Corporate Governance: The Significance of the Duties of Directors in Promoting Corporate Success

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Declaration

Statement of Originality

This thesis contains no material which has been accepted for the award of any other degree or diploma in any university or other tertiary institution and, to the best of my knowledge and belief, contains no material previously published or written by another person, except where due reference has been made in the text. I give consent to the final version of my thesis being made available worldwide when deposited in the University’s Digital Repository**, subject to the provisions of the Copyright Act 1968.

Signature  :

Date  :
Acknowledgement

The completion of this Doctoral Thesis has been one of the most challenging tasks for me as a student of the University of Newcastle. The completion of this assignment would not have been possible without the enormous help from the few good souls around me.

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Abstract

The growing concern over the need to monitor corporate governance practices has gained much attention over the past three decades, primarily due to the failure of corporate giants e.g. the Maxwell Group, Bank of Credit and Commerce International (“BCCI”), Polly Peck International (“PPI”) and Enron (Mayson, French and Ryan, 2012). Corporate governance codes of best practice have been devised as a form of “soft laws” to guide corporations to corporate success and long-term sustainability (Lowry and Dignam, 2009). Although there is yet to be a Code of Best Practice that serves global needs, most codes of corporate governance emphasise the primary responsibility carried by the Board of Directors in ensuring transparency (in accountability, boardroom processes, a balanced make-up of the Board and decision making processes) that is based on stakeholder interests without emphasis on shareholder primacy (Hampel Report, 1998).

It has been proven that companies which comply with recommended best practice of corporate governance perform better and garner better market prices compared to those which place a lower emphasis on such compliance measures (Horwarth Report, 2002). The Horwarth Report makes specific reference to the importance of the role of the Board of Directors and its need to maintain an independent and transparent process to attain corporate success (Horwarth Report, 2002). The Horwarth Report also emphasises the importance of factors, namely: (a) independence; (b) competencies, i.e. skills and characters of the members of the board; (c) the existence of sub-committees under the board; and (d) the composition of the Board (Horwarth Report, 2002).

An interpretivism research approach is undertaken to examine the subjective views of directors who spearhead their corporations in their respective industries to aid the understanding on the practicality of codes of best practice. A series of twenty-four questions is posed in face-to-face interview sessions with selected directors to seek their views on issues that relate to corporate governance codes of best practice. These range from general views on corporate governance and its practical use for their businesses to include non-executive directors on the Board and their major participation in sub-committees like the Audit and Remuneration Committees.
The results of this study reveal that the most robust codes devised (particularly in the UK ("the United Kingdom"), Malaysia and Singapore) adhered to by corporations for better performance and enhancing growth involve the commitment from the Board of Directors to: (a) embrace the importance of understanding the demands and underlying rationale of the codes; (b) have an ideal make-up of the Board to promote independence and avoid domination; (c) have boardroom processes in place for a smooth flow of communications; (d) incorporate sub-committees of the board; and (e) emphasise the importance of including stakeholder interests in boardroom decisions. This study is beneficial to companies which are incorporating best practices into their Board processes.
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Abbreviations and Acronyms

BCCI - Bank of Credit and Commerce International
ICAEW - Institute of Chartered Accountants in England and Wales
NASDAQ - National Association of Securities Dealers Automated Quotations
NYSE - New York Stock Exchange
OECD - Organisation for Economic Co-operation and Development Principles
PPI – Polly Peck International
SC – Securities Commission, Malaysia
SEC – Securities and Exchange Commission, USA
UK – the United Kingdom
USA - the United States of America