

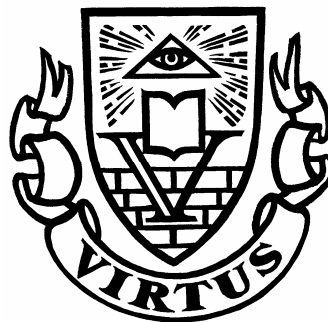
INTERNATIONAL SCIENTIFIC JOURNAL

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role, duties & composition

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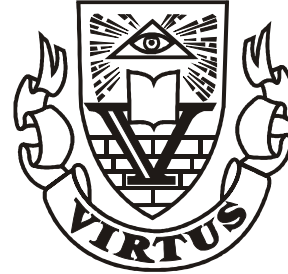
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CORPORATE BOARD: ROLE, DUTIES & COMPOSITION

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EDITORIAL

Dear ladies and gentlemen, everyone who will read this scientific publication!

Katja Rost, Margit Osterloh narrate that executive compensation has become a fashionable topic: Cross-nationally, the earnings of executives and non-executive directors have risen significantly in recent years. Academic literature offers two hypotheses for this trend, a “fat cat” and an “optimal-contract” explanation. Proponents of the “fat cat” explanation state that directors are paid too much due to their unjustified power. Proponents of the “optimal-contract” hypothesis state that competition in the managerial labour market establishes an optimal compensation contract. This study contrasts both hypotheses and presents evidence that the level of directors’ pay in Swiss corporations is to be explained by “optimal contracts” and by managerial power. We give evidence to which degree the two explanations are valid.

Sven-Olof Collin presents a contingency approach to the board’s functional emphasis, considering a fourth function in addition to monitoring, decision making, and service or resource provision. The additional function is conflict resolution (or principal identification). The approach contrasts with mainstream research by assuming that the firm is a nexus of investments, avoiding the empirical assumption that the shareholder is the sole principal. We derive propositions that are not restricted to any empirical category of a corporation, and address praxis implications for managing functional disharmony.

A. Seetharaman, M. Krishna Moorthy, A.S. Saravanan argue that most organizations look at internal audit as a routine function in an organization. However, in the recent years, internal audit has taken a front seat for many organizations. Others are also looking at various options such as outsourcing of the internal audit function of their organizations. However, where outsourcing is concerned, one important issue arises, which is the independence of the external auditor to perform the internal audit function. This paper takes a look at the various aspects of the internal audit process as well as the impact and independence of external auditors who perform internal audit.

Amani Khaled Bouresli, Wallace N. Davidson III examine the variables that affect vote outcome in shareholder proposals. They found that sponsor identity, proposal type, and board composition play a significant role in determining vote outcome. Furthermore, they found that the interaction between the prior performance with board composition is significant and has a negative coefficient. They conducted nonparametric tests to investigate changes in board’s major characteristics before and after targeting. The results indicate that some changes in management and boards occur after shareholder proposals. These changes, however, are unrelated to variables that impact vote outcome. The authors conclude that shareholders proposals are not effective at changing company behavior or corporate governance.