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The Interplay of Board Control with Board Configuration: Evidence from the UK

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Abstract

The study aims to explore the control role that board directors undertake and understand the impact of several board characteristics on these roles. Building on existing literature a model was developed to test the hypothesised relationships – i.e. directors' control role with board characteristics. The responses were collected from 115 directors in UK organisations. Principal component analysis was conducted to reduce the data and propose a set of directors' roles and correlation as well as regression analyses are utilised in order to test the hypothesised relationships.

The results of the statistical analysis propose some impact of the board characteristics on what directors do, extending the limited empirical evidence found in the literature. However, the theoretical framework needs further examination and research.

The study is evidenced by various limitations. Firstly, additional constructs can be added as determinants of the directors' control role. Secondly, the response rate in the survey is relatively low which is regarded as a limitation, although there are limited studies offering quantitative results from board members.

Keywords

Board of directors, board characteristics, agency theory, control role, board structure, independent directors, frequency of board meetings, board size, CEO duality, board tenure

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Introduction

The paper examines the relationship of various board characteristics with the control role of the board. Principal component analysis was used, which suggests three factors that capture the control role. This function is according to the agency theorists the most crucial function of the board. The theory recognises the reality, that large organisations might have owners that are separated from the managers who are the decision makers and that these two sides might have different interests. Thus, it is suggested that when there is a separation of ownership and management, control mechanisms should be applied to the organization.

The following sections will describe the relationship of board structure with the control role as found in the literature, from which specific hypotheses are developed. Next, the methodology used is described, followed by the findings of the regression analysis.

Agency Theory

Agency theory was originated by economists[1] during late 1960s, in an effort to describe the risk-sharing problem as one that arises when different parties (individuals or groups) cooperate having different approach toward risk.[2] This problem was later identified as the agency problem, which appears when a principal-agent relationship exists. In that case, one party (principal) assigns work to another (agent), who has to carry out this work. There are two problems that might be confronted when such a relationship exists.[3] The first one, known as the agency problem appears when "the desires or goals of the principal and agent conflict and it is difficult or expensive for the principal to verify what the agent is actually doing". In other words, this problem refers to the difficulty of the principal to make sure that the agent is doing his work appropriately and by aligning his interests to those of the principal. "The second problem is the problem of risk sharing that arises when the principal and the agent have different attitudes toward risk".[4] This is translated as the potential for different choices of action that the two parties would take, because of their different risk preferences.

"If both parties to the relationship are utility maximisers, there is a good reason to believe that the agent will not always act in the best interests of the principal"[5] . They further claim that the principal can limit the losses from his interest by establishing

[1] See especially Kenneth Arrow, *Essays in the Theory of Risk Bearing.* (Chicago: Markham, 1971) and Robert Wilson, *On the Theory of Syndicates* 36 Econometrica 119 (1968).

[2] Kathleen Eisenhardt, *Agency Theory: An Assessment and Review* 14(1) Academy of Management Review 57 (1989).

[3] *Ibid.*

[4] Eisenhardt (n.2).

[5] Michael Jensen and William Meckling, *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure* 3 Journal of Financial Economics 308 (1976).

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appropriate incentives to the agent, or by introducing monitoring costs to ensure that the agent is making the optimal decisions from the principal's viewpoint. It is also strongly argued, that it is almost impossible to avoid these costs and even in that case, there will still be some divergence between the agent's decisions and the decisions that would maximise the welfare of the organization. Control of agency problems is important when the decision managers (i.e. executives of the firm) who initiate and implement important decisions are not the major residual claimants (owners) and as a result, do not share a great share of the wealth effects of their decisions.[6] If effective control of the decision managers does not take place, it is very likely that the actions of these managers will diverge from the interests of principals. Therefore, it is argued that in order to have an effective control mechanism of decisions, the control has to be separate from the management of decisions.[7] Thus, assuming that a decision process in broad terms has four steps that are initiation, ratification, implementation and monitoring, it is recommended that these should be allocated to different agents according to the nature of them. The first and third steps are usually allocated to the same agents and they are "grouped" under the term decision management, while under the term control management, ratification and monitoring are included.

Moreover, "since the relationship between stockholders and managers of a corporation fit the definition of a pure agency relationship, it should be no surprise to discover that the issues associated with the 'separation of ownership and control' in the modern diffuse ownership corporation are intimately associated with the general problem of agency".[8] Thus, it is suggested that agency theory is highly aligned with corporations, as by definition there is an existence of agency relationships since ownership and control are often two distinct attributes. Furthermore, one of the aims of corporate governance is to manage these relationships that exist in the vast majority of large corporations around the world. Corporate governance viewed as "the ways in which suppliers of finance to corporations assure themselves of getting a return of investment"[9] emphasising economic return, security and control.

Agency theory literature focuses on the monitoring function of the boards of directors and argues that, by reducing the agency costs, firm performance can be improved. In other words, it is suggested that the main function of the board should be to monitor the management (agents) of the company, in order to protect shareholders' (principals) interests, which is usually translated to improved performance. Moreover, it is argued that a framework for analysing how firms can address differences between the interests of principals and agents, can contribute in assessing the efficient structure of executive compensation contracts and corporate governance relationships.[10] The

[6] Eugene Fama and Michael Jensen, *Separation of Ownership and Control* 26 (2) Journal of Law and Economics, 301 (1983).

[7] See also Jensen and Meckling (n.5) 305 and Fama and Jensen (n. 6) 301.

[8] Jensen and Meckling (n.5) 309.

[9] Andrei Shleifer and Robert Vishny, *A Survey of Corporate Governance* 52 (2) The Journal of Finance 737 (1997).

[10] Randolph Beatty and Edward Zajac, *Managerial Incentives, Monitoring, and Risk-Bearing: A*

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structure of executive compensation is determined by the scheme of compensation that is agreed in the contract of the director (cash, stock options, non-cash incentives etc.) that is strongly related with the risk bearing of the company. Depending on the compensation scheme, the agents will have different share of the wealth effects, based on their decisions. Thus, executives that are paid mostly based on their performance (i.e. stock options) are expected to have higher incentives to perform well, as this will affect their level of compensation.

By stating structure of corporate governance relationships, we mean the leadership structure (duality-separation) and board dependence (ratio of internal/external members). For example, previous studies have shown that there is a preference for a dominance of external independent directors in a board, as boards consisting mainly of internal members or even of externals that are not independent of the current management of the firm, have less incentive to monitor management. Similarly, studies have shown that when the same person holds the CEO and Chairperson positions, there is less power in the board to monitor the management of a firm.

Control Role

The monitoring function is according to the agency theorists the most crucial function of the board. The theory recognises the reality, that large organisations might have owners that are separated from the managers who are the decision makers and that these two sides might have different interests. Thus, it is suggested that when there is a separation of ownership and management, control mechanisms should be applied to the organization. The control mechanisms can be both internal and external, with external including market-based measures such as failure of the firm, or a takeover attempt.[11] Internal control can be achieved by discovering the agent's behaviour "through investment in information systems such as budgeting systems, reporting procedures, boards of directors, and additional layers of management".[12] The primary internal control mechanism that aligns the interests of shareholders and managers is the board, which serves as a representative of stockholders.[13] This leads to the argument that the board of directors should undertake the monitoring role, by observing the management of the company in order to protect the owners' interests. In other words, residual claimants (owners) assign internal control to a board of directors. "The board then delegates most decision management functions and many decision control functions to internal agents, but it retains ultimate control over internal agents

Study of Executive Compensation, Ownership, and Board Structure in IPOs 39 (2) Administrative Science Quarterly 313 (1994).

11 Brian Boyd, *Board Control and CEO Compensation* 15(5) Strategic Management Journal 335 (1994).

12 Kathleen Eisenhardt, *Agency Theory: An Assessment and Review* 14 (1) Academy of Management Review, 61 (1989).

13 Boyd (n. 11).

– including rights to ratify and monitor major policy initiatives and to hire, fire and set the compensation of top-level decision managers".[14]

As stated in the introduction of this section, boards have been associated with TMTs, as both being elite workgroups with a major role in the firm's decision control system.[15] However, an important difference is that boards are responsible only for monitoring and influencing strategy, not for initiating and implementing strategy. In addition, boards have the responsibility to monitor the management of the organisations, in other words the CEO and members of the TMT.

The main activities of the monitoring function, as stated by Hillman and Dalziel, are monitoring the CEO, monitoring strategy implementation, planning CEO succession and evaluating and rewarding the CEO/top managers of the firm..[16] What these activities have in common is that their driver is the obligation to ensure that management operates at the interest of the shareholders. Various authors refer to this function of the board as monitoring,[17] while others define it as control function.[18] By examining the different definitions discussed under those two terms, it is realised that although at a conceptual level the two words differ, both are used with the same meaning.

For example, the term control seems to derive from the work of Fama and Jensen, who discussed the decision-making process and its four steps (initiate, ratify, implement, monitor) and argued that these tasks have to be performed by different agents.[19] Specifically, they suggested that initiation and implementation should be grouped together under the term management decision and be allocated to one group of agents (i.e. top management team), whereas ratification and monitoring steps should be included under the management control term and be allocated to a different group of agents (i.e. board of directors). Control in this case, focuses on the two steps of the decision-making process that are ratification and monitoring. Therefore, the centre of the management control in that case is at the decision-making process regarding the strategic direction of the organisation. However, they continue by describing the decision control rights of the board as "the power to hire, fire, and compensate the

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14 Fama and Jensen (n. 6).

15 Daniel Forbes and Frances Milliken, *Cognition and Corporate Governance Understanding Boards of Directors as Strategic Decision-Making Groups* 24 (3) Academy of Management Review 489 (1999).

16 Amy Hillman and Thomas Dalziel, *Boards of Directors and Firm Performance: Integrating Agency and Resource Dependence Perspectives* 28 (3) Academy of Management Review 383 (2003).

17 See Brian Boyd, *Corporate Linkages and Organizational Environment: A Test of the Resource Dependence Model* 11 (6) Strategic Management Journal 419 (1990) and Jensen and Meckling (n.4) 305. See also and Judi McLean Parks and Edward Conlon, *Compensation Contracts; Do Agency Theory Assumptions Predict Negotiated Agreements?* 38 (3) Academy of Management Journal 821 (1995).

18 See Shaker Zahra and John Pearce, *Boards of Directors and Corporate Financial Performance: A Review and Integrative Model* 15 (2) Journal of Management 291 (1989) and John Pearce and Shaker Zahra, *The Relative Power of CEOs and Boards of Directors Associations with Corporate Performance* 12 (4) *Strategic Management Journal* 135 (1992) and Brian Boyd, *Board Control and CEO Compensation* 15 (5) Strategic Management Journal 335 (1994) and Daniel Forbes and Frances Milliken, *Cognition and Corporate Governance Understanding Boards of Directors as Strategic Decision-Making Groups* 24 (3) Academy of Management Review 489 (1999).

19 Fama and Jensen (n.6) 301.

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Table 1. Board Control Role as Identified in the Corporate Governance Literature

	Agency Theory	
Journal Articles	Monitor	Control
Beatty and Zajac (1994)	✓	
Boyd (1990)	✓	
Boyd (1994)		✓
Demb and Neubauer (1992)	✓	
Fama and Jensen (1983)		✓
Forbes and Milliken (1999)		✓
Hillman and Dalziel (2003)	✓	
Hillman et al. (2008)	✓	
Jensen and Meckling (1976)	✓	
Johnson et al. (1996)		✓
Khanna et al. (2014)	✓	
Knockaert and Ucbasaran (2013)	✓	✓
Li et al. (2012)		✓
Lin et al. (2014)	✓	
McDonald and Westphal (2010)		✓
McDonald et al. (2008)	✓	
McLean Parks and Conlon (1995)	✓	
Pearce and Zahra (1992)		✓
Stephens (2004)		✓
Sundaramurthy and Lewis (2003)		✓
Tosi and Gomez-Mejia (1989)	✓	
Wan and Ong (2005)	✓	
Westphal (1999)		✓
Yoshikawa et al. (2014)	✓	
Zahra and Pearce (1989)		✓
Zajac and Westphal (1994)	✓	
Zona et al. (2013)	✓	

Source: Author

top-level decision managers and to ratify and monitor important decisions".[20] In this further explanation, they have added the duty of controlling the executives by exerting power over them, apart from just controlling their decisions. Along the same lines, other authors, by using the term control, they refer to tasks that "include decisions regarding the hiring, compensation and replacement of the firm's most senior managers, as well as the approval of major initiatives proposed by management".[21] This view seems to be identical to the view of the researchers describing the monitoring

[20] *Ibid.*
[21] *Ibid.*

function and its activities, so from now on both terms will be used referring to the same function. This approach is in agreement with other scholars using both terms in their studies.[22]

Nevertheless, some comments should be made, as although both terms are used extensively under the same function, the essence of these words (monitor and control) is different. So, we would say that there are tasks better explained by the term monitoring, like monitoring the CEO and strategy implementation, and other tasks like evaluating and rewarding the CEO/top managers or planning the succession of CEO are better described as control tasks.

Control Role and Board Structure

Smaller boards can improve the overall performance, as large boards cannot function effectively and it becomes easier for the CEO to control them.[23] While more members can offer greater resources, the problem appears when boards have more than seven or eight members. This leads to the assumption that larger boards will be weaker monitors of the managerial performance. Similarly, larger boards may lead to information asymmetry due to the increased control of the CEO and this lack of transparency may increase the need for seeking internal information.[24]

Additionally, it is suggested that when there is a leader of the board (i.e. Chairperson) separate from the CEO, the control function of the board can be enhanced, as there is less power concentrated to the CEO, as with CEO duality it is harder for board members to challenge and monitor the management.[25] A separate chairperson gives a stronger voice in setting the agenda and in selecting directors and also controls the meeting process, which encourages more open discussion.[26] For the same reasons, it

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[22] See also Martin Conyon and Simon Peck, *Board Control, Remuneration Committees, and Top Management Compensation* 41 (2) Academy of Management Journal 146 (1998) and Jonathan Johnson, Catherine Daily and Alan Ellstrand, *Boards of Directors: A Review and Research Agenda* 22 (3) Journal of Management 409 (1996) and John Pearce and Shaker Zahra, *The Relative Power of CEOs and Boards of Directors Associations with Corporate Performance* 12 (4) *Strategic Management Journal* 135 (1992) and Silke Machold and Stuart Farquhar, *Board Task Evolution: A Longitudinal Field Study in the UK* 21 (2) Corporate Governance: An International Review 147 (2013).

[23] Michael Jensen, *The Modern Industrial Revolution, Exit and the Failure of Internal Control Systems* 48 (3) Journal of Finance 831 (1993).

[24] Arun Upadhyay and Ram Sriram, *Board Size, Corporate Information Environment and Cost of Capital* 38 (9-10) Journal of Business Finance & Accounting 1239 (2011).

[25] See Catherine Daily and Dan Dalton, *Bankruptcy and Corporate Governance: The Impact of Board Composition and Structure* 37(6) Academy of Management Journal 1605 (1994) and Franz Lohrke, Arthur Bedeian and Timothy Palmer, *The Role Of Top Management Teams in Formulating and Implementing Turnaround Strategies: A Review a Research Agenda* 5(2) International Journal of Management Reviews 63 (2004) and Brian Boyd, *CEO Duality and Firm Performance: A Contingency Model* 16 (4) Strategic Management Journal 301 (1995).

[26] Jay Lorsch, *Pawns or Potentates: The Reality of America's Corporate Boards.* (Boston: Harvard Business School Press, 1989).

is expected that the board members stronger seek for internal information, when the two roles are separate.

Based on the above, various relationships are expected, expressed with the following proposition and hypotheses:

P_1: Board Control is related to various board characteristics.

H_{1a}: Controlling CEO is negatively related to board size.
H_{1b}: Controlling TMT is negatively related to board size.
H_{1c}: Seeking internal information is positively related to board size.
H_{1d}: Controlling CEO is lower when there is CEO duality.
H_{1e}: Controlling TMT is lower when there is CEO duality.
H_{1f}: Seeking internal information is lower when there is CEO duality.

The independent directors are expected to contribute in the overall performance of the company, through their monitoring and controlling of management, which is emphasised under agency theory.[27] Moreover, non-executives in unlisted firms involve more in financial monitoring than non-executives in listed firms, which is a factor that should be taken into consideration.[28] The presence of independent directors in the board, is believed to serve as the guarantor and defender of the shareholders' interests[29]. This leads to the assumption that increased ratio of independent directors will intensify the control function of the board.

Moreover, it is suggested that low attendance in meetings due to overly busy directors holding many seats, could prevent them from monitoring the management of these companies.[30] From this, it can be argued, that directors who spend more time in a company's activities – through board meetings – are better able to monitor the CEO and other executives of the company.

Thus, the following relationships are hypothesised:

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[27] See Fabio Zona, Alessandro Zattoni and Alessandro Minichilli, *A Contingency Model of Boards of Directors and Firm Innovation: The Moderating Role of Firm Size* 24(3) British Journal of Management 299 (2013) and Shaker Zahra and John Pearce, *Boards of Directors and Corporate Financial Performance: A Review and Integrative Model* 15(2) Journal of Management 291 (1989) and Catherine Daily, Dan Dalton, and Albert Cannella, *Corporate Governance: Decades of Dialogue and Data* 28(3) Academy of Management Review, 371 (2003). See also Hillman and Dalziel (n. 16).

[28] Tracy Long, Victor Dulewicz and Keith Gay, *The Role of the Non-executive Director- Findings of an Empirical Investigation into the Differences Between Listed and Unlisted UK Boards* 13 (5) Corporate Governance: An International Review 669 (2005).

[29] Pilar Giraldez and Jose Hurtado, *Do Independent Directors Protect Shareholder Value?* 23(1) Business Ethics: A European Review, 91 (2014).

[30] See Ying-fen Lin, Yaying Chou Yeh and Feng-ming Yang, *Supervisory Quality of Board and Firm Performance: A Perspective of Board Meeting Attendance* 25(3-4) Total Quality Management and Business Excellence 264 (2014) and Eliezer Fich and Anil Shivdasani, *Are Busy Board Effective Monitors?* 61(2) The Journal of Finance 722 (2006).

H_{1g}: Controlling CEO is positively related to the ratio of independent directors.
H_{1h}: Controlling TMT is positively related to the ratio of independent directors.
H_{1i}: Seeking internal information is positively related to the ratio of independent directors.
H_{1j}: Controlling CEO is positively related to frequency of meetings.
H_{1k}: Controlling TMT is positively related to frequency of meetings.
H_{1l}: Seeking internal information is positively related to frequency of meetings.

Furthermore, it is expected that respondents' status affects the control role they operate in the board. Firstly, the independent directors – as suggested earlier – are supposed to act as monitors of the management, a role that is mainly if not solely performed by them, based on agency theory literature.[31]

Secondly, the experience of directors in the board is likely to improve their ability to perform their monitoring function.[32] They suggest that, the role of a director is more than just reading financial statements or setting compensation packages. An important part of their job is to understand and evaluate the actions of top managers and how those actions will affect the organisation. Directors are highly involved with the organisation, so the prior experience acquired by directors should be valuable. Hence, it is assumed that higher tenure of the respondent will increase the board control function.

Based on the above, the following proposition and hypotheses are developed:

P_2: Board Control is related to respondent's status in board.
H_{2a}: Controlling CEO is higher when respondent's status is independent.
H_{2b}: Controlling TMT is higher when respondent's status is independent.
H_{2c}: Seeking internal information is higher when respondent's status is independent.
H_{2d}: Controlling CEO is positively related to the respondent's tenure in board.
H_{2e}: Controlling TMT is positively related to the respondent's tenure in board.
H_{2f}: Seeking internal information is positively related to the respondent's tenure in board.

[31] See Shaker Zahra and John Pearce, *Boards of Directors and Corporate Financial Performance: A Review and Integrative Model* 15 (2) Journal of Management 291 (1989). See also Zona, Zattoni and Minichilli (n. 26) 299, Daily, Dalton, and Cannella (n. 26) and See also Hillman and Dalziel (n. 16).

[32] Poonam Khanna, Carla Jones and Steven Boivie, *Director Human Capital, Information Processing Demands, and Board Effectiveness* 40(2) Journal of Management 559 (2014).

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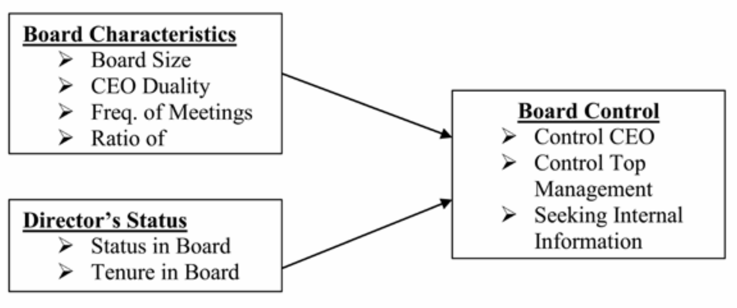

Figure 1. Theoretical Model of the Paper

Methodology

Sampling Framework

It was initially decided that the sample to be used would be all the board members of FTSE 350 companies. This plan was soon abandoned, as although the 350 firms could be easily identified, the email addresses of their board members were not found available. Finally, it was decided that the quota/criterion was companies with turnover higher than GBP 5 million.

By exhausting all available options, access to email addresses of board members was acquired through OneSource Company. The study was conducted by sending the survey to different batches, as the low response rate (because of the nature of the sample) lead researchers to acquire a second batch of contacts.

The sample size based on the two batches was 2,445. With 115 responses – collected during February-March 2013 – the response rate of this sample was 4.8%, which is low but corroborates other researchers who claim that there is a great difficulty in collecting data from board directors.[33] "This is, in fact, one of the most challenging areas for future research in the contribution of boards", which seems to stand true until presently.[34] The summary of contacts and delivered emails is presented in Table 2.

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[33] See e.g. Silke Machold and Stuart Farquhar, *Board Task Evolution: A Longitudinal Field Study in the UK* 21 (2) Corporate Governance: An International Review 147 (2013) and Richard Leblanc and Mark Schwartz, *The Black Box of Board Process: Gaining Access to a Difficult Subject* 15 (5) Corporate Governance: An International Review 843 (2007) and Shaker Zahra and John Pearce, *Boards of Directors and Corporate Financial Performance: A Review and Integrative Model* 15 (2) Journal of Management 291 (1989). See also Daily, Dalton, and Cannella (n. 27).

[34] Zahra and Pearce, *ibid.* 324.

Table 2. Summary of Email Contacts

Batches	**Number of Contacts**	**Undelivered Emails**	**Delivered Emails**
1st batch	1,464	586	878
2nd batch	2,393	826	1,567
Total	***3,857***	***1412***	***2,445***

Factor Analysis and Measurements Used

A principal component analysis was run on 25 items that resulted from a systematic literature review. These items were loaded with relatively high scores to six factors showing a satisfactory structure. From these six factors, the three that appear relevant to the control role of the board are used for the purpose of this paper.

Table 3. Reliability Analysis for the "Controlling CEO", "Controlling Top Management" and "Seeking Internal Information" Factors

Controlling CEO
involve in firing CEOs
involve in hiring CEOs
involve in determining salary/ compensation of CEO
evaluate the CEO's performance
engage in succession planning for CEO
monitor CEO in decision making
Cronbach's Alpha .947
Controlling Top Management
involve in determining salary/ compensation of top management
engage in succession planning for top managers besides CEO
Cronbach's Alpha .702
Seeking Internal Information
involve in determining salary/ compensation of top management
engage in succession planning for top managers besides CEO
Cronbach's Alpha .706

Findings

By checking the independent variables of the 1st model – i.e. with dependent variable 'Controlling CEO' – it is noticed that four of the variables are statistically significant. Specifically, board size, CEO duality, ratio of independent directors, status and tenure of the respondent in the board are significant predictors of the Controlling CEO role which support the following hypotheses:

H_{1a}: Controlling CEO is negatively related to board size.
H_{1d}: Controlling CEO is lower when there is CEO duality.
H_{1g}: Controlling CEO is positively related to the ratio of independent directors.
H_{2a}: Controlling CEO is higher when respondent's status is independent.
H_{2d}: Controlling CEO is positively related to the respondent's tenure in board.

Furthermore, the results of the 2nd regression model indicate relationship of the dependent variable – i.e. 'Seeking Internal Information' – with three variables. These include the CEO duality, frequency of meetings and tenure of respondent in the board. Hence, the following hypotheses are supported:

H_{1f}: Seeking internal information is lower when there is CEO duality.
H_{1i}: Seeking internal information is positively related to the ratio of independent directors.
H_{2f}: Seeking internal information is positively related to the respondent's tenure in board.

Finally, the results of the 3rd regression model – i.e. 'Controlling TMT' – show that four of the independent variables are significant predictors of the model. In specific, board size, frequency of meetings, the status and tenure of the respondent in the board, appeared to significantly impact the controlling top management role. The hypotheses supported in this model are:

H_{1k}: Controlling TMT is positively related to frequency of meetings.
H_{1a}: Controlling TMT is negatively related to board size.
H_{2b}: Controlling TMT is higher when respondent's status is independent.
H_{2e}: Controlling TMT is positively related to the respondent's tenure in board.

Conclusion

The current study provides a recommendation for an improved measurement of the control role of the board, as resulted from a principal component analysis. This suggests separation of the CEO and the top management when considering them being monitored from the board. Also, the role of board members to seek for internal information is considered to be an important separate function.

The regression models tested the potential impact of board characteristics on these roles. The predictive power of the models was significant for the controlling CEO and TMT roles, but not for seeking internal information. Firstly, considering the limitation of the theoretical framework (i.e. limited independent variables included), it is suggested that future researchers use other theoretical framework with various

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Table 4. Multiple Regression Results Predicting Directors' Roles

Dependent / Independent (Predictors)	*Controlling (n=66)*	*CEO*	*Seeking Information (n=73)*	*Internal*	*Controlling (n=72)*	*TMT*
	Stand. Reg. Coef. (Beta)	*t*-statistic	Stand. Reg. Coef. (Beta)	*t*-statistic	Stand. Reg. Coef. (Beta)	*t*-statistic
(Constant)		-1.021		1.179		-.669
Board Characteristics						
Board Size	-.254	**-2.669*****	-0.30	-.253	-.274	**-2.811*****
CEO Duality	.184	**1.754***	.312	**2.365****	.118	1.093
Frequency of Meetings	.152	1.571	.127	1.039	.317	**3.163******
Ratio of Independent	.168	**1.266****	-.280	**-1.723***	.123	.923
Director's Status						
Status in Board	.445	**3.532*******	.135	.892	.374	**2.990******
Tenure in Board	.293	**2.977*****	.217	**1.792***	.310	**3.103******
R^2	**.497**		**.124**		**.418**	
Adjusted R^2	.446		-.044		.364	
F	9.732*****		1.551		7.775*****	

*Significant at the 0.1 level **Significant at the 0.05 level ***Significant at 0.01 level ****Significant at 0.005 level *****Significant at 0.001level

modifications and additions to the existing constructs. It is expected that the directors' roles are affected by other constructs as well, therefore it would be important in future research to try and propose more potential predictors (e.g. organisational life-cycle stage, ownership structure etc.).

Finally, practitioners should take into account the premise that resulted from the findings, that is the impact of board characteristics on the directors' control role. Board size and ratio of independent directors appear to be significant predictors for the control role of the board; hence, smaller boards and with higher ratio of independents perform their control role more intensively.

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