountability to the stakeholders fall into the field of governance (Cochran & Wartick, 1988) (also see : Buchholz, 1986, p.235 cited in Cochran & Wartick, 1988; Monks & Minow, 1995).

Corporate governance means the process, structures, and relationships through which the BODs oversees what its executives perform (Dayton, 1984, cited in Cochran & Wartick, 1988). Thus, governance is the job of the BODs. Lorsch & Maclver (1989) described the function of the board in terms of overseeing management, reviewing performance, and ensuring that the various activities of a company are socially responsible and in compliance with the law. Tricker (1984) described the board's function in terms of establishing strategic direction and overseeing company strategy, assessing and monitoring performance, but also, and especially in the case of executive directors, becoming involved in action to ensure implementation (also see : Emmons and Schmid, 2000; Shleifer and Vishny, 1997).

The term "corporate governance", therefore, reflects the primary role of the board which is to govern. That is, governance is concerned with the intrinsic nature, purpose, integrity, and identify of the institution with a primary focus on the entity's relevance, continuity, and fiduciary aspects. Governance involves monitoring and overseeing strategic direction, socio-economic and cultural context, externalities, and constituencies of the institution (Mueller, 1981). Governance involves the elements as posited by Charkham (1986), Coulson-

Thomas (1991), Lorsch & Maclver (1989), Tricker (1984). In sum, governance is about performance as well as conformance.

Corporate governance is an umbrella term that includes specific issues arising from the interaction and/or the relationship among various participants in determining the focus, direction, productivity and competitiveness, viability and legitimacy, and performance of corporations. The primary participants are: (1) the shareholders, (2) the senior management)led by the chief executive officer), and (3) the BODs, each of which is the leg of the corporate "tripod". Other participants or stakeholders include the employees, customers, suppliers, creditors, and the community (Monks & Minow, 1995). In essence, the two quesitons that form the core of corporate governance issues are: (1) who benefits from corporate decisions/senior management actions, and (2) who should benefit from corporate decisions/senior mangement actions? When an inconsistency arises between "what is" and "what ought to be," then a corporate governance issue exists (Cochran and Wartick, 1988).

Management, on the other hand, is more of a hands on activity. In its traditional sense, management can be characterized as Conducting or supervising action with the judicious use of means to accomplish certain ends. Management primarily focuses on specific goal attainment over a definite time frame and in prescribed organization (Mueller, 1981). Corporate management means what the executives do to define and achieve the objectives of the company (Dayton, 1984, cited in Cochran & Wartick, 1988). Management, in sum, is the job of executives.

The two distinctions – the positional responsibilities view and the activities-oriented view-serve to define the key basic components of corporate governance. When considered alone, each has its logic and merit. When considered together, they cover the breadth of corporate governance concerns (Cochran & Watick, 1988). Also see: Buchholz (1986), cited in Cochran & Wartick (1988); Cassidy (2000); Goodijk (2000). See corporate governance systems: Cohen and Boyd (2000); Deakin and Hughes (1997); and Roulier (1997).

An Integrative Framework of The Effective Corporate Governance

This paper ststes the work " effective" corporate governance, not "good" corporate governance since the word "good" is a general term and has many meanings. Also, it is too vague, as well as it leads to misunderstanding in the sense of strategic management. It is imperative that the roles and responsibilities of senior management, shareholders, and BODs should be fulfilled (for the strategy formulation, implementation, evaluation and control) for the pursuit or pursue or moving toward to fully fulfill vision and mission, attain and accomplish goals and objectives, that is to accomplish the hierarchy of purpose (vision, mission, goal, and objective) by strategy formulation, implementation, evaluation and control, that is, the "effectiveness," The Effective Corporate Governance

→ Balancing the Corporate Governance Issues

(Balancing the inconsistency arises between "What is" and "What ought to be")

Balance in Roles and Responsibilities, Power Distribution and Influence, Interests, Interrelationships, Codetemination, and Interlocking Directorate, etc.

→ Optimal Reformation, Reinvention, and Empowerment

→ Integrated Culture and Value

→ Fulfilling Vision, Mission, Attaining Goals, and Accomplishing Objectives

↑

The Effective Board of Directors

→ Board Structure

→ Board Attributes :

(Composition: Inside versus Outside Directors, Board Size, Age of the Board Members, Director Stood Ownership and Compensation, The Pantheonic Board)

→ Board Functions, Activities, and Responsibilities

CEO Duality

→ Board Style

→ Board Committees

→ Board Accountability

→ Role of the Outside Director

(Competent Role Performance, Relationships with Fellow Directors, Power and Influence in the Boardroom,Consensus Decision Making, Power Blocks, Marginality, and Board Empowerment)

→ Appraising Board Performance and Effectiveness

(Board Review Process,Strategy for Board Development, and Opportunities to Improve Board Effectiveness)

↑

Competent Directors 10 Attributes/Qualities:

1. Personal Qualities: Wisdom, Courage,Judgment, Tact, and Diplomacy
2. Awareness and Contributions
3. Accountability
4. Vision and Strategic Perspective
5. Business Acumen and Sound Commercial Judgment
6. Knowledge
7. Structure, Culture, and Operations of the Board, and Effective Boardroom Practives and Matters
8. Shills in Decision Making and Teamwork in a Boardroom Context, etc.
9. Experience
10. Ethical Awareness and Sensitivity

Figure 1: An Integrative Framework For The Effective Corporate Governance

not the "goodness." Therefore, the effectiveness of the BODs is closely related to the ECG and is the heart and soul of corporation's competitiveness, and success. An integrative framework is presented in Figure 1 and research propositions for the interrelated variables that affect the ECG are also developed.

In essence, the proposed framework is developed by using multiple theoretical and practical perspectives. The framework is an integration, extension, adaptation of three important interrelated corporate governance studies which form the core process of the framework : First, the ECG which is the ultimate effects. The concepts used are, first, drawn from monk and Minow (1995), and Tricker (1984, 1990) for the ECG, second, the effective BODs which is the intermediate effects and the main cause that leads to the ECG. The concepts used are taken from Aram and Cowen (1995), Conger, Finegold, and Lawler III (1998), Coulson-Thomas (1991, 1993), Donaldson (1995), Firstenberg and Malkiel (1994), Lorsch (1995), and Tricker (1984, 1990); and third, the competent director which is also the main cause that creates the effective BODs and the ECG. The concepts utilized are brought from Coulson-Thomas (1991, 1993) and Tricker (1984, 1990).

Constructs

The integrative framework of the ECG incorporates three interrelated constructs: (1) the ECG; (2) the effective BODs; and (3) the competent director. Each of the variables in one construct has interrelationships with other variables within the construct and has interrelationships with other variables in the other construct, in between and across constructs. Thus, the competent directors and effective BODs are postulated to be two main constructs that influence and lead to the ECG. The underlying interrelationships of the constructs of the framework are illustrated in Figure 1.

To illustrate, the ECG is the effect. The immediate cause is the effective BODs which results from board structure, attributes, function, activities, and establishing the lead director, board accountability, working relationships between chairman of the BODs and the CEO, role of the outside director, empowering the board, assessing board development, and opportunities to improve board effectiveness. However, the critical cause of the effective BODs is the competent director. Therefore, competent director is the fundamental cause of the ECG.

It is imperative to emphasize that the framework and guidelines are not etched in stone. They will undoubtedly change in the future. Nor are they intended to be a complete code of corporate governance. They work in concert with the bylaws, the certificate of incorporation, and the policies adopted by individual directors, the board, and its committees (Smale, 1995).

In practice, the competence of directors and the effectiveness of the BODs are closely interrelated, and an integrated development program should recognize this and address them both (Coulson-Thomas, 1989; 1993): (1) The competence requirement of individual directors can derive from what is needed to improve the effectiveness of the board; (2) The effectiveness of the BODs can reflect the individual competences of its members, and the extent to which these are complementary when they are brought together in the context of the boardroom. In addition, it is important to note that the qualities of the competent director and the effective board derive from the role and function of the board.

The Competent Director

The board ought to be, but may not always be, the best judge of its own competence requirements. The job of defining directorial competences is normally best performed by the board (Coulson-Thomas, 1991). In essence, many studies suggested that the competence of a director should not be assumed (Lorsch & MacIver, 1989; McDougal, 1968; Mueller, 1981; Norburn & Schurz, 1988; Sadler, 1991).

Attributes that constitutes a competent director include: (1) as a minimum, all directors should understand their legal duties and responsibilities; (2) the qualities of the competent director and the effective board derive from the role and function of the board; (3) competence needs to be related to such factors as the situation, circumstances, context, hierarchy of purpose (vision, mission, goals, and objectives), composition, dynamics, culture, etc. Of the individual board; and (4) directors themselves identify perspective, strategic awareness, and personal qualities as key attributes of the competent director (Coulson-Thomas, 1991). In addition, competent directors arise out of the experience in the boardroom and they learn from it and build on it. The dynamics of a board thrives on the creative interplay of diverse but complementary qualities and personalities of the competent directors (Boone & Johnson, 1980; Heidrick & Struggles, 1987; Korn & Ferry, 1992).

Competences that have been identified can be grouped, categorized and prioritized. The critical attributes or qualities of the competent director could be grouped according to Anderson & Anthony (1986), Coulson-Thomas (1991, 1993), Mace (1975), Sadler (1991) which presented in the framework. Such a list of categories of competence could be the basis of a checklist for use in the assessment or re-assessment of the competences of individual directors (see: Mueller, 1993 for director's boardworthiness check-up). In essence, assessing and prioritizing the current competences of the individual directors of the BODs against a priority list can lead to the identification of the key competence deficiencies of each director (see: Aram & Cowen, 1983; Carr, 1970; Coulson-Thomas, 1991, 1992, 1993; Sadler, 1991). In addition, development of the competent director (see: Bavly, 1998; Coulson-Thomas, 1990, 1991, 1992a, b, Coulson-Thomas & Wakelam, 1991) as well as age and directorial and contribution (see: Heidrick& Struggles, 1987; Boone & Johnson, 1980; Coulson-Thomas, 1989; 1993; Korn & Ferry, 1989, 1992) are the key factors for effective BODs and ECG.

The Effective Board

Any board of directors can only be considered effective if the company achieves long term success. But what constitutes success and the ways of achieving it are many and varied as follows:

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Board Structure

Three key issues involved in board structures: titles of director (see: Tricker, 1984), the independence issue (see: Tricker, 1978), and alternative board structures – basically, there are four alternative board structures: (1) the all-executive board in which every director is also a managerial employee of the business. Many small private, family firms, and those subsidiary companies in which the board is, effectively, the top management team without representation from elsewhere in the group; (2) the majority executive board on which the outside directors are in the minority; (3) the majority outside board with a majority of outside directors, and (4) the two-tier board in which there are no common members between the board and the executive management team (Tricker, 1990). Also see: Barnard (1991), Bacon (1990), Bernhardt (2000), Coulson-Thomas (1991), Melis (2000), Richman (1993), Stern (1993)

Board Attributes

Central to the effectiveness of any BODs is the composition of its membership. There are many elements of board composition such as size, the number of inside and outside and outside directors, the age and retirement of members, individual qualifications, compensation and other incentives which present difficult problems in practice (Bacon, 1990; Koontz, 1967 cited in Cochran & Wartick, 1988).

Composition of Boards

The key issues reviewed with respect to board compositions which also contribute to the effective BODs are: (1) inside versus outside directors (see: Baysiner & Zardkoohi, 1986; Bryne & Melcher, 1996; Drieghe, 1986; Firstenberg & Malkiel; Smale, 1993; Gautschi & Jones; Kesner, Victor & Lamont, 1986; Molz, 1987; Tricker, 1984; 1990; and Vance, 1983 for the arguments and details); (2) board size (Changanti, Mahaja& Sharma, 1985; Firstenberg & Malkiel, 1994; Gautschi & Jones; 1987; Koontz, 1967; Jensen 1993; Johnson, 1990; Jones, 1986; Juran & Louden, 1966; Pfeffer, 1972; Tricker, 1984; and Vance, 1983 for the arguments and details); (3) the age of board memvers (see: Bryne & Melcher, 1996; Cochran, Wartick & Wood, 1984; Koontz, 1967 ; Juran & Londen, 1966; and Vance, 1983 for the arguments and details); (4) director stock ownership and compensation (see: Bryne & Melcher, 1996; Daily & Dalton, 1992; Drieghe, 1986; Firstenberg & Malkiel, 1994; Juran & Londen, 1966; Oswald & Jahera, 1991; and Vafeas, 2000); and (5) the pantheonic board (see: Mitnick, 1986; Tricker, 1984).

Board Functions, Activities and Responsibilities

A legally constituted board has various accountabilities and responsibilities. It should operate as a board, and conduct its affairs as a board. Just as individual directors may need to distinguish between directorial and managerial responsibilities, so a board needs to ensure that it functions as a board, rather than as a management committee composed of (1) a CEO or "boss", and (2) executive directors, all of whom are employees of the company and "subordinates" (Bacon, 1990; Coulson-Thomas, 1991, Richman, 1993; Tricker, 1984, 1990). That is, a board sets parameters and ensures that the corporation is being well run on behalf of the shareholders. Boards monitor that all of these matters are well and properly carried out within an overall framework of direction and policy (Stern, 1993; Tricker, 1990; Useem, 1993).

Board activities can usually be thought of as having four components-participating in strategy formulation, participating in setting corporate policies, monitoring and supervision of executive management, and providing accountability to the stakeholder groups. In sum, the former two components are classified as performance component, the latter two are conformance component (Conger, et al., 1998; Coulson-Thomas, 1993; Tricker, 1984, 1990; Usem, 1993). Also see: Monks & Minow (1991,1995), Tricker (1984, 1990), Seely (1991).

Furthermore, one of the most critical board tasks that cuts across all four dimensions is the selection, appointment, and rewarding of the CEO, and the planning for his or her succession (Monks & Minow, 1991, 1995; Tricker, 1984, 1990; Useem, 1993).

In essence, a board is responsible for: (1) business strategy development, not for setting strategy-that job falls to the CEO and senior management team-but for ensuring that a strategic planning process is in place, is used, and produces sound choices. Further, the board must monitor the implementation of current strategic initiatives to assess whether they are on schedule, on budget, and producing effective results; (2) seeing that the company has the highest caliber CEO and executive team possible and that certain senior managers are being groomed to assume the CEO's responsibilities in the future; (3) ensuring that, as the ultimate oversight body, the company has adequate information, control, and audit systems in place to tell it and senior management whether the company is meeting its business objective; (4) ensuring that the company complies with the legal and ethical standards imposed by law and by the company's own statement of values; and (5) preventing and managing crises-that is, managing risk (Conger, 1998).

CEO Duality

Proponents of agency theory argue for a clear separation between duties of the chairman and the CEO (see: Eisenhardt, 1989; Oswald & Jahera, 1991; Walsh& Seward, 1990). The separation of function provides essential checks and balances over the exercise of the executive function. Without such independent oversight the CEO would tend to be motivated by self-interest and tend to perform managerial opportunism. In essence, a threat to the exercise of independent judgment by the BODs is the dual role of CEO as board chairman, that is, top managerial officer of the corporation simultaneously serves as chairman of the BODs which has the charter of monitoring and evaluating top management. The dual designation of chairman and CEO suggests the potential for a conflict of interest. How can the board properly oversee top management if the chairman is top management? (Dalton & Kesner, 1987; Wheelen & Hunger, 1998).

That is, an effective board needs authority-the authority to act as a governing body and to make key decisions-but also the power to see that top management is accepting and implementing its decisions. One clear way to grant the board the independence it needs to exercise effective over sight of the CEO is for the board's chair to be someone other than the CEO, to be someone who represents the shareholders and other stakeholders and other stakeholders of the company. This is the single most important factor in creating the right balance of power needed for ECG (see: Conger, et al., 1998; Ferry, 1993b).

Board Style

According to Wheelen and Hunger (1994), board styles can be generally classified, according to the degree of involvement by senior management and board of directors, into four types: chaos, marionette, entrepreneurship, and partnership management. In addition, board styles can be grouped into six types according to the degree of involvement in strategic management along the continuum of whether high degree of involvement (active) or low involvement (passive) as follows: (1) catalyst; (2) active participation; (3) nominal participation; (4) minimal review; (5) rubber stamp; and (6) phantom (see: Tricker, 1984, 1990; Wheelen and Hunger, 1994) (Also see: Case-The Daimler/Chrysler Merger by Neubauer, Steger, and Radler, 2000 and see: Tricker, 1984, 1990).

Board Committees

The most effective boards accomplish much of their work through committees. Although the committees do not have legal duties, unless detailed in the bylaws, most committees are granted full power to act with the authority of the board between board meetings. That is, the reliance on independent outside directors to provide a separation of function and provide a check on management, is reflected in the growing use of audit committees, nomination committees, and remuneration or compensation committees of the main board. Board committees, consisting mainly or wholly of non-executive directors and is an essential element in a corporate governance structure, can make an important contribution to effective supervision, monitoring, nexus, and effective BODs (Kesner, 1988). See details of the importance of the practice, roles, responsibilities, duties and functions of : (1) audit committees (Barr, 1976; Byrd, 1977; Chazen & Landis, 1976; Colegrove, 1976; Gorey, 1975; Farrell, 1973; Firstenberg & Malkiel, 1994; Foster, 1976; Klock & Bellas, 1976; Louden, 1982; Mautz & Neumann, 1977; Solomom, 1972; Tricker, 1978; Wilde & Vancil, 1972); (2) nominating committees (Bowen, 1947; Firstenberg & Malkiel, 1994; Korn & Ferry, 1992; Louden, 1982); and (3) remuneration committees (Kesner, 1988; Louden, 1982; Tricker, 1984).

Establish the Position of Lead Director

Many proponents of board reform advocate separating the position of chairman from that of CEO (Bowen, 1994). It is argued that having an independent director serve as chairman of the board will enhance the board's effectiveness as an overseer and monitor of management. Moreover, the board would be strengthened by having its own leadership, would be better organized, and would be strong position in dealing with top management.

The full potential of the independent directors can be restored by several concepts and practices as more effective monitors of management, such as a chair of the independent directors (CID), chair of a board governance (and nominating) committee (CGC), or, as recently adopted by a major financial institution, chair of a committee on committees (CCC), in which the committee is made up of the chairpersons of the various board committees. Such concepts could create the position of a lead director (Who represents the outside directors when setting agendas for meetings and who can take charge in a crisis), while preserving the collective character of board governance. This chair (designated of lead director) could perform a number of special functions (see: Firstenberg and Malkiel, 1994).

Board Accountability

All companies should be held publicly accountable for their acitvities where their actions could affect the stakeholder groups (Charkham, 1986; Coulson-Thomas & Wakelam, 1991; Tricker, 1984, 1990). The concept of accountability involves a requirement to give an account of actions taken and results achieved. It represents a feedback mechanism by those held responsible for those activities. Two parties are involved-the one with the right to demand accountability: the other with the duty to provide accountability. Accountability involves more than a reporting of what has been done: it includes a requirement to say why and to face the consequences. Accountability implies some degree of participation: it recognizes the existence of power to demand compliance (Charkham, 1986; Tricker,1984).

Accountability is not discretionary. It involves rights and duties; not interests and options. It needs to be distinguished from voluntary disclosure of information, which involves as ex gratia act, by those with the knowledge, to convey information to others. Similarly the process of socially responsible behavior, however desirable these may be, involve choices based on ethical and moral principles: again these are not acts of accountability per se. To be able to demand accountability presupposes the potential to exercise power based on legitimate authority. There are a number of bases for right to demand the duty to provide accountability (Coulson-Thomas, 1990, 1991; Tricker, 1984).

In terms of corporate accountability, it is needed to be precise in answering the questions-accountable to whom, for what, how, and when? Formal accountability can exist only where there is a legitimate constitutional, proprietarial or contractual relationship between two parties-the one with the right to require and the other a duty to provide accountability. Calls for greater disclosure of information to wider public stakeholder groups have usually been based on calls for greater corporate social responsibility (Clarke, 1998; Tricker, 1984; Wheeler & Sillanpaa, 1998).

For the board to be better board accountability, the annual general meeting of the shareholders can offer opportunities to boards who accept the need for more demonstrable accountability. In addition, the annual report and accounts is also now widely recognized as an important vehicle for providing shareholder accountability. In addition, it is also important to focus the board's accountability and role in business development (Bacon, 1990; Coulson-Thomas. 1991; stern, 1993).

In essence, another key issue that contributes to the effective BODs and ECG is the optimal working relationships between the chaiman of the BODs and the CEO (see: Brown, 1976; Chitayat, 1985; Copeland & Towel; Lewis, 1974; Mueller, 1978; Puckey, 1969; Roe, 1977; Zald, 1969).

Role of the Outside Director

There are many key areas of the role of the outside director that contribute to the effectiveness of the board (Spencer, 1983): (1) the nature of the role; (2) the issue of competent role performance; (3) the relationships the outside directors form with fellow directors-relationships with fellow directors can be: (i) relationships between non-executive directiors; (ii) relationships between non-executive directors and executives; and (iii) relation between the non-executive director and the chairman and/or CEO; (4) the ways in which power and/or influence is exercised, either by themselves or be fellow directors, the power blocks, the structure and power distribution within boards, as well as consensus decision-making of the board; (5) marginality-the perception of th outside director by himself and by others as an essentially marginal figure occupying what is frequently viewed as a rather ambiguous role. Marginality can lead to experience of role dissonance and role ambiguity. The perceived fact of the marginality can be viewed as (i) source of power within the organization (ii) a structural item; and (iii) a matter of the interplay between the relationship between culture and structure in boardroom practices, and the ability of the outside director to bring personal skills and attributes that assist him to transcend structural marginality.

In essence, a competent outside director that can contribute to the effective board must possess: (1) core identity issues as perceived by the role occupant; (2) areas of personal and situational awareness which the outside director must identify, interpret, and determine his response to many different contingencies (see: Spencer, 1983 for details).

Board Empowerment

Empowerment means that outside directors have the capability and independence to monitor the performance of top management and the company, to influence management to change the strategic direction of the company if its performance does not meet the board's expectations; and, in the most extreme cases, to change corporate leadership (Lorsch, 1995).

CEOs who resist empowered boards must change their attitude. If they do not, they and their companies will be the losers because the empowered board is here to stay. If CEOs resist the trend, pressures to empower directors are likely to grow outside the boardroom, which will make the change adversarial and may lead to boardroom practices that will interfere unduly with management. But if CEOs recognize that empowered directors can help them and their companies, and if they encourage this trend, board empowerment can be achieved with minimum fuss and maximum benefit to CEOs, shareholders, and other stakeholders, as well as can create ECG.

Appraising Board Performance and Effectiveness

There are many reasons why companies should annually review the effectiveness of their boards (see: Conger, et al., 1998). An effective board is self-critical, that is, no one can perform the periodic board evaluations but the board itself. In essence, self-evaluation need not be self-serving evaluation. While the chairman should continuously monitor the effectiveness of the board, the board itself should be periodically involved in a review of its own activities, priorities, and effectiveness. The board should begin with the activities that were identified in the role and function of the board. In essence, board review process can be generally summarized as moving along the following steps: (1) determining what needs to be performed; (2) creating the capability to do what needs to be performed; (3) deciding how to do what needs to be performed; (4) ensuring that what needs to be performed actually is performed; (5) ensuring what is performed satisfies legal and ethical requirements; and (6) reporting to stakeholders on what has been achieved. The sixth step provides the feedback to first step, as the cycle restarts (Coulson-Thomas & Wakelam, 1991). Also see: Conger, et al. (1998).

In addition, other critical areas of concerns that should be considered when assessing the effectiveness of a board (Tricker, 1978): (1) structure/constitution and composition (membership of the board, etc; (2) core functions and conduct of business (issues concerning the board meetings, etc.); (3) attitudes and approach (appropriateness of board priorities, involvement of empowering the management team, reality confrontation or avoidance, etc.); (4) directorial qualities and attributes; (5) team dynamics (harmony and unity, etc.); and (6) continuous improvement (the full potential, chaiman's expectations, board learning, and self-critical, etc.). For an effective board, in addition, individual directors would feel free to raise any concerns they might have about the board conduct its business, while the chairman would periodically invite comments and feedback concerning the board's operations.

Board Review Process

The main functions of the board could be linked together in the form of a board review process. BODs and CEOs need a formal and visible review process to demonstrate to shareholders their shared commitment to orderly and ECG. Other purposes are to explore board processes, structure, and style in the light of company needs, to highlight potential problems for the future, and to provide the basis for increasing effectiveness. (see: Coulson-Thomas & Wakelam, 1991; Hilmer & Tricker, 1990; Tricher, 1984 for quality of board review process).

See the key issues of a review of board effectiveness in : Conger, et al. (1998), Coulson-Thomas & Wakelam (1991), Hilmer & Tricker (1990).

Strategy for Board Development

Steps in a practical board review leading to the formulation of a strategy for the developing the board are as follows: (1) a strategy for the development of the board must be set in the context of the overall business strategy. Therefore, the first step towards creating a strategy for board development is to consider the implications at board level of the corporate business strategy; (2) the overall governance situation needs to be taken into account; (3) external situation, as it might affect governance matters and issues, needs to be considered; (4) the relevant board structure can be reviewed in the context of the company's present and future needs. Consideration can also be given to the time expected from each director for board level work; (5) appropriate board style can next be considered; (6) succession planning is an essential component in creating a board development strategy; (7) effective directors can be trained and developed, in an organized, systematic fashion. The board review will highlight areas in which certain directors might benefit from specific training and development. Opportunities can also be created for development through membership, of chairmanship, of board committees or task forces, by giving members responsibility for a specific project, or assigning them to represent the company on appropriate occasions. The development of existing and potential directors can make a significant contribution to the improvement of board effectiveness; (8) consideration can be given to opportunities for achieving greater board efficiency and; (9) greater effectiveness which completes the steps necessary for step 10: the development of an agreed strategy for board development (Hilmer & Tricker, 1990).

Opportunities to Improve Board Effectiveness

There are many opportunities for improving board effectiveness. These include the better use of board time, delegation to board committees, acquiring better board information, and effective and efficient conduct of board meetings, agenda, and minutes (see: Hilmer & Tricher, 1990).

Summary:the Effective Board

For the board to be effective, the key is to ensure that: (1) the board is untied, committed, and focused; (2) every element of the corporate transformation, reformation, and reinvention is in place; and (3) the impetus and vital actions are initiated, developed, pursued, and dimension. An effective board, with its own sense of cohesiveness and determination to be informed about its company's business (if necessary, through access to information not provided by management) can: (1) take meaningful action to minimize managerial opportunism to benefit when shareholders do not and, in particular, to curb excessive perquisites and compensation; and (2) determine when the company is in severe difficulty, especially when its own culture paralyzes it from adapting to a changing environment (Firstenberg and Malkiel, 1994).

The Effective Corporate Governance

Since the ECG is the ultimate effect as previously discussed, the ECG can be assessed along several dimensions: (1) the competent directors; (2) the effective BODs; (3) improving decision making; i.e., decision making-fostering debate, bringing in better information, offering new perspectives, reducing false consensus and insularity, and with shareholders and boards involved in decision making (see: Pound 1995); (4) right and/or optimal balance in role and responsibilities, power distribution and influence, interests, and interrelationships among shareholders, competent directors (both inside and outside directors) and effective BODs, senior management, and other stakeholder, such as right balance of the codetermination (see: Hammer & Stern, 1983; Prenting, 1992) and optimal interlocking directorate (see: Bazerman & Schoorman, 1983; Pennings, 1980); (4) vision and mission fulfillment, goals attainment, and objectives accomplishment; (5) optimal and appropriate reformation, reinvention, and empowerment of the stakeholders involved; and (6) integrated culture and value such as consensus decision-making, accountability, awareness and discipline, self-critique and evaluation. The assessment of ECG should be performed along multidimensions, not just a single dimension, that is, the integrative and coordinative approach along the multidimensions, should be conducted.

Research Propositions

The proposed framework hypothesizes variations in the ECG as a function of the effective BODs. The effective BODs is, in turn, affected by the competent director. The framework presented hypothesizes variations in attributes of the competent director effect on the effective BODs and corporate governance, as well as variations in variables of the effective BODs effect on the effective corporate governance. Therefore, specific research propositions analyzing the interrelationships between and among variables in three constructs can be developed, some of which are stated as follows.

P1 : The degree of the effectiveness of the corporate governance (well check and balance the corporate governance issues and/or reform measures and/or optimal level of power distribution) is positively correlated to the appointment and performance of the interdependent lead director.

P2 : The degree of the effectiveness of the corporate governance (well check and balance the corporate governance issues and/or reform measures and/or optimal level of power distribution) is negatively correlated to the power blocks of the board and/or the marginality of the outside director (s).

P2a : Well-balanced in power distribution of the BODs is negatively correlated to power blocks of the board and/or the marginality of the outside director(s).

P2b : Well-balanced in power distribution of the BODs is positively correlated to the independence and/or accountability of the individual director(s) and/or the board.

P3a : Establishing the position of lead director and appointing chairman of the independent directors (CID) is positively correlated to the effectiveness of the corporate governance.

P3b : Establishing the position of lead director and appointing chairman of a committee on committees (CCC) is positively correlated to the effectiveness of the corporate governance.

P3c : Establishing the position of lead director and appointing chairman of a board governance (and nominating) committee (CGC) is positively correlated to the effectiveness of the corporate governance.

P4 : Formal, periodic, and systematic board appraisals (and / or board works as a team) and the effectiveness of the corporate governance (as measured by corporate performance, and fulfilling vision, etc.) are positively correlated.

P5 : The greater the interdependence and/or optimal relationships between and among director, the greater the effectiveness of the BODs and/or ECG (as indicated and measured by corporate performance and morale of the other stakeholders).

P6 : The higher the level of the disclosure of the board self-review, the higher the level of the ECG (as measured by corporate performance, and fulfilling vision, etc.).

P7 : The higher the number of inside directors loaded in the BODs, the lower the level of the effectiveness of the corporate governance.

P8a : The effectiveness of corporate governance is caused by the positive correlation between empowering the BODs and the board attributes.

P8b : The effectiveness of corporate governance is caused by the positive correlation between issue prioritization of the BODs and the interdependence of the directors.

Based on the linkages posited in Figure 1, other specific research propositions can be developed. Therefore, the list of specific propositions is by no means exhaustive. Since all the variables included in the integrative framework can be operationalized, and many of them have been used in previous research, it is possible to empirically test the specific research propositions and hypotheses. The significance of the various sets of variables as they affect the ECG can thus be determined and investigated.

Thus, hypotheses analyzing the relationships between the various sets of variables/constructs can thus be generated as a whole of in part as suggested in the framework and also can be used for domestic, comparative, and even cross-national studies. Therefore, these enhance understanding of and insight into the complexity, interplay, and various perspectives of the influences of the effective BODs and the competent director on the ECG.

Discussion

In light of increasing in a state of transition of corporate governance systems, the need to identify the determinants of the effective BODs and ECG is indeed great. The proposed framework sought to incorporate and integrate the various perspectives and approaches to the study of the corporate governance, thus allowing for a more comprehensive investigation of the complex phenomenon of corporate governance; and hence providing a better understanding of the variables that can enhance the chances of the ECG in various contexts and situations.

Although the findings from the literature review must be viewed as tentative and needing to be confirmed empirically, it is believed that they offer some insight into an underresearched topic, specifically, the relationships between the competent director, effective BODs, and ECG. The proposed framework raises the possibility that some variables in the constructs may be more influential than other variables in the other constructs. Therefore, it may be useful to select one key variable that impact on the key variables on the other constructs under considerations.

The framework and propositions represent an effort to build the foundations of integrating the competent directors, effective BODs within the ECG. The main objective is in theory building rather than theory testing. In addition, it is also hoped that the framework and propositions advanced here will lead to further theory development and empirical testing in this area, which systematically links the competent director, effective BODs, and ECG.

Specifically, a first step would be to add to and substantiate the proposed framework. Second, the implications of the use of the effective BODs to drive for achieving the ECG must be considered. Third, in view of the proliferation of using outside directors in many boards, the long-term performance implications of such relationships involved in creating the effective BODs and ECG must be investigated.

Besides the implications and potential contributions that a proposed framework have for the practices of corporate governance and strategic management, the results of research findings utilizing such a framework can contribute to the literature on corporate governance and boardroom practices by providing a better understanding of the relationships that exist among the various sets of variables. The findings of research utilizing such a framework can also facilitate the understanding of why and how stakeholders behave, act, and decide, and under what circumstances are strategic managers and stakeholders likely to adopt certain strategies or courses of action which influence the ECG.

In addition, an integrative framework of the ECG such as the one proposed in this paper can assist the understanding of corporate governance phenomenon under varying sets of boardroom and director contexts, and how these in turn determine the ECG. Such findings can facilitate the identification and presciption of board and management practices that can be effective in BODs comprising of multinationality of directors and variety of stakeholders.

Directions for Future Research

Besides the need for empirical verification of the propositions given, there are several implications for future research. **First,** appropriate measures must be developed for capturing the effectiveness of the BODs and ECG. A wide range of the BODs and corporate governance measures is being employed. For example, the CEO should not continue to serve as a board member after retirement and the employment of the independent advisers, especially in the cases of an attempted hostile takeover of merger discussions. Influences of these variables on the ECG should be investigated. **Second,** an understanding is needed about how the key variables of the effective BOD's construct transform to the ECG. This will be of interest in designing programs for transformation, appraisal, and determining the competent director assigned to them.

It is imperative that the validity of existing instruments for each of the key variables in each of the constructs must be investigated. Judicious use of survey measures (developed, perhaps, on the basis of qualitative research) may be required. **Third,** it is critical to differentiate between the competent director and the effective BODs effects. In some cases, the effective BODs may be so strong that the competent director's attributes are overshadowed. Ignoring the potential interactions between the two may lead to erroneous conclusions. However, it is noteworthy that the interplay between the competent director and the effective BODs may also provide one possible explanation for the differences in effectiveness between seemingly similar influences of the competent derector, the effective BODs, and ECG. **Fourth,** it is very imperative to understand the effects of combining two or more attributes of the competent directors that have impact on the effective board or even the ECG. Although the corporations need to take advantage of the benefits of the only shareholders, they also need to fulfill the needs and objectives of other key stakeholders, otherwise the potential conflicts may be occurred. In this context, research could be performed to determine under which circumstances stakeholders perform and conform synergistically, that is, where their strengths complement and reinforce each other, versus "cannibalistically," that is, where their weaknesses complement and reinforce each other. **Sixth,** it is also essential to investigate, specifically, to compare and contrast the corporate governance structures and systems of several countries in which the corporation is a primary form of large scale organization. That is, the focus of the future research should be on international differences in the determinants of the effective BODs and ECG (such as those presented in the research propositions) among the United States, United Kingdom, Japan, Germany, France, Italy, or among the countries such as South Korea, Taiwan, Singapore, Hong Kong, Malaysia, Thailand, or the Eastern Europe and the big emerging countries (such as India and Brazil) especially, compare and contrast between the normal and during the crises, transitional, and/or transformational periods. **Seventh,** fruitful directions for future research might include changes in corporate performance, board reform/practices, and empowering the board, all of which may be associated with changes in stakeholders involved by tracking the changes in these dimensions over time from nation to nation.

Conclusion

This paper attempts to propose the integrative framwork that identifies interrelationships between the competent director, the effective BODs, the ECG. Motivating this attempt has been an awareness that the relationships between the competent director, effective BODs, and the ECG is becoming increasingly important for companies in an age of globalization in general and strategic management in particular. Although further empirical research is needed before definitive conclusions can be drawn, the proposed research identify the potential of a new research domain, presents an intergrative framework for its examination along with the proposed propositions, and suggests the nature influence of one important construct (e.g. the competent director) on another (e.g.,the effective BODs). The hope is that to have delineated a new and fertile areas of corporate governance and strategic management, benefiting academic researchers and BODs, directors, other stakeholders, strategic managers, and the like. Since in the future, especially for the next decade, ther are trends toward the acceptance of the idea that a corporation should be governed and managed in the interests of all its stakeholders. That is, stakeholder ownership will become the fundamental for the reform of the ECG.

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