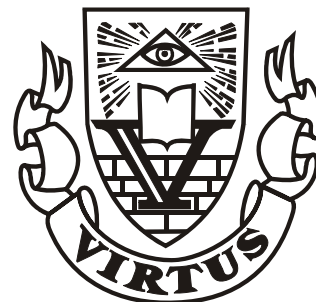


CORPORATE BOARD: ROLE, DUTIES & COMPOSITION

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Do Ownership and Board Composition Matter? Efficiency and Corporate Governance in Some UK Privatised Firms 8

Giovanni D'Orio

The main aim of this paper is to analyse the role of privatisation and corporate governance reform and modification in the firm's organisation for the efficiency of the sample firms. Data Envelopment Analysis estimation will be used to understand the level of efficiency achieved by the Management Decision Unit and the stochastic frontier approach will analyse inefficiency in its components (i.e. if inefficiency is due to an adverse state of the world - statistical noise - or if it can be explained with the determinant of other factors such as corporate governance).

**The Kostyuk Report:
Executive Compensation Practices in Ukraine** 31

Alexander Kostyuk

The main research question of this research is: "Does an ownership structure influence performance of executive compensation in Ukraine?". A very detailed investigation of the most active Ukrainian joint stock companies has been undertaken. Total number of the companies under research is 50. Period of investigation is from 1998 to 2003. Fixed-based compensation is still the major form to reward executives at Ukrainian companies. From this perspective, Ukrainian practices for rewarding executives belongs to Continental model, developed in Germany. It can be explained by lack of: appropriate legislation, allowing stock based compensation; liquid stock market; lack of knowledge of directors (members of supervisory boards) on incentive based compensation; lack of control and executive monitoring functions by supervisory board.

Is There a Relationship between Directors Remuneration and Firm Performance? 39

Rashidah Abdul Rahman, Siti Noor Hayati Mohamad Zawawi

The primary objective of the study is to determine whether there is a positive relationship between directors' fees with the size of the firm and performance, based on the annual report of 246 listed firms. The results indicate a weak positive relationship between directors'

remuneration, corporate size (total assets) and corporate performance (operating cash flow on asset). The weak positive relationship between director fees and performance indicates that other factors, such as the director's yearly performance, may also account for the determination of the director's remuneration. The findings support the notion of agency theory and corporate governance that remunerating the top management should be based on individual and corporate performance. In contrast, other performance variables such as return on assets (ROA) and earning per share (EPS) measured indicates no statistical association.

Voluntary Decisions on Audit Committee Composition and Expertise and The Influence of Board of Director Characteristics: Further Evidence from Singapore

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J-L. W. Mitchell Van der Zahn, Inderpal Singh

Our study empirically examines the association between four board of director characteristics and two audit committee dimensions. The audit committee dimensions are the level to which Singapore publicly listed firms voluntarily (1) include more independent directors on their audit committee beyond the mandatory minimum majority of independent directors and (2) improve the collective knowledge and experience of this standing committee by including suitably qualified independent directors. Our analysis is based on hand collected data from 430 domestically incorporated firms listed on the Singapore Stock Exchange (SGX) at the end of 2003. We find Singapore publicly traded firms are likely to voluntarily include more independent directors on their audit committees beyond the mandated minimum majority when (1) the size of the board of directors increases, (2) firms segregate the positions of Chief Executive Officer (CEO) and Chairperson of the board, and (3) the proportion of independent directors serving on the board of directors increases. The percentage of independent directors with directorate interlocks appears not to influence a firm's decision to voluntarily include more independent directors on their audit committees. We also find a statistically significant association between (1) duality (negative) and (2) percentage of independent directors with directorate interlocks (positive) and propensity for Singapore firms to voluntarily increase the collective knowledge and experience of the audit committee's independent directors. Contrary to expectations board size and the proportion of independent directors are not significant determinants.

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