Contents

INTRODUCTION		хi
CHAPTER 1	CORPORATE GOVERNANCE The development of the corporate concept The experience of the corporate concept around the world Corporate governance in Continental Europe Underlying cultural norms Corporate governance in Japanese companies The concept of the corporation Theories of ideas in corporate governance Issues in corporate governance	1 2 2 3 3 3 4 4
Reading 1.1	Corporate Governance — A Review of the Literature Philip L. Cochran and Steven L. Wartick	8
Reading 1.2	Japanese Company Boards and Their Directors R.I. Tricker	19
Case 1.1	Drexel, Burnham, Lambert	23
Case 1.2	Fermenta	28
Case 1.3	Hanson Plc and ICI Plc	31
Case 1.4	Koito Manufacturing Company	35
CHAPTER 2	BOARD STRUCTURES Titles of director The independence issue Governance and management distinguished Alternative board structures International comparisons Boards in groups of companies	42 43 44 45 46 48
Reading 2.1	Intercorporate Networks in Japan: A Study of Interlocking Directorates in Modern Large Corporations Yoshiaki Ueda	49
Reading 2.2	Working Relationships Between the Chairman of the Boards of Directors and the CEO G. Chitayat	62
Case 2.1	Clyde Industries Ltd	68
Case 2.2	Herman Gmbh	74
Case 2.3	The Kowloon-Canton Railway Corporation	81
Case 2.4	Sears, Roebuck and Co.	94

CHAPTER 3	ROLES AND RESPONSIBILITIES OF DIRECTORS Roles for directors The responsibilities of directors Theories of corporate governance	98 100 102
Reading 3.1	Corporate Finance and Corporate Governance Oliver E. Williamson	104
Reading 3.2	Stewardship Theory or Agency Theory: CEO Governance and Shareholder Returns Lex Donaldson and James H. Davis	124
Case 3.1	American National Can	135
Case 3.2	Polaroid Corporation Inc.	138
Case 3.3	Teleman Inc.	141
CHAPTER 4	BOARD ACTIVITIES Board leadership Chairman of the board The duality issue Board activities — myth and reality A framework for board activities	146 147 147 148 149
Reading 4.1	Board Structures and Styles R.I. Tricker	151
Reading 4.2	The Reality of the Boardroom R.I. Tricker	161
Case 4.1	The George Eaves Company Ltd	168
Case 4.2	Guinness Company (Cases A, B and C)	171
Case 4.3	The Primotran Group	179
CHAPTER 5	THE PERFORMANCE ROLES Strategy formulation Policy making	183 188
Reading 5.1	The Historical Development of the Strategic Management Concept Jeffrey Bracker	189
Reading 5.2	Of Strategies, Deliberate and Emergent Henry Mintzberg and James A. Waters	195
Case 5.1	Cable & Wireless Plc	210
Case 5.2	Girvan Corporation Ltd	217
Case 5.3	The Hongkong and Shanghai Hotels Ltd (Cases A, B, C and D)	220
CHAPTER 6	THE CONFORMANCE ROLES The monitoring and supervision of management The balance of power in supervising management Two-tier boards to avoid "the corruption of undivided power"	245 246 247

	Contents	vii
		•
	The audit committee of the board Nominating committees and remuneration or compensation committees Accountability — stakeholder theory Corporate accountability to shareholders	248 248 248 249
Reading 6.1	On the Edge of the Organization: The Role of the Outside Director Anne Spencer	251
Reading 6.2	Audit Committees R.I. Tricker	260
Case 6.1	Canadian Electronics Corporation Ltd	268
Case 6.2	Cemex SA	273
Case 6.3	SLT Holdings Plc	275
CHAPTER 7	GOVERNANCE IN PUBLIC COMPANIES Governing the public company — the doubts expressed The erosion of shareholder rights The position of institutional investors Shareholder democracy rediscovered Governance in the dominated public company	279 280 281 282 283
Reading 7.1	An Effective Board Frederick G. Hilmer and R.I. Tricker	285
Reading 7.2	Composition and CEO Duality in Boards of Directors: An International Perspective Dan R. Dalton and Idalene F. Kesner	297
Case 7.1	AT&T Bids for NCR	305
Case 7.2	Delmas-Vieljeux	309
Case 7.3	The Micropolis Corporation	312
Case 7.4	Nomura Securities	317
Case 7.5	Swedish Spheres — A Note for Discussion	324
CHAPTER 8	GOVERNANCE IN COMPLEX GROUPS The advent of groups The complexity of modern groups Operating through subsidiaries Relationships between holding and subsidiary companies Issues in the governance of groups Overcoming conflicts of interest Appendix: Complexity of groups of listed companies in the United Kingdom	326 326 328 329 330 331 332
Reading 8.1	Headquarters Influence and Strategic Control in MNCs Yves L. Doz and C.K. Prahalad	334
Reading 8.2	The Board of Directors in Foreign Subsidiaries Laurent Leksell and Ulf Lindgren	347
Case 8.1	County Natwest Limited	358

Case 8.2	The Procordia Group	361
Case 8.3	Toyota Motor Corporation	364
CHAPTER 9	GOVERNANCE IN FAMILY FIRMS The significance of family firms Problems of governance in family companies From family relations to business relations Taking the family company public Retaining control in the family company	376 382 382 383 384 385
Reading 9.1	Differential Directorship: Special Sensitivities and Roles for Serving the Family Board Robert K. Mueller	386
Reading 9.2	The Role of Directors in Family Firms Sir Adrian Cadbury	392
Case 9.1	Educational Film Services Ltd	403
Case 9.2	Merill Blythe (Consultants) Ltd	407
Case 9.3	Rothwells Limited	411
Case 9.4	Wang Laboratories Inc.	417
CHAPTER 10	GOVERNANCE IN NON-PROFIT ORGANIZATIONS Constitutional underpinnings The evolution of governance in non-profit organizations Governance of charities Governance of membership organizations and professional bodies Governance of academic institutions and medical organizations Governance of quasi-governmental entities	421 422 423 423 423 424
Reading 10.1	Two Cheers for Democracy: A Look at the Underlying Ideas R.I. Tricker	426
Reading 10.2	Alternative Forms of Governance: Experiences in Other Bodies; Some Alternative Concepts R.I. Tricker	436
Case 10.1	The Loyang Hospice Society	451
Case 10.2	The Oxford Centre for Management Studies	457
Case 10.3	University of Hong Kong Business School	463
CHAPTER 11	IMPROVING BOARD EFFECTIVENESS More effective strategy formulation More effective policy making Better executive supervision Better board accountability Reviewing the board's effectiveness Towards a strategy for board development Opportunities to improve board effectiveness	472 473 473 473 474 475 477
	Appendix: On agenda, meetings and minutes	478

	Contents	ix
Reading 11.1	Corporate Governance: A Ripple on the Cultural Reflection Robert I. Tricker	482
Case 11.1	Directors' Rewards — A Note for Discussion	499
Case 11.2	Precision Engineering Holdings Ltd	502
Case 11.3	The South Australia Bank Royal Commission	507
Case 11.4	Tace Plc	511
CHAPTER 12	THE BOARD AND THE COMPANY OF THE FUTURE The ideology of corporate governance Ownership as the basis of power The control of the public company Other constitutional forms Beyond the present frontiers	514 516 517 518 520
Reading 12.1	The Corporate Concept: Redesigning a Successful System Bob Tricker	522
Reading 12.2	Who Should Control the Corporation? Henry Mintzberg	535
Case 12.1	The Cuomo Task Force	552
Case 12.2	Government Business Enterprises — The Case of Qantas	555
Case 12.3	The Recruit Corporation	562
Case 12.4	La Societe Generale de Belgique	566
Case 12.5	The Maxwell Case	569
APPENDIX	THE REPORT OF THE CADBURY COMMITTEE ON THE FINANCIAL ASPECTS OF CORPORATE GOVERNANCE: THE CODE OF BEST PRACTICE	576
INDEX		581