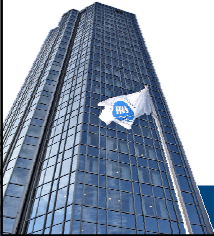


# THE BOARD OF DIRECTORS



HALMSTAD UNIVERSITY



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## ME

Sven-Olof Yrjö Collin

- Professor in Accounting/Corporate Governance

- Teaching: Management control, strategy, scientific method, corporate governance

- Research: corporate governance, i.e., governance of riding schools, municipal corporations, composition of boards, accounting choice, auditing

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Home page: [www.svencollin.se](http://www.svencollin.se) (slides on 'teaching')

Second floor O-house



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## OPINION

- Considered important in reality  
every joint stock company, association and other organisations where the principal is separated from the organisation have a board
- Little empirically based knowledge  
(Black Box)
- Enormous amount of opinions
- Enormous demand of accountability



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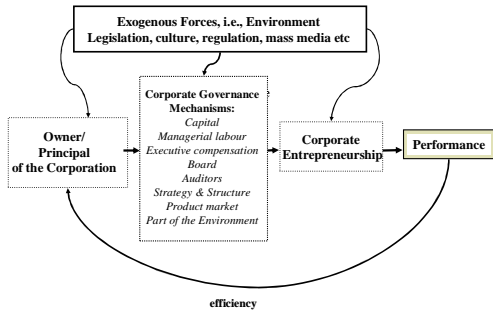
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## CORPORATE GOVERNANCE




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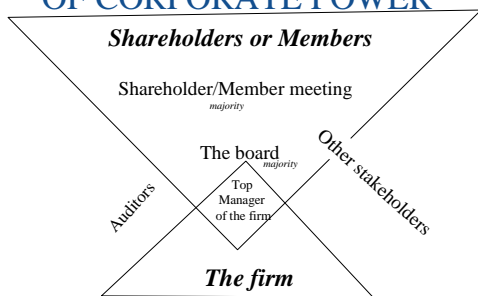
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## THE FORMAL STRUCTURE OF CORPORATE POWER




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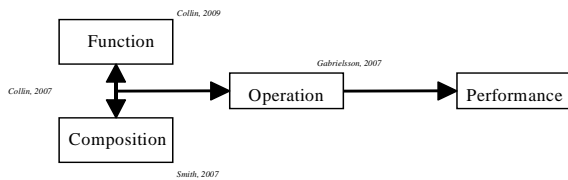
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## A BOARD MODEL




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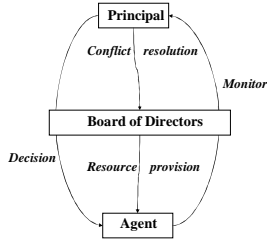
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## THE FOUR FUNCTIONS OF THE BOARD




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## FUNCTIONS AND ACTIVITIES

Functions	Activities
Monitoring	Selecting/rewarding CEO, auditing
Decision making	Investments, budget, strategy initiation
Resource provision	Linking networks, Co-opting
Conflict resolution	Voting, coalition formation




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## FACTORS INFLUENCING FUNCTIONS

Drivers	Functions	Activities
<ul style="list-style-type: none"> <li>&gt; <b>Board composition</b> (insider/outsider, network ties, market for directors, size, director social human capital)</li> <li>&gt; <b>Environmental uncertainty</b> (technology change, political risk etc)</li> <li>&gt; <b>Organisational structure</b> (F-M-form, complexity, size)</li> <li>&gt; <b>Organisational strategy</b> (org. phase, life cycle, diversification)</li> <li>&gt; <b>Societal pressure</b> (listed corporation)</li> <li>&gt; <b>Distribution of Property Rights</b> (Joint stock, association etc)</li> <li>&gt; <b>Industry</b> (professional, manufacture)</li> </ul>	Monitoring	Selecting/rewarding CEO, auditing
	Decision making	Investments, budget, strategy initiation
	Resource provision	Linking networks, Co-opting
	Conflict resolution	Voting, coalition formation




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## SOME FINDINGS

- ⇒ Monitoring reverse to Decision making
- ⇒ Resource provision reverse to Decision making
- ⇒ Conflict resolution independent, only related to the principal
- ⇒ Praxis implication: Functional harmony



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## WHO CONTROLS THE CONTROLLERS?

- The Market for Directors
- Auditors
- Business Press



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## THE COMPOSITION OF THE BOARD

- Whose interest?
- Who to select?



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## WHOSE INTEREST?

- Transaction specific investments  
to develop the investment
- Risk of exploitation  
open-ended contracts



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## BOARDS IN DIFFERENT GOVERNANCE SYSTEMS

One-tier	Two tier
Insiders - Outsiders	Outsiders
Chairman – CEO mix	Chairman – CEO separation



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## SELECTION OF BOARD MEMBERS

- Market for Directors (reputation)
- Demographic similarity
- Network membership (Business groups)
  
- The myth of today:  
**GOOD GOVERNANCE = INDEPENDENCE**
  
- but  
... what is *INDEPENDENCE*?



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## GROUP, TEAM OR HIERARCHY?

- Group: serial group lining up with independent interest except for the benefit of the corporation (according to law)
- Team: Organic group, with dependencies and solidarity, where the interest of the group could be superior the benefit of the corporation
- Hierarchy: All directors are equal, but some are more equal than others, i.e., a segmented constellation where some individuals belong to a group and some belong to a team



'Teamishness' of the board?




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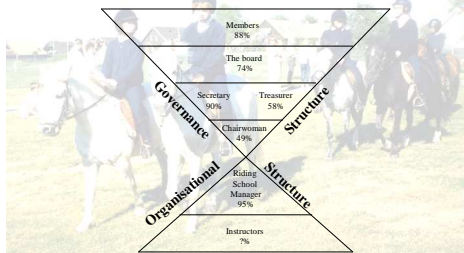
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## HIERARCICAL STRUCTURE OF THE BOARD

The gender distribution of the riding schools of Sweden




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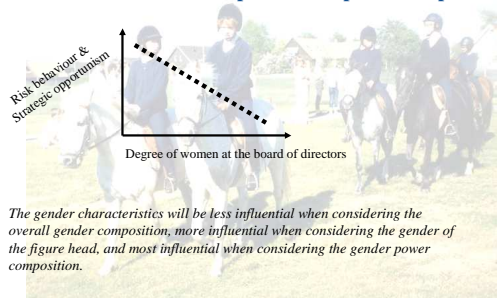
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## Hypotheses of the board's gender composition and its influence on corporate entrepreneurship




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## Analysis


**The board's overall gender composition**

**Gender of the chairperson**

**Degree of women concerning the gender power distribution (treasurer, chairperson and secretary)**

**Risk behaviour & Strategic opportunism**

*Positive*




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## COMPOSITION

- ROA is not influenced by
  - Gender composition
  - Ethnic composition

**of THE BOARD**
- ROA is influenced by
  - Gender composition
  - Ethnic composition

**of THE TOP MANAGEMENT TEAM**

=> NO NEED FOR GENDER OR ETHNIC QUOTAS




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## THE END OF THE BOARD?

- Advanced auditing
- Strong markets
- No owners with firm-specific interest and knowledge
- Tecnostructure or the managerial revolution



The nightmare of
 

- Berle & Means (The modern corporation and private property, 1932)
- Burnham (The managerial revolution, 1941)
- Baran & Sweezy (Monopoly capital, 1966)
- Galbraith (The new industrial state, 1967)




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