## **Contents**

	LIST OF CASE STUDIES	xiii
	LIST OF BOXED ILLUSTRATIONS	xv
	Introduction	1
	What the Book is About	1
	Who the Book is For	2
	The Basis of the Book	2
	Why the Book was Written: A Personal Note from the Author	2
	A Pedagogic Note	4
PART 1	Principles	
1.	Corporate Governance: A Subject Whose Time Has Come	 7
	Corporate Governance As Old As Corporate Entities	8
	The Separation of Management from Ownership	9
	Significant Developments in the 1970s	10
	Developments in the 1980s	12
	Developments in the 1990s: In Practice and Conventional Wisdom	13
	Developments for Listed Companies in the 21st Century	15
	Developments for Other Corporate Entities in the 21st Century	17
	New Frontiers for Corporate Governance	17
2.	Governance and Management	 25
	The Significance of Constitutions for Corporate Entities	25
	The Distinction Between Governance and Management	35
	The Performance and Conformance Aspects of Governance	37
	Definitions of Corporate Governance	38
	The Scope of Corporate Governance	39
	Drivers of Good Corporate Governance	46
3.	Directors and Board Architecture	50
	Different Types of 'Director' and Director Appointment	50
	The Appointment of Directors	55
	The Chairman and Chief Executive Roles	57
	Board Structures	61
	Board Committees	67

4.	Complex Corporate Structures	75
	Ownership Patterns in Modern Companies	75
	The Governance of Complex Corporate Structures	76
	Cross-holdings of Shares: Keiretsu and Chaebols	90
	Block-holders and Universal Ownership	91
	Dual Listed Companies	92
	Dual Class Shares	94
	Listings on Alternative Stock Markets	94
5.	The Governance of Private Companies and Other Corporate Entities	98
	The Governance of Subsidiary and Associated Companies	98
	The Governance of Family Controlled Companies	101
	The Governance of Hedge Funds, Private Equity Firms, and Sovereign Wealth Funds	103
	The Governance of Joint Ventures	111
	The Governance of NGOs and Non-profit Corporate Entities	113
	The Governance of Partnerships and Limited Liability Partnerships	116
6.	Functions of the Board	120
	The Functions of the Board	120
	Corporate Transparency	132
	The Delegation of Board Functions to Management	134
	Balancing the Board's Performance and Conformance Roles	139
PART 2	Policies	
7.	Corporate Governance Codes	145
	From Cadbury to the Combined Code: United Kingdom	146
	Codes in Other Countries	151
	The Sarbanes-Oxley Act: United States of America	155
	Principles or Prescription: The Governance Debate	158
	Codes from International Agencies	159
	Codes from Institutional Investors	161
	Company Codes	163
	Codes for the Public and Voluntary Sectors	165
	Codes for Individual Directors	166
	Compliance with Corporate Governance Codes	166
	Appendix: Corporate Governance Codes around the World	169
	Appendix. Corporate dovernance codes around the world	169

8.	Models of Corporate Governance	181
	How Context and Culture Affect Corporate Governance	181
	The American Rule Based Model	183
	The United Kingdom/Commonwealth Principles Based Model	184
	The Continental European Two-tier Model	186
	The Japanese Business Network Model	187
	The Asian Family Based Model	189
	Corporate Governance in Mainland China	192
	Corporate Governance in Russia	200
	Corporate Governance in India	205
	Corporate Governance in the Middle East	207
	Corporate Governance: Convergence or Differentiation?	208
	Institutions Necessary for Successful Corporate Governance	210
9.	Theories and Philosophies of Corporate Governance	217
	The Agency Dilemma	217
	Agency Theory	219
	Transaction Cost Economics	223
	Stewardship Theory	223
	Resource Dependency Theory	226
	Managerial and Class Hegemony	226
	Psychological and Organizational Perspectives	227
	The Societal Perspective: Stakeholder Philosophies	229
	Differing Boundaries and Levels: Systems Theory	231
	A Subject in Search of its Paradigm	233
PART 3	Practices	
10.	The Reality of the Boardroom	241
	How People, Power, and Politics Affect Practice	241
	Sources of Governance Power	242
	Games Directors Play and the Manipulation of Meetings	244
	Board Styles	250
	The Significance of the Chairman	255
	Implementing Corporate Governance Below Board Level	259
11.	Directors' Capabilities and Responsibilities	263
	Desirable Attributes in a Director	263
	The Core Competencies a Director Needs	267

	Roles Directors Play	268
	The Legal Duties of a Director	272
	Shareholder Rights Differ Between Jurisdictions	275
	The US Sarbanes-Oxley Act 2002	276
	UK Companies Act 2006	278
12.	Board Effectiveness	282
	Managing Board Committees	282
	Managing Meetings, Agenda, and Minutes	285
	Board Information	288
	The Role of Company Secretary	292
	Director Induction, Training, and Development	294
	Director Remuneration	296
	Director and Officer Insurance	299
	Appendix: Director's Induction Checklist	306
13.	Assessment of Directors, Boards, and Companies	311
	Reviewing Individual Directors' Performance	311
	Reviewing Board Performance	313
	Corporate Governance Rating Systems for Companies	321
	Corporate Governance Assessment Systems for Countries	325
14.	Corporate Risk Assessment	328
	Responsibility for Risk Profiling, Risk Strategy, Risk Policy,	
	and Risk Supervision	328
	Levels and Types of Risk	331
	Risk Analysis	335
	Risk Recognition and Assessment	337
	Risk Evaluation	340
	Risk Management Information Systems	342
	Risk Transfer	343
15.	Corporate Social Responsibility and Sustainability	349
	New Expectations in the Governance of Organizations	349
	Corporate Social Responsibility: Strategies and Policies	351
	Corporate Social Responsibility Reporting	358
	Sustainability Reporting	363
	Balancing Corporate Responsibilities	370

16.	The Future of Corporate Governance	374
	Some Remaining Questions  Driving Forces for Change	
		APPENDIX 1 ENRON
	APPENDIX 2 NEW YORK STOCK EXCHANGE: CORPORATE GOVERNANCE RULES	398
	APPENDIX 3 ANSWERS TO SELF-TEST QUESTIONS	410
	INDEX	421