Factors that Determine Corporate Governance in Thailand

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November, 2006

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B.A. (Accounting), M.B.A.

A thesis submitted in fulfillment
of the requirements for the degree of
DOCTOR OF PHILOSOPHY

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November, 2006

DECLARATION

I, Chatrudee Jongsureyapart, declare that the PhD thesis entitled Factors that Determine Corporate Governance in Thailand is no more than 100,000 words in length including quotes and exclusive of tables, exhibits, appendices, bibliography, references and footnotes. This thesis contains no material that has been submitted previously, in whole or in part, for the award of any other academic degree or diploma. Except where otherwise indicated, this thesis is my own work.

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ACKNOWLEDGEMENTS

I have received a lot of help and support from many people during the course of this dissertation. First of all, I would like to thank my supervisors, Professor Robert Clift and Associate Professor Victoria Wise for their patience, guidance and support. Saying thank you just does not adequately convey how appreciative I am of their support. Without their generous assistance and encouragement, this dissertation could never have been completed.

I wish to express my thanks to Dr. Albie Brooks and Dr. Judy Oliver for their helpful comments on my questionnaire. A special thanks goes to Dr. Wiriya Chongruksut for her helpful comments on, and assistance in, translating my questionnaire. Also I would like to thank Dr. Theeralak Satjawathee for her comments on my questionnaire.

Without my family's support I could not have possibly completed my study. I would like to thank my parents for teaching me the values of hard work and perseverance, both of which contributed to my success in my dissertation, and throughout my life. Also, I would like to thank my brothers and my sisters-in-law for their support and warm encouragement. Specially, sincere thanks are directed to my husband Anusorn for his love, support and patience, my son Chat for giving me inspiration and for understanding when I was not spending time with him.

ABSTRACT

The aim in this study is to discover the nature and extent of corporate governance structures and practices in listed companies in Thailand. This includes a consideration of theoretical underpinning for amendments made to the western models of corporate governance that have been implemented by Thai listed companies, and of the effect of corporate governance principles on financial information, including financial reports, used by stakeholders in Thai listed companies. This study also involves the investigation of the variables for performance measurement related to corporate governance, and recommendation of measures for strengthening corporate governance in Thailand.

A mail questionnaire survey was considered an appropriate method for this study. The sample was selected from firms listed on the Stock Exchange of Thailand that operate in the Bangkok region (453 companies). Questionnaires were mailed to the Chief Executive Officer for distribution to outside/independent directors and executive directors. 101 companies returned responses, generating a 22% response rate. Furthermore, structured interviews with a self-selecting sub-sample were conducted to supplement the questionnaire survey data. Out of 160 individual questionnaire respondents from the 101 companies, 13 agreed to be interviewed. The data collected from the Stock Exchange of Thailand Information Products (SETINFO) to support the analysis of the effect of corporate governance on corporate performance include return on equity (ROE) and return on assets (ROA) measures. The quantitative data were processed using a computer program (SPSS) and the qualitative data gathered from the interviews were analysed using content analysis.

The results in this study show that after the Asian financial crisis corporate governance in Thailand is improving, and outside/independent directors and professional organisations are playing leading roles. Better corporate governance has resulted from improved internal corporate governance mechanisms and enhanced accounting standards, information disclosure, and auditing standards. In addition, it was found that the implementation of corporate governance was improved, especially in enforcement and disclosure. New and up-dated rules, new and revised laws, and increased regulation are in the forefront of improved corporate governance. Process-related activities like monitoring, supervising, enforcing, and higher awareness have increased. Moreover, corporate governance practices are now in the spotlight throughout the financial and investment markets.

Last, the findings suggest that an expansion of coverage of surveys and an extension of study to the government sector and non-listed companies would be beneficial to generalisability of the results of this study. Future researchers can also extend the investigation to examine the effective monitoring of management by the independent directors, and the characteristics of independent directors to determine whether they are truly independent as this has been shown to improve corporate governance in Thailand.

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Abbreviation	**Full description**
ADB	Asian Development Bank
APRA	Australian Prudential Regulation Authority
ASX	Australian Stock Exchange
BIBF	Bangkok International Banking Facilities
BLS	Bank-led Governance Model
BOT	Bank of Thailand
CEO	Chief Executive Officer
CG Centre	Corporate Governance Centre
CPAs	Certified Practicing Accountants
EMS	Anglo-American Style
FBS	Family-based corporate governance System
GAAP	Generally Accepted Accounting Principles
GDP	Gross domestic product
IAS	International Accounting Standard
ICAAT	Institute of Certified Accountants and Auditors of Thailand
IFC	International Finance Corporation
IFRS	International Financial Reporting Standards
IIAT	Institute of Internal Auditors of Thailand
IMF	International Monetary Fund
IOD	Thai Institute of Directors
IPOs	Initial Public Offerings
IRG	Implementation Review Group
ISA	International Standards on Auditing
LSE	London Stock Exchange
NCGC	National Corporate Governance Committee
NICs	Newly Industrialising Countries
OECD	Organisation for Economic Co-operation and Development
ROA	Return on Assets
ROE	Return on Equity
SEC	Thai Securities and Exchange Commission
SET	The Stock Exchange of Thailand
SETINFO	The Stock Exchange of Thailand Information Products
SPSS	Statistical Package for the Social Sciences
Thai-GAPP	Thai Generally Accepted Accounting Principles
TRIS	Thai Rating and Information Service Co. Ltd.,
UK	United Kingdom
US	United States
USA	United States of America

Chapter 1

Introduction

1.1 Background

Globally, corporate governance has become a key focus in the international business agendas of not just corporations but also of governments and supranational authorities. Indeed, the World Bank sees the corporate governance agenda being anchored to our development agenda at a number of critical points: international financial stability; broadening access to capital; promoting efficiency; fighting corruption; and fastening the savings that will ultimately broaden welfare provision. The spectacular collapses of Enron, WorldCom, Tyco and Global Crossing in the United States of America (USA), HIH in Australia, Parmalat in Italy and APP in Asia were obviously key motivators for the heightened interest in corporate governance (Anandarajah, 2004).

In Asia, corporate governance has additionally gained greater distinction since the Asian financial crisis in 1997. Corporate governance is claimed, by a large number of authors who point to serious structural weaknesses in the financial markets and the lack of prudential controls, as having lead to the financial crisis (Alba, Clasessens and Djankov, 1998; Keong, 2002; Claessens, Djankov and Lang, 2000). Many authors (Kaplan and Minton, 1994; Limpaphayom and Connelly, 2004; Iskander and Chamlou, 2000; Nam and Lum, 2005; Claessens, Djankov and Lang, 2000) also claim that better governance may result from improved internal corporate governance mechanisms and enhanced accounting, disclosure, and auditing standards. In addition, the results of several studies (Limpaphayom and Connelly, 2004; Nam and Lum, 2005) show that corporate governance benefits companies with respect to increased long-term investment and increased credibility.

The USA introduced the Sarbanes-Oxley Act in 2002 and made major changes to the New York Stock Exchange Listing Rules. In the United Kingdom (UK), the Combined Code underwent a review with the resultant Cadbury Report, Greenbury Report, Hampel Report, Higgs Reviews, and the Smith and Turnbull Report being introduced. Although, many of the initiatives in the USA and the UK were pushed for by the respective regulators, the initiatives in the Asian region were motivated by the combined efforts of the World Bank and the Organisation for Economic Co-operation and Development (OECD). In 1999, The OECD Principles, which have been accepted the world over, identified the following principles as the five key elements of a strong corporate governance framework: the rights of shareholders, the equitable treatment of shareholders, the role of stakeholders in corporate governance, disclosure and transparency, and the responsibilities of the board of directors.

The OECD Principles have been a reference for corporate governance initiatives around the world. The new OECD Principles presented in April 2004 included a sixth key area of corporate governance. The Principles (OECD, 2004) now include: ensuring the basis for an effective corporate governance framework; the rights of shareholders; the equitable treatment of shareholders; the role of stakeholders in corporate governance; disclosure and transparency; and responsibilities of the board of directors.

Thailand has introduced codes of corporate governance which adopt the OECD Principles to varying degrees. Thailand, similar to many other Asian countries, had poor corporate governance systems which contributed to the financial crisis in 1997, as its banks, specialised financial institutions and corporations had previously been effectively protected from the operation of market discipline. Prior to the Asian financial crisis, Thai corporate governance practices were characterised by ineffective boards of directors, weak internal controls, unreliable financial reporting, inadequate protection of minority shareholder rights, lack of adequate disclosure, poor audits, and generally lacked enforcement to ensure regulatory compliance. Additionally, the dominance of family control over business operations was prevalent; Thai firms were generally held and managed by majority family interests.

The Thai Government has since introduced a reform strategy which focuses on streamlining institutional arrangements, enhancing the reliability of financial information and disclosure, improving corporate board oversight and effectiveness, and improving shareholder rights. It has also focused on improving the effectiveness of the legal and regulatory framework for the enforcement of laws and regulations related to public companies. In particular, the current Thai Government has given significant focus to good corporate governance – the ‘Year 2002 Good Corporate Governance Campaign’ being one example of this initiative. This focus came about not only as a result of international scandals but also following international investors’ complaints that Thai publicly listed companies lacked transparency with respect to their business operations.

According to Hongcharu (2002) prior to 1997, the Stock Exchange of Thailand (SET) had realised the significance of corporate governance in developing its capital markets and commissioned Price Waterhouse Management Consultants Ltd to undertake the first survey of listed companies and others concerned with the capital market. The survey was undertaken in mid-1996. After the sudden flotation of the Thai currency, the baht, in July 1997, the lack of corporate governance was regarded as one of the most significant factors contributing to the collapse of banks and many finance companies in Thailand. Several laws were drafted and corporate governance practices were incorporated. The Thai Securities and Exchange Commission (SEC) and the SET cited four factors as their rationale to promote good corporate governance: fairness; transparency; accountability; responsibility. These four factors have been incorporated in most of the legal instruments supported by the government, the SEC and the SET.

A policy study on “Thailand’s Corporate Financing and Governance Structures” was conducted by Alba, Clasessens and Djankov (1998) for the World Bank. Analysing financial statements of companies listed on the SET, they found five problems related to corporate governance: concentration of ownership, high level of diversification, weak market incentives, lack of protection for minority shareholders, and inadequate accounting standards and practices. These problems should decrease as a result of implementation of corporate governance by organisations in Thailand.

The current study is designed to investigate the relevance of corporate governance: to the Thai financial crisis in 1997; ownership structure; regulation; and disclosure requirements in listed companies in Thailand. This study also investigates the nature and extent of corporate governance principles, as applied in Thailand, adapted from western models of corporate governance. Thus, this study includes the investigation of tools for performance measurement related to corporate governance in Thailand.

1.2 Aims of the research

The aim of this study is to assess the impact of corporate governance on ownership structure, board structure and composition, directors' and officers' legal duties in listed companies in Thailand and to provide information that would be of use to listed companies in their attempts to improve corporate governance structures. This study also provides an analysis and understanding of the nature and extent of corporate governance principles as applied by listed companies in Thailand. This includes a consideration of the theoretical underpinning for amendments made to the western models of corporate governance that have been implemented by Thai listed companies, and of the effect of corporate governance principles on financial information, including financial reports, used by stakeholders in Thai listed companies.

It was expected that the achievement of that aim would involve an investigation of the following matters.

- The nature and extent of corporate governance in listed companies in Thailand.
- The importance of alterations to western models of corporate governance mechanisms in Thailand.

- The improvements in financial reports of Thai companies resulting from the implementation of corporate governance.
- The variables for performance measurement related to corporate governance.
- The measures for strengthening corporate governance in Thailand.

Each of these matters is now briefly discussed.

1.2.1 To discover the nature and extent of corporate governance in listed companies in Thailand

Thailand faced a financial crisis in 1997 and the crisis has been attributed to poor corporate governance. The criticisms of corporate governance in Thailand are mainly in respect of the high concentration of ownership, excessive government intervention, an under-developed capital market and a weak legal and regulatory framework for investor protection. Alba, Clasessens and Djankov (1998) indicate that bank, finance and securities companies were not sufficiently cautious about their lending. The Bank of Thailand (BOT) and the SET did not have corrective measures on financial performance; and furthermore, auditors did not announce real information about the financial performance of business. An objective in this study was to discover the nature and extent of corporate governance in Thailand. It was expected that corporate governance and regulation in Thailand would have improved since the financial crisis in 1997. It was also expected that despite some change, the ownership structure would still be in the hands of very few families.

1.2.2 To examine the importance of alterations to western models of corporate governance mechanisms in Thailand

The SET and the Thai SEC have adopted several measures to improve the accountability of management to shareholders, to enhance transparency and disclosure, and to ensure fairness to all shareholders. They studied corporate governance practices in several developed markets and adopted the practices deemed suitable to the Thai culture. As a result, western models of corporate governance mechanisms may be applied in Thailand. Many researchers have suggested a mixture of corporate governance models is appropriate for developing countries such as Thailand (Alba, Clasessens and Djankov, 1998; Keong, 2002; Khan 2004). It was expected that alterations of western models of corporate governance mechanisms may be appropriate for Thailand.

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1.2.3 To investigate the improvements in financial reports of Thai companies resulting from the implementation of corporate governance

The results of several studies (Alba, Hernandez and Klingebiel, 1999; Limpaphayom and Connelly, 2004; Nam and Lum, 2005; Claessens, Djankov and Lang, 2000) indicate that corporate governance and disclosure systems were weak in Thailand prior to the financial crisis. In addition, the capital markets played a limited role in the governance of firms. It was expected that organisations such as the SET and SEC might drive Thai companies to accept the rules and implementation of corporate governance. It was also expected in this study that information disclosure and transparency in financial reports would be improved since the Thai financial crisis.

1.2.4 To investigate variables for performance measurement related to corporate governance

Several authors have studied variables for performance measurement related to corporate governance. Morck, Shleifer, and Vishny (1988), a USA study, concluded that there is a non-linear relationship between ownership and companies' performance as measured by Tobin's Q. Kaplan and Minton (1994) found that Japanese companies with large shareholders are more likely to replace managers in response to poor performance than firms without them. In Germany, Franks and Mayer (1994) found that large shareholders are associated with higher turnover of directors. It was expected that these variables for performance measurement might be suitable for an analysis of corporate governance in Thailand.

1.2.5 To recommend a number of measures for strengthening corporate governance in Thailand

Alba, Clasessens and Djankov (1998) investigated issues on Thai corporate governance problems and concluded that the most important task in improving the structure of corporate financing and the framework for corporate governance was to change incentives by enhancing enterprise monitoring, improving disclosure and accounting practices, better enforcement of corporate governance rules, facilitating equity institutions, and strengthening institutions. Hence, in this study the appropriateness of these recommendations for strengthening corporate governance in Thailand were examined.

1.3 Research questions

The purpose of this study is to investigate what occurs in the context of relatively little corporate governance regulation and a new demand for corporate governance stemming from the Asian financial crisis of 1997. According to Warr (1999), Thailand, like most economies based on private enterprise, has had serious company failures. Since 1997 many of these have been attributed to the financial crisis, but further investigation has shown that the underlying weaknesses of Thai corporate structures made them highly exposed to such crises. In this study, it is of importance to discover whether corporate governance has improved after the Asian financial crisis.

Therefore, one of the objectives of this research is to discover the nature and extent of corporate governance in listed companies in Thailand. It was expected that corporate governance and regulation of rules in Thailand have improved since the Asian financial crisis. This objective generates Proposition 1.

Proposition 1: There is a relationship between corporate governance and each of the Thai financial crisis, ownership structure, and regulation of listed companies in Thailand.

On the grounds that Thailand is an Asian country with environmental characteristics such as culture and styles of business operation that differ from western countries, variables affecting the successful implementation of corporate governance in Thailand may not be the same as those in western countries. In addition, Letza et al.,

(2004) indicate that corporate governance is completely changeable and transformable and there is no permanent or universal principle which covers all societies, cultures and business situations. Although there are many corporate governance models, researchers have concluded that each governance system has its own weaknesses; no perfect system exists that can be applied to all countries.

Western style principles and models of corporate governance, developed by the World Bank, the International Monetary Fund (IMF) and the OECD have been proposed as preferred theoretical reporting models for Thailand. An objective in this study is to extend the theory in this area to include information characteristics fundamental to the share ownership and familial control patterns that exist in the Thai context. This objective leads to Proposition 2.

Proposition 2: There will be significant differences from western models of corporate governance mechanisms in listed companies in Thailand

The Asian financial crisis has shown that the economy in Thailand was weak in the area of corporate governance. Alba, Clasessens and Djankov (1998) indicate that lack of transparency and the lack of solid information regarding financial transactions as a result of this structural feature may have been critical factors contributing to the Thai crisis. It was expected that the Thai Government, the SET, and the SEC might improve regulations related to information disclosure as part of its program to implement corporate governance. This expectation generates Proposition 3.

Proposition 3: There will be significant improvement in information disclosure in financial reports of Thai companies resulting from the implementation of improved corporate governance**.**

There were many variables of performance measurement related to corporate governance noted in the literature. Limpaphayom and Connelly (2004) studied the connection between corporate governance and market performance as measured by Tobin's Q and they produced a corporate governance score. Wiwattanakantang (2000) studied the effectiveness of the existing corporate governance mechanism on performance using return on assets (ROA) and Tobin's Q. Similarly Brown and Caylor (2004) considered the association between corporate performance and return on equity (ROE) and found that better governance as measured by ROE is associated with poor performance. In addition, Alba, Clasessens and Djankov (1998) studied the corporate financing and governance structures of firms in Thailand. Their contention was that the weak financing and corporate governance structure of large firms would contribute to the depth and length of the 1997 financial crisis. They examined the structure of financing, the efficiency of investments, and the effectiveness of current corporate governance mechanisms and compared them with those in other countries. Concerning the financing structure, they found that during the period 1994-1997 there were signs of deterioration in corporate performance. It is an objective in the current study to use the variables, ROA, ROE, and Tobin's Q for performance measurement as these have been deemed to be appropriate for use in the western context. It is of interest to understand whether these variables provide useful information in the Thai context related to corporate governance. This objective leads to Proposition 4.

Proposition 4: The variables ROA, ROE and Tobin's Q will be relevant for the measurement of corporate governance performance in Thailand.

There were three different groups of individuals whose opinions and perceptions were considered important in this study, Chief Executive Officers (CEOs); executive directors; and outside/independent directors (audit committee). It was expected that each group would have different views about how to strengthen corporate governance in Thailand. This expectation leads to Proposition 5.

Proposition 5: There will be significant differences in measures of responses from different groups for strengthening corporate governance in Thailand.

The Asian Development Bank (ADB) (2000) contended that the issue of corporate governance is important, not only for protecting investors' interests, but also for reducing systemic market risks and maintaining financial stability. Other aspects, such as the above mentioned three study groups' views about the problems of corporate governance and the impact of the implementation of corporate governance, are also investigated in this study.

1.4 Justification for the research

The literature shows that corporate governance has been investigated in many countries including the USA, UK, and Australia. However, empirical evidence indicates that corporate governance in East Asian countries is poor, and had a major role in the Asian financial crisis. In this study this issue will be explored in the context of Thailand.

Moreover, the literature review identifies variables relating to the improvement and implementation of corporate governance, and the variables for performance measures of corporate governance. It is expected in this study to find that corporate governance systems vary from western models.

It is also intended that the results of this study will improve our knowledge about the factors that determine corporate governance in Thailand and will improve the chances of successful implementation of corporate governance in Thailand. In particular, it is expected that the findings of this study will provide better information to boards of directors and, hence, lead to more efficient and competitive companies with enhanced economic and social benefits. This could be very important in Thailand and other East Asian developing countries.

1.5 Research methods

This study will proceed in the following three stages.

(1) An extensive literature review.

(2) Collecting data from survey and interviews.

(3) Data analysis.

Stage 1: An extensive literature review

Numerous books and articles have explained corporate governance with respect to benefits, problems, implementation, success and satisfaction. This research will begin with a thorough international search of all pertinent literature for the reason that numerous international studies have investigated various aspects of the implementation of corporate governance whereas there are only a small number of studies of corporate governance in Thailand where corporate governance is a relatively new phenomenon. This stage of the research will draw on the knowledge base of materials from several disciplines to build the propositions of the research.

Stage 2: Collecting data from survey and interviews

As the population, comprising all companies listed on the SET that operate in the Bangkok region (453 companies), is very large, a mailed questionnaire survey (the 'questionnaire') is regarded as the appropriate method for gathering data and testing the research propositions (Ticehurst and Veal 1999; Sekaran 2000). Questionnaires, which will be subjected to 'translate-retranslate', will be sent to the CEO, the executive directors, and outside/independent directors (audit committee) responsible for the implementation of corporate governance within companies. Personal interviews with a self-selecting sub-sample will be conducted to enrich the data, to check on validity and to eliminate some short-comings of the mailed questionnaire method. Approval of the questionnaire and interview schedule was obtained from the Human Research Ethics Committee of Victoria University. Annual report data were collected from the Stock Exchange of Thailand Information Products (SETINFO) across the study period and used in testing study propositions.

Stage 3: Data analysis

Quantitative data (from questionnaires and annual reports) were processed by using the Statistical Package for the Social Sciences (SPSS) program. The resultant descriptive and inferential statistical analysis included frequencies, means, and standard deviations. The qualitative data gathered from the interviews were analysed by using content analysis.

1.6 Definitions

1.6.1 Definition of 'Corporate Governance'

There is no universally agreed definition for what the term corporate governance means, although numerous definitions have been bandied around (Anandarajah, 2004). Several definitions of corporate governance follow.

Sir Adrian Cadbury (in Andarajah, 2004) explained the concept of corporate governance as:

> *'Corporate governance is holding the balance between economic and social goals and between individual and communal goals. The governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society. The incentive to corporations is to achieve their corporate aims and to attract investment. The incentive for states is to strengthen their*

economics and discourage fraud and mismanagement' (Andarajah, 2004, p.13).

Prowse (1998) provided the following definition of corporate governance.

'Corporate governance is rules, standards and organisations in an economy that govern the behaviour of corporate owners, directors, and managers and define their duties and accountability to outside investors, i.e., shareholders and lenders' (Prowse, 1998, p.2).

The OECD (2004) stated:

'Corporate governance is the rules and practices that govern the relationship between the managers and shareholders of corporations, as well as stakeholders like employees and creditors- contributes to growth and financial stability by underpinning market confidence, financial market integrity and economic efficiency' (OECD, 2004, p.1).

Solomon and Solomon (2004) defined it as:

'Corporate governance is the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity' (Solomon and Solomon, 2004, p.14).

Good corporate governance is usually associated with well functioning, competitive markets, especially corporate finance markets, and solid legal protection for outside investors (both creditors and shareholders), with outside shareholders being able to influence the behaviour of directors and managers. On the other hand, poor corporate governance practices usually include inadequate disclosure, lack of independent oversight, and weak minority shareholder rights (Anandarajah, 2004).

1.7 Overview of the study

This study consists of seven chapters, as follows.

Chapter 1 (Introduction) provides a general introduction to the whole study. It conveys the background of the research which leads to the aims of the research and the problems considered in this research. In this chapter, the justification for the research and the processes of this research, as well as definitions, are provided. In addition, the structure and organisation of this study are outlined.

Chapter 2 (Literature Review I: Corporate Governance) provides a review of the literature relating to corporate governance. The review includes definitions of corporate governance. The history and the nature of corporate governance around the world, such as in the USA, the UK, and Australia are summarised. This chapter also describes the evidence from previous studies on the effects of the Asian financial crisis and the relationship with corporate governance. International models of corporate governance are also considered in this chapter. Agency theory and stakeholder theory are discussed in this chapter. The relevance of ownership structure and corporate governance are also addressed. In this chapter, four corporate governance variables concerning the implementation of corporate governance are examined because they are expected to be relevant to the implementation of corporate governance in Thailand.

Chapter 3 (Literature Review II: The economy, corporate governance and accounting standards in Thailand) describes the history of the Thai economy including the organisational structure in Thailand, and the Thai financial crisis of 1997. Thai accounting standards and disclosure requirements are also summarised in this chapter and Thai corporate governance is described. The problems of implementation and the benefit of corporate governance in Thailand are considered in this chapter. This chapter also describes Thai business culture.

Chapter 4 (Research Methodology) develops five propositions. These propositions are formulated to investigate the variables relating to the objectives of this study. In this chapter the sample selection and the data collection method and its criteria are described. Definitions of variables and a discussion of the questionnaire design, as well as validity of the survey instrument, are also provided. The last section of the chapter discusses the statistical techniques employed to test the propositions.

Chapter 5 (Data analysis and discussion) analyses data that were collected from the questionnaires relating to individual respondent profiles, company characteristics and company environment, ownership structure, benefits of corporate governance, as well as the impact of the implementation of corporate governance in Thailand. This chapter considers problems encountered in collecting the data and non-response bias.

The relationships between variables based on the sample data are discussed in this chapter.

Chapter 6 (Results, Findings, Propositions and Narrative Analysis) analyses data that were collected from the annual reports and interview data in terms of narrative analysis. In addition, this chapter reports the empirical results of the proposition tests on the relationship between corporate governance and each of: the Thai financial crisis; ownership structure; regulation of listed companies in Thailand; the differences from western models of corporate governance mechanisms in listed companies in Thailand; the differences in information disclosure used to improve financial reports of Thai companies resulting from the implementation of corporate governance; the tools for performance measurement related to corporate governance in Thailand; and the differences in measures of responses from different groups for strengthening corporate governance in Thailand.

Chapter 7 (Conclusions, limitations and future research) contains conclusions on the whole study. This chapter includes an overview of the research questions, conclusions about propositions, and provides an overview of corporate governance implementation in Thailand. The implications of this study are also discussed. Last, the limitations of this research study are discussed and suggestions are made to future researchers engaging in the study of corporate governance.

1.8 Summary

This chapter outlines the composition of this study. It introduces the background to, and the aims of this research, as well as the research questions. The financial crisis in 1997 was a big event forcing Thai companies to improve their corporate governance practices. This chapter also summarises the justification for, and significance of this study, and the research methods and definitions of corporate governance are described.

In the next chapter, the definition of corporate governance is provided. Further, the history and the nature of corporate governance around the world, the effects of the Asian financial crisis and corporate governance are presented. International models and theory of corporate governance are also considered in the next chapter.

Chapter 2

Literature Review

2.1 Introduction

The primary purpose of this chapter is to review the literature related to corporate governance. Good corporate governance is a source of competitive advantage and critical to economic and social progress (Iskander and Chamlou, 2000). This chapter consists of eight main sections. First, definition of corporate governance; second, corporate governance around the world; third, corporate governance and the Asian financial crisis; fourth, international models; fifth, agency theory; sixth, stakeholder theory; seventh, ownership structure; and eighth, identification and description of variables.

2.2 Definition of corporate governance

Jensen and Meckling (1976) developed a theory of the ownership structure of a firm. The basis for their analysis is the perspective that a corporation is:

> *' a legal fiction which serves as a nexus for contracting relationships and which is also characterised by the existence of divisible residual claims on the assets and cash-flows of the organization which can generally be sold without the permission of the other contracting individuals'* (Jensen and Meckling, 1976, p.61).

The central point in corporate governance of the firm was laid out by Berle and Means (1932). They observed that a consequence of the separation of ownership and management was ownership dispersion and that such dispersion made subsequent monitoring and discipline of management difficult.

More recently Demb and Neubauer (1992) described corporate governance as the process by which corporations are made responsive to the rights and wishes of stakeholders. Monks and Minow (1996) defined corporate governance as the relationship among various participants in determining the direction and performance of corporations. Neubauer and Lank (1998) defined corporate governance as a system of structure and processes to direct and control corporations and to account for them.

Corporate governance describes all the influences affecting the institutional processes, including those for appointing the controllers and regulators, involved in organising the production and sale of goods and services (Turnbull, 1997). Sir Adrian Cadbury stated that corporate governance is concerned with holding the balance between economic and social goals and between individual and communal goals (Iskander and Chamlou, 2000). The Asian Development Bank (ADB) defined corporate governance as the manner in which power is exercised in the management of a country's social and economic resources for development (Wescott, 2000).

Iskander and Chamlou (2000) stated that corporate governance is important not only to attract long-term patient foreign capital, but more especially to broaden and deepen local capital markets by attracting local investors-individual and institutional. Nielsen (2000) stated that corporate governance is the system of rights, structures and control mechanisms established internally and externally over the management of a listed public limited liability company, with the objective of protecting the interests of the various stakeholders. Kidd and Richter (2003) argued that corporate governance is an indirect mechanism in reducing agency costs and transaction costs imposed by managers acting in their own interests at the expense of companies and shareholders. Solomon and Solomon (2004) suggested that corporate governance is the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity.

The Organisation for Economic Co-operation and Development (OECD) defined corporate governance as the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, such as the board, managers, shareholders and other stakeholders, and spells out the rules and procedures for making decisions on corporate affairs (Clarke, 2004).

In Thailand, the National Corporate Governance Committee (NCGC) defined corporate governance as a system having a corporate control structure combining strong leadership and operations monitoring. Its purpose is to establish a transparent working environment and enhance the company's competitiveness. It also strives to preserve capital and increase shareholders' long-term value with the consideration of the business of ethics, stakeholders and social concerns factors, throughout the process (NCGC, 2005).

2.3 Corporate governance around the world

The first well-documented failure of governance was the South Sea Bubble in the 1700s, which revolutionised business laws and practices in England. In the United States of America (USA) there was the stock market crash of 1929. There were other crises, such as the secondary banking crisis of the 1970s in the United Kingdom (UK) and the USA savings and loan debacle of the 1980s. In addition to crises, the history of corporate governance has also been punctuated by a series of well-known company failures: the Maxwell Group of newspapers; the collapse of the Bank of Credit and Commerce International; and Barings Bank. As a result, regulators have moved to improve the elements of corporate governance (Iskander and Chamlou, 2000).

In the early 1990s, research on corporate governance in countries other than the USA began to appear. At first, the research focused on other major world economies, primarily Japan, Germany, and the UK (Denis and McConnell, 2002).

2.3.1 United States of America

In 1929, the Wall Street stock market crash occurred in the USA. The stock market collapse revealed market manipulation, insider trading, general mismanagement and a reckless trampling of shareholder rights. As a result, the USA Congress enacted the

Securities Act 1933 and the Securities and Exchange Act 1934 to address some of these abuses, primarily through the regulation of corporate financial disclosure to improve transparency.

In the late 1980s, the response to governance failure in the USA was similar to the response noted in the 1930s. The most recent round of reforms began as a result of takeovers and constituency statutes enacted under state laws. The major performance problems became evident in many of the largest corporations, reform began to focus more on the quality of corporate boards and their independence. An active group of institutional investors began to emerge and grow (Iskander and Chamlou, 2000).

In the USA in 2001, corporate crises occurred at Enron, WorldCom, Tyco International, Adeplhia Communications, Global Crossing, Quest Communications, Computer Associates, and Arthur Andersen. The collapse of Enron, the largest bankruptcy in USA history, led to thousands of employees losing their life savings tied up in the energy company's stock. This proved to be an unprecedented display of accounting fraud, regulatory failure, executive excess and avoidable bankruptcy, with resulting widespread disastrous losses incurred by employees' pension funds and investors. As a result, the USA Congress enacted the Sarbanes-Oxley Act (2002). This is a broad–based reform act centred on the creation of a public company accounting oversight board and the establishment of strict rules regarding auditor independence, corporate responsibility, financial disclosures, financial controls, analyst conflict of interest, white collar crime and corporate fraud (Banks, 2004).

Kiel et al. (2004) stated that the USA attempted to achieve good governance. They established the Report of the NYSE Corporate Accountability and Listing Standards Committee, and the Report of the NACD Blue Ribbon Commission on the Role of the Board in Corporate Strategy; the Sarbanes-Oxley Act of 2002 was also introduced. This Act contains significant black letter law aimed at curbing some of the perceived worst abuses in corporate governance. The Sarbanes-Oxley Act of 2002 was a compromise bill, supported by Republicans and Democrats, designed to strengthen the criminal consequences for top management in cases of misrepresentation of financial results. In addition to requiring the chief executive to sign the audited statements of the company, the law strengthens the power of auditing committees and the regulatory oversight of auditing firms (Cornelius and Kogut, 2003).

Denis and McConnell (2002) suggested that the ownership of publicly traded firms is significantly more concentrated in other countries than it is in the USA. Private ownership concentration appears to have a positive effect on firm value. There are significant private benefits of control and they are more significant in most other countries than they are for the USA. Structures that allow for control rights in excess of cash flow rights are common, and generally value-reducing.

Solomon and Solomon's (2004) study of the case of Enron's downfall illustrates the importance of good corporate governance. They say that all the checks and balances within the corporate governance system have the ultimate aim of controlling and monitoring company management. Corporate governance mechanisms cannot prevent unethical activity by top management, but they can act as a means of detecting such activity.

Boards of directors in the USA include some of the very insiders who are to be monitored. In addition, it is not uncommon that the Chief Executive Officer (CEO) is also the chairperson of the board. The nature of the selection process for board members is such that management often has a strong hand in determining who the other members will be. Board composition characteristics of interest include the size and structure of the board, the number of directors that comprise the board, the portion of these directors that are outsiders, and whether the same individual holds the CEO and chairperson positions (Denis and McConnell, 2002).

Holderness (2002) studied the USA evidence on equity ownership by insiders and block-holders, where insiders are defined as the officers and directors of a firm and a block-holder is an entity that owns at least 5 percent of the firm's equity. He reported that average inside ownership in publicly traded USA corporations is approximately 20 percent varying from almost none in some firms to majority ownership by insiders in others.

2.3.2 United Kingdom

One of the earliest governance crises was the bursting of the South Sea Bubble of 1720-21, which dramatically changed business habits and regulations in the UK. The UK rapidly enacted corporate statutes to protect the public from such abuses as the bubble scandal. The main elements included: shareholders' rights to information, and the ability to appoint and remove directors and auditors (Iskander and Chamlou, 2000).

In the late 1980s financial scandals leading to the collapse of several prominent companies came to light in the UK. There was a strong private response alongside the public regulatory response. The corporate sector responded to the loss of confidence in financial reporting by setting up the Cadbury Committee in 1990 to develop a code of best practice (Iskander and Chamlou, 2000).

In 1991, several large UK corporations collapsed, including Robert Maxwell MMC, BCCI and Polly Peck. As a result, one of the greatest proponents of active corporate governance, Sir Adrian Cadbury, chaired a commission and the Cadbury Report published by that commission in 1992 was to have considerable influence, not just in the UK but in many other countries around the world that adopted similar corporate governance codes of practice (Clarke, 2004).

Solomon and Solomon (2004) stated that the Cadbury Report focused on the board of directors as the most important corporate governance mechanism, requiring constant monitoring and assessment. The accounting and auditing functions were also shown to play an essential role in good corporate governance, emphasising the importance of corporate transparency with shareholders and other stakeholders. Finally, Cadbury's focus on the importance of institutional investors as the largest and most influential group of shareholders has had a lasting impact.

Further UK reforms of corporate governance followed the Cadbury Code (1992). The Greenbury Report (1995) proposed guidelines for director remuneration, the Hampel Report (1998) focused on disclosure and best practice, the Combined Code (1998) outlined a mandatory disclosure framework, and the Turnbull Report (1999) offered advice on compliance with mandatory disclosure (in Kiel, Kiel-Chisholm, and Nicholson, 2004).

Kiel, Kiel-Chisholm, and Nicholson (2004) described the value of the UK stock market decrease with its subsequent impact on banks and pension funds that caused a rash of inquiries and reports. These reports include the Tyson Report on the Recruitment and Development of Non-Executive Directors; Review of the Role and Effectiveness of Non-Executive Directors (the "Higgs Review'); Audit Committee Combined Code Guidance (the "Smith Report"); and, Internal Control: Guidance for Directors on the Combined Code (the "Turnbull Report") (in Kiel, Kiel-Chisholm, and Nicholson, 2004).

According to Jones and Pollitt (2004) who compared the conduct of and influences on the investigations leading to the Higgs Review and the Cadbury Report (1992), the major recommendation of the Cadbury Report (1992) was the raising of the importance of non-executive directors on the board. The major recommendation of the Higgs Review is the strengthening of the channels of communication between shareholders and the board via the senior independent directors.

Dahya, McConnell and Travlos (2002) investigated the presumption that an important oversight role of boards of directors is the hiring and firing of top corporate management. They presume that corporate performance is a reliable proxy for the effectiveness of top management. They also investigated the relationship between top management turnover and corporate failure before and after the Cadbury Report (1992) recommendations. They selected a sample of 460 UK industrial companies listed on the London Stock Exchange (LSE) as of December 1988. For each company, they collected data on management turnover, board composition, and corporate performance for up to seven years before and four years after the issuance of the Cadbury Report (1992). They found an increase in the sensitivity of management turnover to corporate performance following the adoption of the Cadbury Report. Importantly, they found that the increase in sensitivity of turnover to performance is due to an increase in outside board members. These results are consistent with and support the argument that the Cadbury recommendations have improved the quality of board oversight in the UK. Franks, Mayer and Renneboog (2001) studied a sample of poorly performing firms in the UK and found that boards dominated by outside directors actually impede the disciplining of poorly performing management.

Dahya and McConnell (2002) investigated the effect of the Combined Code in the UK on appointment of new CEOs. They reported that a firm's board is more likely to appoint an outside CEO after the firm has increased the representation of outside directors to comply with the Code. Dahya and McConnell (2002) also reported that appointment of an outside CEO is good news for shareholders.

2.3.3 Australia

The Australian corporate governance framework is characterised by a mix of legal regulation largely contained in the Corporations Act 2001 and common law principles and self-regulation most notably set out in the Australian Stock Exchange (ASX) Listing Rules, which require disclosure of corporate governance practices. Studies of the Australian corporate governance regime indicated that the share market plays an important role and that share ownership tends to be relatively widely dispersed. Shareholders are generally prepared to be mobile in their investments and the market therefore plays an important role and directors have a strong incentive to act in the interests of shareholders and to enhance shareholder value (Keong, 2002).

In Australia there have been two recent major corporate collapses, HIH Insurance and OneTel. The Australian government tried to appear undisturbed by these events, insisting that the more robust and long-standing disclosure requirements in the Australian market made any further unanticipated corporate failure unlikely. However, a further round of the Australian Corporate Law Economic Reform Program (CLERP 9) in 2002 quickly published a new series of requirements for companies registered in Australia (Clarke, 2004). Suchard, Singh, and Barr (2001) found that the incidence of top management turnover in Australia is positively related to the presence of non-executive directors on the board.

Corporate governance is a major focus of the changes which introduced three elements to achieve good corporate governance in Australia. First, the CLERP 9 Bill, incorporated into the Corporations Act, provides further black-letter law concerning auditors, the use of accounting standards and the requirements of regulatory authorities such as the Australian Prudential Regulation Authority (APRA). Second, 'Standards Australia' released guidance on corporate governance, 'Good Governance Principles' (AS 8000-2003). This standard includes comment on board structure, director independence and the skills and experience represented on the board. Third, the ASX created the ASX Corporate Governance Council in August 2002. The Council comprised representatives from a wide range of organisations with an interest in corporate governance (Kiel et al., 2004).

In 2003, The Council released the Principles of Good Corporate Governance and Best Practice Recommendations (ASX guidelines). The ASX guidelines were aimed at encouraging boards to think about and debate how effective corporate governance could be brought to their organisations. On 31 March 2004, the Implementation Review Group (IRG) was established to monitor the progress of companies in implementing the principles and recommendations (Kiel et al., 2004).

2.4 Corporate governance and the Asian financial crisis

It is claimed that poor corporate governance was one of the major contributing factors to the building-up of vulnerabilities in the affected countries that finally led to the Asian financial crisis in 1997 (Alba, Clasessens and Djankov, 1998; Keong, 2002; Claessens, Djankov and Lang, 2000).

The Asian financial crisis commenced in Thailand in 1997. Collapsing currencies, equity and property markets in East Asia in 1997-98 exposed underlying vulnerabilities both in governance structures and values. However, an international confidence crisis was fuelled by a growing realisation of the structural weaknesses of economies often governed by crony capitalism, poor accounting and auditing systems, and too close a relationship between business and the State. Given the systemic nature of the problems of corporate governance in East Asia, only a fundamental program of reform of institutions and practices, conducted in an energetic and committed manner over a considerable period of time, was considered likely to produce results. The International Monetary Fund (IMF), World Bank and the ADB have all launched significant initiatives to encourage and facilitate the reform process.

Khan (1999) analysed some basic issues related to reforming the corporate governance systems in post-crisis Asia. The thinness of both bond and equity markets in many Asian developing economies was identified as one problem. In addition, there are the problems of lack of, or weaknesses in, adequate regulatory structures, transparency and accountability.

Johnson et al. (2000) present evidence that the weakness of legal institutions for corporate governance had an important effect on the extent of currency depreciations and stock market declines in the Asian crisis. They show that managerial agency problems can make countries with weak legal systems vulnerable to the effects of a sudden loss of investor confidence. They suggest that corporate governance, in general, and the *de facto* protection of minority shareholder rights, in particular, mattered a great deal for the extent of exchange rate depreciation and stock market decline in 1997-98. Corporate governance can be of first-order importance in determining the extent of macro-economic problems in crisis situations.

Iskander and Chamlou (2000) pointed out that the financial crisis in East Asia forced countries to take majors steps to strengthen governance. Moves included closing insolvent banks, strengthening prudential regulations, opening the banking sector to foreign investors, revamping bankruptcy and takeover rules, tightening listing rules, requiring companies to appoint external directors, introducing international accounting and auditing standards, requiring conglomerates to prepare consolidated accounts, and enacting fair trade laws.

2.5 International models

The first of the international corporate governance standards to be discussed and adopted by member countries was that of the OECD which formed the Business Sector Advisory Group in 1996 and a task force to distill a set of core principles of good corporate governance. The OECD Principles (1999) focused on fairness, transparency, accountability and responsibility (Iskander and Chamlou, 2000).

The experience of the Asian crisis that revealed a systemic failure in corporate governance was a spur to the publication by the OECD of the Principles of Corporate Governance. This framework of principles was endorsed by the World Bank, the IMF and the ADB. This framework of corporate governance principles was intended to have universal appeal, but there was some implication that they were essentially derived from the fundamentals of the market-based system, and that they were particularly aimed at the exponents of the insider systems with relationship-based approaches, especially in the developing economies where corporate governance failure was assumed to be more likely.

The OECD task force of the Business Sector Advisory Group identified five basic Principles of Corporate Governance: first, protection of shareholder rights; second, equitable treatment of shareholders; third, protection of stakeholder rights; fourth, timely and accurate disclosure and transparency; and fifth, diligent exercise of the board of directors' responsibilities (Iskander and Chamlou, 2000).

The ADB (2000) investigated the corporate governance structures of the Asian crisis economies (ADB, 2000). The Bank analysed five individual countries, Indonesia, Korea, Malaysia, Thailand and the Philippines, and found that the governance structures of the crisis economies closely resembled each other. Generally, the similar elements were: high ownership concentration; bank-centric financial systems; ineffective shareholders' rights laws; and low transparency.

In 2003, the OECD revised the Principles to take into account developments since 1999, through a process of extensive and open consultations, and drawing on the work of the regional corporate governance round-tables for non-OECD countries. In April 2004, OECD governments accepted the new Principles. The Principles cover six key areas of corporate governance: ensuring the basis for an effective corporate governance framework; the rights of shareholders; the equitable treatment of shareholders; the role of stakeholders in corporate governance; disclosure and transparency; and the responsibilities of the board (OECD, 2004).

LaPorta et al. (1998) investigated whether the legal system is a fundamentally important corporate governance mechanism. In particular, they argued that the extent to which a country's laws protect investor rights and the extent to which those laws are enforced are the most basic determinants of the ways in which corporate finance and corporate governance evolve in that country.

Corporate governance systems vary by country. The most prominent systems of corporate governance in developed countries are the USA and UK models, which focus on dispersed controls, and the German and Japanese models, which reflect a more concentrated ownership structure (Iskander and Chamlou, 2000).

The introduction of a Western system of corporate governance has been proposed for Thailand. There are two general models of corporate governance. The first is a shareholder or equity market-based governance model of the Anglo-American style (EMS), under which a broader range of investors plays a role through the pricing, trading and buying of the firm's securities. The other model is a bank-led governance model (BLS), under which banks play the leading role in monitoring the firms. However, many researchers have suggested a mixture of the two models is appropriate for developing countries such as Thailand (Alba, Clasessens and Djankov, 1998; Keong, 2002; Khan 2004).

2.5.1 Market-based governance model of the Anglo-American style (EMS)

The general model of corporate governance is a shareholder or equity market-based governance model of the Anglo-American style. In the EMS model, management has the power to make decisions, and these decisions may frequently be in their own interest, which may give rise to over-investment. Management prefers to enlarge the firm because this enhances their power. Consequently, investments will be made even if profitability is low or negative. Hence over-investment will give power to management, but leaves shareholders with a lower profitability because managers will invest even though profit prospects are poor (Jensen, 1986 in Garvey and Swan, 1994).

Mayer (2000) stated that, in Europe there is an insider system, where control is concentrated in the hands of a small number of investors with a variety of interests. By contrast, shareholdings are dispersed in the USA and in particular voting control is not concentrated in a few hands. The ultimate authority to determine corporate strategy and to appoint members of the board rests with a large number of anonymous investors, not with a single or a small group of dominant investors. This is called an "outsider system" of corporate control.

These different structures of separation of ownership and control in Continental Europe and the USA and the UK, lead to different solutions to the principal agency problem in these countries. While the main agency problems in the USA seem to stem from conflicts of interest between managers and dispersed shareholders, in Continental Europe the main potential conflict of interest lies between controlling shareholders and powerless minority shareholders. This has lead to opposite outcomes in different countries: in Continental Europe there is control without dispersion of ownership of earnings, while in the USA and the UK there is ownership of earnings without control (Mayer, 2000; Becht and Röell, 1999).

Maug (1998) investigated whether a liquid market, such as in Anglo-American countries, enhances the performance of corporate governance in a company. Owing to the liquidity of the market, shareholders are able to unload their investments if they receive adverse information about the firm. In Continental European countries, where few firms are listed, shareholders are forced to hold on to their investments and are able to use their voting power to influence the company's performance. Maug (1998) found that the liquidity of the market assists corporate governance effectiveness.

Renneboog (1996) says that if voting power is dispersed, as in Anglo-American countries, free-riding will occur. This means that a single shareholder will bear the costs of control, but will only benefit from it in the percentage of his stake in the firm. Because the costs of control exceed the benefits, shareholders tend not to take action. Consequently, management will have dominant power in the firm.

2.5.2 Bank-led governance model (BLS)

Equity ownership in the UK has historically been much like that in the USA. There are large numbers of publicly traded firms most of which are relatively widely-held by shareholders. Equity ownership in Germany and Japan has historically been more concentrated than in the USA. In addition, banks play more important governance roles in Germany and in Japan.

The bank-led governance model (BLS) is a system under which banks play the leading role in monitoring firms. In bank-centred economies, such as Germany and Japan there are differences between the structures of equity ownership. Prowse (1992) indicated that financial institutions are the most important block-holders in Japan. It has been a common perception that the same is true in Germany. However, Franks and Mayer (2001) found that other companies are the most prevalent block-holders in Germany, followed by families. German banks have held more voting power than their equity ownership would suggest by virtue of the fact that they vote the proxies of many individual shareholders. Thus, financial institutions have significant amounts of control over firms in both Germany and Japan.

Morck, Nakamura and Shivdasani (2000) found that the relationship between bank ownership and firm performance in Japan varies over the ownership spectrum. In particular, the relationship is more positive when ownership is high. Gorton and Schmid (2000) reported that the positive relationship between ownership concentration and firm value for German firms is particularly strong where there is block ownership by banks.

2.5.3 Family-based corporate governance system (FBS)

Khan (2004) suggested a new conceptual framework and typology of family-based systems of corporate governance (FBS). This included the financing, monitoring and performance of family businesses with special emphasis on asymmetric information and monitoring aspects of the FBS type of governance system.

Khan (2003) studied FBS in East Asia and stated that financing can come from three different sources. First, the FBS, especially in the initial stages of development of family businesses, could be financed internally for a large part. Second, as an enterprise grows over time, the role of banks becomes more prominent. Third, at some stage-perhaps overlapping with the second, i.e., bank financing – outside equity may become the most significant source of corporate finance. However, the key difference between FBS as a governance system and BLS and EMS lies in the fact that neither the banks nor the equity markets ultimately control the family business groups.

Khan (2003) also indicated the "historic mission" of the corporation as site of capital accumulation may require different types of governance structures under different historical conditions. In particular, in the East Asian context, the FBS structure has played an important role in the initial phase of capital accumulation in the East Asian countries. Indeed, its prevalence in Asian economies at all levels of development makes FBS almost a paradigmatic feature of corporate organisation and governance in Asia.

A competing proposal is that the transition should be towards an EMS type of corporate governance. It should be recognised that the problems here are formidable. The thinness of both bond and equity markets is one problem. In addition, there are the usual problems of lack of adequate regulatory structures, transparency and accountability. The proposal for self-monitoring by the Stock Exchange of Thailand (SET) is an example of how difficult it is to have an EMS-type of governance in East Asia. In particular, the limited expertise and other institutional resources make the implementation of such proposals (which really should be self-enforcing) problematic (Khan, 2003).

Suchiro (1993; 1997) pointed out that one rationale for the FBS system is the flexibility in terms of the managerial decision-making process and efficiency in capital accumulation in the context of late-comer industrialisation. In Northeast Asia, some researchers have shown (Khan 1997; 1998) the period of catch-up growth has largely ended and global competitiveness must be increasingly based on organisational and product and technical innovations. Khan (2003) also suggested that the firms' managerial expertise as well as the industrial organisation can be just as important as the form of corporate governance in determining their performance.

2.6 Agency theory

It has been argued that the divorce of ownership and control has lead to the 'agency problem'. Berle and Means (1932) discussed the extent to which there was a dispersion of shareholding, which consequently led to a separation of ownership and control in the USA. The agency problem was first explored in Ross (1973), with the first detailed theoretical exposition of agency theory being presented by Jensen and Meckling (1976). They defined the managers of the company as the 'agents' and the shareholders as the 'principal'. The problem is that the agents do not necessarily make decisions in the best interests of the principal (Solomon and Solomon, 2004).

According to Hart (1995), corporate governance issues arise in an organisation wherever two conditions are present. First, there is a conflict of interest or agency problem, involving members of the organisation, such as owners, managers, workers or customers. Second, the conflict of interest or agency problem cannot be dealt with through a contract. Hart observes that there are several reasons why contracting to overcome the agency problem might not always be possible. In particular, it is not possible to contract to cover all events. In addition, there are costs associated with negotiating contracts and enforcing them.

Claessens, Djankov and Lang (2000) investigated the separation of ownership and control in 2,980 publicly traded companies in nine East Asian countries. They found that single shareholders control more than two-thirds of firms. The separation of ownership and control is most pronounced among family-controlled firms and among small firms. They found that older firms are more likely to be family controlled, as are smaller firms.

Claessens and Fan (2003) found that agency problems, arising from certain ownership structures, especially large deviations between control and cash flow rights, are anticipated and priced by investors. The nature of a corporation's ownership structure will affect the nature of the agency problems between managers and outside shareholders, and among shareholders. On the other hand, when ownership is concentrated to a degree that one owner has effective control of the firm, as is typically the case in Asia, the nature of the agency problem shifts away from manager-shareholder conflicts to conflicts between the controlling owner (who is often also the manager) and minority shareholders.

2.7 Stakeholder theory

Stakeholder theory has developed gradually since the 1970s. One of the first expositions of stakeholder theory, couched in the management discipline, was presented by Freeman (1984), who proposed a general theory of the firm, incorporating corporate accountability to a broad range of stakeholders. Stakeholders include shareholders, employees, suppliers, customers, creditors, communities in the vicinity of the company’s operations and the general public (Solomon and Solomon, 2004).

A basic issue for stakeholder theory is that companies are so large and their impact on society so pervasive that they should discharge accountability to many more sectors than solely their shareholders (Solomon and Solomon, 2004). Stakeholder theory has its origins in the social entity conception of a corporation. The modern corporation has a large scale and scope that requires distinctive professional management expertise and a great amount of capital investment. Through the stock markets, share ownership in a corporation becomes dispersed and fragmented and shareholders become more like investors than owners. Since corporations are involved in many aspects of social life and affect many people in both welfare and potential risks, a public corporation should be conscious of its social obligations such as fairness, social justice and protection of employees (Letza, Sun and Kirkbride, 2004).

Agency theory is focused on shareholder rights and the separation of ownership from control. However, stakeholder theory further extends the purpose of the corporation from maximising shareholders' wealth to delivering wider outputs to a range of stakeholders and emphasises corporate efficiency in a social context (Letza, Sun and Kirkbride, 2004). Therefore, using both theories will be more comprehensive as it involves all the elements of corporate governance.

2.8 Ownership structure

Hansmann (1996) defined firm owners as persons having two formal rights that included the right to control the firm and the right to appropriate the firm profits. Jensen and Meckling (1998) defined ownership as possession of a decision right along with the right to alienate that right. Ownership and control are rarely completely separated within any firm. The controllers frequently have some degree of ownership of the equity of the firms they control; while some owners, by virtue of the size of their equity positions, effectively have some control over the firms they own. Thus, ownership structure is a potentially important element of corporate governance. The relationships between ownership, control, and firm value are more complicated than that, however. Ownership by a company's management, for example, can serve to better align managers' interests with those of the company's shareholders (Denis and McConnell, 2002).

LaPorta et al. (1999) showed that a large fraction of public and private companies around the world are family-controlled and often follow a pyramidal ownership structure. The use of pyramidal ownership structures allows the family to exert control over a large network of companies. Family companies appear to be more prevalent in countries with weak minority shareholder protection.

The USA evidence of the effects of ownership structure on corporate decisions and on firm value includes Morck, Shleifer, and Vishny (1988) and McConnell and Servaes (1990) who found that the alignment effects of inside ownership dominate the entrenchment effects over some ranges of managerial ownership. Bertrand et al. (2004) found that larger families are associated with a larger number of smaller firms in the group and with somewhat deeper groups. These effects of family composition on group size and structure are stronger for groups where ultimate control has been transferred from the founder to descendants. They also found that group firms tend to overlap less along genealogical lines once the founder has left active management: different sons of the founder are less likely to jointly hold board positions in the same firm once the founder retires. They suggested that potential conflicts between family members lead to distortions in the organisation and governance of the groups once the founder has retired.

2.8.1 Concentrated ownership

Shleifer and Vishny (1997) suggested that the benefits from concentrated ownership are relatively larger in countries that are generally less developed, where property rights are not well defined and/or not well protected by judicial systems. La Porta, Lopez-De-Silanes and Shleifer (1999) confirmed this proposition empirically as they show that the ownership stakes of the top three shareholders of the largest listed corporations in a broad sample of countries around the world are associated with weak legal and institutional environments. They also investigated the issue of ultimate control. They traced the chain of ownership to find who has the most voting rights. They suggest that ownership and control can be separated to the benefit of the large shareholders.

Claessens, Djankov and Lang (2000) found that older firms are more likely to be family controlled, as are smaller firms. In some countries a significant share of corporate assets rests in the hands of a small number of families. They also found that corporate control is typically enhanced by pyramid structures and cross-holdings among firms in all East Asian countries. They suggested that a re-examination of the relationship between ownership structure and corporate performance is needed. In most of the developing East Asian countries, wealth is very concentrated in the hands of a few families. Wealth concentration might have negatively affected the evolution of the legal and other institutional frameworks for corporate governance and the manner in which economic activity is conducted.

Many researchers noted that owners often enhance their control rights through cross-shareholdings and pyramidal structures. The effect of the divergence between control and ownership comes at a price of reduced firm value (Claessens, Djankov, and Lang, 2000; Claessens, et al., 2002b). Claessens, Djankov and Lang (2000) also found that ownership of Thai public companies, as in other East Asian countries, is highly concentrated and family dominated. Other studies in East Asia have also found that corporate governance factors affect firm valuation (Mitton, 2002; Lins, 2003; Zhuang et al., 2000).

High ownership concentration is typically both a symptom and a cause of weak corporate governance (Claessens, Djankov and Lang, 2000). Corporate governance ought to be a means for investors to monitor and control management when protection systems are weak (Alba, Clasessens and Djankov, 1998). The high concentration of ownership reduces the effectiveness of some important mechanisms of shareholder protection, such as the system of the board of directors, shareholder participation through voting during shareholder meetings, transparency and disclosure.

2.9 Identification and description of variables

Following from the review of literature, the four corporate governance mechanisms to be explored empirically in this study are: board of directors; audit committee; disclosure and transparency; and shareholder rights.

2.9.1 Board of directors

Iskander and Chamlou (2000) stated that corporate governance is about maximising value subject to meeting the corporation's financial and other legal and contractual obligations. This inclusive definition stresses the need for boards of directors (board) to balance the interests of shareholders with those of other stakeholders in order to achieve long-term sustained value for the corporation.

Zahra and Pearce (1989) pointed out that boards are among the most venerable instruments of corporate governance. Directors can protect the interests of shareholders through effective controls of managerial actions, and also have the potential to render valuable services to the firm in the shaping of its strategic posture.

Boards are at the forefront of corporate governance reform, considering and resolving a host of issues related to: executive compensation; accounting treatment of options; director ties and conflicts of interest; composition, function, and efficacy of board committees; provision of consulting services by external auditors; promulgation of ethical conduct; and so forth. Strengthening the role of the board is particularly critical in countries that lack corporate control activity, stakeholder monitoring, or activist institutional investors. Better corporate governance may also result from improved internal corporate governance mechanisms and enhanced accounting, disclosure, and auditing standards (Limpaphayom and Connelly, 2004).

Pease and McMillan (1993) stated that for a board to be effective it must be composed of individuals who have a diverse range of skills and backgrounds appropriate to the needs of the company. They point out that separation of the roles of board chairman and chief executive officer is desirable for several reasons including that concentration of power in the hands of one individual raises concerns about objectivity. Combining the roles of chairman and CEO results in a compromise between executive and board power; and separation of positions enhances the independence of the board whilst maintaining a series of checks and balances.

Corporations in most countries of the world have boards of directors. In the USA, the board is specifically charged with representing the interests of shareholders. The board exists primarily to hire, fire, monitor, and compensate management, all with an eye towards maximising shareholder value (Denis and McConnell, 2002).

Kaplan and Minton (1994) studied the effectiveness of boards in the Japanese system. They concentrate on the appointment of outside directors to Japanese boards. They found that such appointments increase following poor stock performance and earnings losses, and that they are more likely in firms with significant bank borrowings, concentrated shareholders, and membership in a corporate group. They also found that outside directors are effective corporate governance mechanisms. They showed that on average, such appointments stabilise and modestly improve corporate performance, measured using stock returns, operating performance and sales growth.

Wymeersch (1998) reported that in most European states the role of the board has not been prescribed in law. In many European countries shareholder wealth maximisation has not been the only – or even necessarily the primary – goal of the board. Codes of best practice have been issued in a number of European countries, starting with the UK in 1992. Common to most of these codes is a requirement for specified numbers or percentages of independent directors on the boards of firms in the country. The codes are typically voluntary in nature and the degree of compliance with them varies across countries.

Dahya, McConnell, and Travlos (2002) investigated the effect on board effectiveness of the UK Code of Best Practice promulgated by the Cadbury Committee. The Code recommended that boards of UK corporations include at least three outside directors and that the positions of chairperson and CEO be held by different individuals. The LSE requires that all listed companies explicitly indicate whether they are in compliance with the Code. If a company is not in compliance, an explanation is required as to why it is not.

Nam and Lum (2005) studied a minimum requirement for the number of independent directors serving on the board in Korea, Thailand, Malaysia and Indonesia. In Indonesia, independent commissioners should make up at least 30 percent of the total number of board members. In the Korean banks, at least 50 percent or at least three of the board members must be independent directors. The requirement in Malaysia is that at least one-third or at least two members of the board must be independent directors. In Thailand, the board should have at least three independent directors or at least one-fourth of the board should be independent directors.

Nam and Lum (2005) also reported restrictions on the maximum number of boards on which a bank director can serve. In Indonesia, members of the Board of Commissioners may only hold concurrent positions as member of commissioners of one bank and as director or executive officer at not more than two non-bank firms. An outside director in a Korean bank is not allowed to serve on more than two boards of listed companies. In Malaysia, an executive director cannot serve in another listed company and a non-executive director cannot serve at more than 25 firms (10 listed and 15 unlisted firms). In Thailand, a bank director is not permitted to serve in more than three business groups.

2.9.2 Audit committee

The role of the audit committee is well established in many companies. For instance, it is considered that at least one committee member should have a good understanding of financial statements, and generally accepted accounting principles (GAAP) or international accounting standards (IAS), now international financial reporting standards (IFRS), rules.

The establishment of an audit committee is mandatory but the rules governing the composition of the members of the audit committee may vary among countries. Nam and Lum (2005) found in Indonesian banks, the audit committee should consist of at least one independent commissioner and a minimum of two outsiders. In the Korean banks, at least two-thirds of the total committee members must be outside directors. Malaysian banks are required to have a majority of independent directors and at least three non-executive directors in their audit committees. Similar rules apply in the case of Thailand where the banks are required to have a minimum of three members and at least two independent directors in their audit committees. Although not mandatory, members of the audit committee in some banks are qualified in the accounting discipline or have finance expertise. Audit committees in some banks have two or more members with accounting and finance expertise; and Nam and Lum (2005) results showed that this is more prevalent in the Indonesian banks and the banks in Thailand. The audit committee has the responsibility to oversee the appointment of external auditors for the bank. In all four countries, at least 60 percent of the banks used the services of one of the big four audit firms as its external auditor.

2.9.3 Disclosure and transparency

Sir Adrian Cadbury stated that the foundation of any structure of corporate governance is disclosure. Openness is the basis of public confidence in the corporate system, and funds will flow to the centres of economic activity that inspire trust (Iskander and Chamlou, 2000).

Transparent disclosure is a key check and balance (Banks, 2004). Corporate disclosure must be substantive, providing useful information about the company, its performance, and its prospects, and must be readily understood.

Nam and Lum's (2005) survey of information disclosure in four countries: Indonesia, Korea, Malaysia and Thailand, showed that Korea, Malaysia and Thailand require banks to disclose policies on risk management and risk factors in their annual reports. They found that none of the four countries discloses information about the compensation of individual senior management and non-executive independent directors in their annual reports. They also reported that in all four countries, there are strict regulatory requirements that audit standards should materially conform to the International Standards on Auditing (ISA). All companies are obliged to have compulsory external audits of their financial statements and accounts; and any specific requirements for the extent or nature of the audit must be spelt out and disclosed to the public. Finally, post financial crisis reforms have resulted in the introduction of a corporate governance code in all four countries. In Indonesia, the National Committee on Corporate Governance issued this code. In Korea, the Ministry of Finance and the Financial Supervisory Commission are responsible to ensure that the code is followed as well as practised in good faith. In Malaysia and Thailand, the gatekeepers of the codes are their respective central banks.

2.9.4 Shareholder rights

Protecting shareholder rights is the essence of governance, and must ultimately be an overarching policy goal. Supporting these rights touches on many areas, including: allowing shareholders the power to choose and replace directors; permitting minority interests to be formally represented on the board; and giving shareholders information on how directors vote on key issues. However, the major areas for further improvement concern proxy voting and timely receipt of pertinent materials before shareholders' meetings. There is also a lack of alternative mechanisms that minority shareholders can use to protect themselves against company misdeeds. Lease, McConnell, and Mikkelson (1983; 1984), DeAngelo and DeAngelo (1985), and Zingales (1995) pointed out that in the USA the protection of shareholder rights is most typically accomplished through ownership of shares of common stock that carry disproportionately high numbers of votes.

Claessens, Djankov, and Lang (2000) studied firms in nine East Asian countries and found that voting rights frequently exceed cash flow rights, typically via pyramid structures and cross-holdings. The result is that in over two-thirds of the firms in these countries there is a single shareholder that has effective control over the firm.

Dyck and Zingales (2002) measure the private benefits of control using the differences between the premiums for voting and non-voting shares for block control transactions in 39 countries. They found that private benefits vary greatly around the world and that they are quite significant in some countries. They also found that the individual voting premiums are negatively related to the degree of investor protection in the country. In countries where investors are less well protected by law, controlling shareholders can and do extract larger private benefits of control.

2.10 Summary

This chapter reviews the literature related to corporate governance. The literature shows that interest in corporate governance and the adoption of corporate governance around the world are growing. The most prominent systems of corporate governance are western models. Many studies report that the successful implementation of corporate governance is affected by several variables, such as, board of directors, audit committee, disclosure and transparency, and shareholder rights. In the next chapter, a detailed review of the literature concerning the economy, corporate governance, and accounting standards in Thailand is presented.

Chapter 3

The Economy, Corporate Governance and Accounting Standards in Thailand

3.1 Introduction

The previous chapter contained a review of corporate governance around the world, models, and theory related to corporate governance. This chapter introduces the economy, corporate governance and accounting standards in Thailand. First, a brief history of the Thai economy is provided, followed by an outline of organisational structure in Thailand, the Thai crisis, and the Asian financial crisis. Next, Thai accounting standards and disclosure requirements are presented. In addition, this chapter reviews Thai corporate governance, problems of implementation, Thai business culture, and benefits of corporate governance in Thailand.

3.2 A brief history of the Thai economy

Thailand today is a very different country from Thailand a decade ago: it has been one of the world's faster growing economies. From the 1960s the Asian economies have been divided into two camps. The four Tigers of Asia: Korea, Taiwan, Hong Kong and Singapore, plunged into export industrialisation and flooded the world with cheap clothes, shoes, and electronics. Thailand seemed less modern, less likely to leap ahead. Its politics were an old fashioned mix of kings, coups and generals. In

1985, Japanese firms moved manufacturing into low cost sites in Asia, including to Malaysia, Indonesia, and Thailand. Between 1985 and 1990, the flow of foreign investment into Thailand multiplied ten times. The total inflow in the last three years of the decade (to 1990) was greater than the total foreign investment in Thailand over the past thirty years (Phongpaichit and Baker, 1996).

Between 1986 and 1991 Thailand became one of the fastest growing economies in the world. The economic performance during these years has been virtually unparalleled with the value of manufactured exports growing at over 26 percent a year; total exports over 18 percent and GDP at 9.6 percent. This growth was accompanied by a surge in foreign direct investment, particularly from Japan and the Asian Newly Industrialising Countries (NICs). After 1991 growth slowed, but GDP still grew at an average of 6.8 percent per annum. Since 1993 foreign investment has declined and overseas debt increased, and during 1996 the rate of growth of export earnings contracted sharply. These issues came to the fore with the 1997 financial crisis and a dramatic slowing of growth (Dixon, 1999).

Prior to mid-1997, the Bank of Thailand (BOT) pegged the value of the Thai currency, the baht, to a basket of currencies of which an estimated 80 percent was weighted to the United States (US) dollar. In May 1997 the baht came under increasing speculative attacks by currency traders. The BOT responded to these attacks by aggressively defending the baht committing almost $4 billion in reserves in May 1997 alone. Domestic interest rates rose dramatically exacerbated by the BOT’s defence of the baht. The growing liquidity crisis within Thailand caused many Thai firms to turn to offshore financing in the mistaken belief that the baht's value would remain tied to the US dollar. On July 2, 1997 the BOT abandoned its pegging of the baht in favour of a managed float. The bank's official announcement was followed by a 20 percent drop in the value of the baht relative to the US dollar (Graham, King and Bailes, 2000).

3.2.1 Organisational structure in Thailand

Companies in Thailand are characterised as having highly concentrated ownership structures. La Porta, Lopez de-Silanes and Shleifer (1999) noted that in most East Asian countries corporate control is enhanced through pyramidal structures and cross-holdings among family-controlled firms. Claessens et al., (2002a) reported that concentrated control and the divergence between ownership and control in public corporations in eight East Asian economies diminished firm value, indicating the economic significance of the agency problem associated with ownership structure. Claessens, Djankov and Lang (2000) found that ownership of Thai public companies, as in other East Asian countries, is highly concentrated and family dominated. Other studies in East Asia have also found that corporate governance factors affect firm valuation (Mitton, 2002; Lins, 2003).

Alba, Claessens and Djankov (1998) found that while ownership concentration is positively related to firm profitability it might have inhibited needed management and operational changes when the Thai economy began to weaken in 1996. Other researchers have used different ownership classifications to show that, while ownership patterns have changed somewhat since the 1997 financial crisis, ownership of Thai firms remains highly concentrated (Suchiro, 2001; Wiwattanakantang 2001; Wiwattanakantang, Khanthavit, and Polsiri, 2003).

Connelly, Limpaphayom and Siraprapasiri (2004) studied the relationship between ownership concentration and performance of initial public offerings (IPOs) in Thailand during 1989-1993. They found that Thai companies are different from other countries because of the nature of Thai ownership concentration. Rather than implying effective monitoring, concentrated ownership among Thai firms often implies family-dominated ownership and, hence, perhaps yields less effective monitoring.

In general, the characteristics of family control and management in Thailand are similar to other Asian countries. Leadership tends to pass to the eldest son. However, in Thailand, daughters often have greater opportunities compared to many other Asian countries. A relatively large number of Thai women is found in executive positions in the business sector. The leadership passes to the founder's children when the firm's founder dies, hence, family domination continues. However, as Thailand's industrial sector grows, ownership is becoming more dispersed through successive generations of the families.

Bertrand et al. (2004) constructed a unique data set of family trees and the business groups they run for 70 of the largest business families in Thailand. They showed that the group head and his brothers hold the majority of family positions within each group. However, they also found a positive relationship between family size and involvement of family members in the business group, especially when the ultimate control has passed from the founder to one of his descendants.

Thai firms are also similar to other Asian firms in that ownership structures are highly concentrated. The average percentage of common shares owned by the three largest shareholders in the ten largest firms is around 44 percent (La Porta, Lopez de-Silanes and Shleifer, 1999). In such a situation agency theory predicts that large shareholders, who hold a significant portion of the firm, have incentives to be active monitors to constrain managerial opportunism. Such action, it is theorised, reduces the conventional agency conflict between management and shareholders. The relevant agency problem arises because of the potential conflict between large shareholders, and small or minority shareholders and other stakeholders, including creditors. The ownership structure in Thailand, being highly concentrated, might create additional problems. Under the concentrated ownership which is typically family held, it is hard to develop a professional management structure which is needed when the economy and business growth become more complex. Moreover, in order to maintain their control over the firms, majority shareholders in concentrated ownership firms may tend to reduce market pressure by not disclosing information adequately.

In Thailand, management typically includes key family members who are shareholders in publicly traded companies. In the case of such public family-owned companies, market participation by a few key individuals can have an influential role on company business, performance, reputation, and share valuation. In one key relationship, shareholders are tied into the family network. These related-party networks reduce the role and impact of general published information as a market force per se. In such a scenario, it is more difficult for management and the board to understand the need for, and benefit of, public disclosure (Jaikengkit, 2001).

3.2.2 The Thai crisis

In October 1973, the military dictatorship in Bangkok shook the Thai ruling class to its foundations. It was the first time that the pu-noi (little people) had actually started a revolution from below. It was not just a student uprising to demand a democratic constitution, it involved thousands of ordinary working class people and occurred on the crest of a rising wave of workers' strikes. The economy boomed in the so-called "Asian Miracle" period of the late 1980s. Thailand was able to mould parliamentary democracy into a model suited to the needs of the capitalists by a controlled and gradual liberalisation process. Prosperity and money bought social peace. Money also bought votes for the various capitalist parties at election time. The first upset to this regime occurred when the rulers fell out among themselves. The army generals were losing out in their struggle for supremacy in competition with the civilian politicians. This resulted in a massive popular uprising against the military government in May 1992. Then, just as the ruling class thought they had survived the May 1992 crisis without too much instability and damage to their power, the world economic crisis occurred. The financial meltdown started in Bangkok in July 1997 (Ungpakorn, 2005).

3.2.3 The Thai economy and the Asian financial crisis

Thailand, like many Asian countries, experienced a major financial crisis in 1997. Prior to the crisis, Thailand was among the fastest-growing economies in the world (Warr, 1999). The Thai financial system grew rapidly in the 1990s. While finance companies tended to focus on consumer and real estate financing, commercial banks focused on investment financing, especially in the manufacturing sector. In the meantime, Bangkok International Banking Facilities (BIBF) were established in 1993 to promote Bangkok as a centre of international finance competing with Hong Kong and Singapore. With long-standing stable exchange rates, high baht lending rates, and substantial tax breaks, BIBF activities expanded rapidly. Initially, the plan behind the establishment of BIBF was to focus on investment in South-east Asia, but it was never implemented. Rather, BIBF became a major channel for foreign capital flows into Thailand's domestic economy. The economy quickly became distorted, as capital inflows stoked inflation. Because the exchange rate remained fixed, the Thai currency, the baht, became over-valued, Thai products became less competitive in international markets and exports declined. At the same time, the flood of money boosted consumption, including consumption of imports, so the balance of trade slumped into deficit (Phongpaichit and Baker, 2000).

The currency crisis became a full-blown financial and economic crisis in 1997. Thailand's external debt increased from a figure of almost US$40 billion in 1992 to US$80 billion in March 1997. Total outstanding debt as a share of Gross Domestic Product (GDP) increased from 34 percent in 1990 to 51 percent in 1996. Of the total debt, 80 percent was private debt and almost 36 percent was short term (Khan, 2004).

Thailand faced a high balance-of-payments deficit and a high short-term foreign debt. These problems damaged the Thai currency (Phongpaichit and Baker, 2000) and on 2 July 1997 the BOT announced a float of the currency. The policy mistake appeared to be the insistence on retaining a fixed exchange rate when circumstances no longer suited it (Warr, 1999).

The Stock Exchange of Thailand (SET) reported that 255 companies had net losses from their operations for the third quarter of 1997 amounting to 125 billion baht (The Bangkok Business, 1998). The crisis brought other dramatic changes. Manufacturing output and national investment shrank, poverty increased and the exchange rate collapsed. Many banking and financial institutions closed for reasons related to the financial crisis.

3.3 Thai accounting standards and disclosure requirements

3.3.1 Thai-GAAP

The Institute of Certified Accountants of Thailand was first established in 1948 as a result of the rise in the importance of trading and the influence of foreign aid. At times, the influence of the American system via financial aid has played an important role, not only in the characteristics of the Thai economy, but also on the development of Thai accounting standards. The Institute of Certified Accountants of Thailand is responsible for developing Thai Generally Accepted Accounting Principles (Thai-GAAP). Most of Thai-GAAP is based on United States of America (USA) Generally Accepted Accounting Principles (USA-GAAP) (Keynes, 1993).

In 1975, when the significance of the role of certified auditors was well established, the institution changed its name to the Institute of Certified Accountants and Auditors of Thailand (ICAAT) (ICAAT, 2001). During the period between 1948 and 1997, the ICAAT issued 31 Thai accounting standards, most of them based on International Accounting Standards (IAS) and USA-GAAP. According to Priebjrivat (1992), although reported as meeting the standards of the International Finance Corporation (IFC), Thai accounting standards for listed companies have inadequate disclosure requirements. Thus, they do not support the provision of sufficient information about the operations of the company, its profitability, financial health, financial growth and future prospects for investors in the determination of their investment decisions. As a result, the SET requires much in the way of disclosures from all listed companies. This is discussed further in the following section (section 3.3.2).

Even though Thailand does not adopt the USA GAAP or the IAS in their entirety in the financial reports of listed companies, companies listed on the SET have to follow Thai-GAAP which implements many of the IAS standards. Moreover, it is the policy and goal of ICAAT that within four years (from 2004) all the IAS that are applicable to Thailand will be adopted by Thai-GAAP (SET, 2004).

3.3.2 Disclosure requirements

In addition to compliance with Thai-GAAP, companies that are listed on the SET are subject to other rigorous disclosure requirements. Their financial statements have to be reviewed by external and independent auditors and disclosed to the public on a quarterly basis. Their annual financial statements have to be audited by independent auditors, and a majority of listed companies choose the big-four international audit firms as their external auditors. These auditors, apart from having to be licensed by the ICAAT, have to be registered with the Thai Securities and Exchange Commission (SEC) and their work and standards of auditing are reviewed by the SEC and the ICAAT on a regular basis.

The SEC also requires listed companies to file their disclosure statements (Form 56-1) annually. Contained in those statements must be extensive information on risk factors that the companies are facing, management discussion and analysis of past performance, and financial position as reflected in the financial statements. In cases where there is any negative effect on performance of the companies, discussion in the annual statement should provide detailed description of plans to avert the problems. The annual statement must also provide information about related-party transactions that occurred during the year. Significant related-party transactions are required, by the SET, to be approved at shareholder meetings. Discussions on the level of internal control and management control over the company through an audit committee, whose composition includes independent directors, must also be disclosed. The SEC conducts random reviews of approximately a quarter of the total number of such disclosure documents. Any company that fails to disclose such information is subjected to sanctions by the SEC (SET, 2004).

3.4 Thai corporate governance

Some problems of corporate governance in Thailand are confirmed in a 1996 survey of 202 companies listed on the SET conducted by PriceWaterhouse (PriceWaterhouse, 1997). About 70 percent of senior management participated in the survey, the results of which indicate that significant improvement should be made in relation to corporate governance issues in Thailand. The respondents stated that they would prefer an approach that includes both the SET and a system of self-regulation by listed companies as a way to improve corporate governance. Improved corporate governance practices in Thailand, are likely to give the Thai capital markets relatively more competitive advantages over other markets in the region.

Some researchers (Alba, Clasessens and Djankov, 1998; Alba, Hernandez and Klingebiel, 1999) claim that insufficient transparency and the lack of solid information regarding financial transactions were critical factors contributing to the Thai crisis. They claimed that financial disclosures were below acceptable levels and grossly misleading. To combat such allegations, the SET began requiring listed companies to establish their own audit committees to oversee the policies and the activities of boards of directors as one step towards improving corporate governance and raising reporting transparency in Thailand.

In September 1999, the SET issued a ‘Code of Best Practice for Directors of Listed Companies’, providing suggestions for listed company boards reporting to regulatory entities, shareholders and investors. In addition, in January 2000, a paper containing comments from listed companies over a six-month period was distributed by the SET. This paper reflected the efforts of the SET to promote good corporate governance. The report was influenced by the Cadbury Report (1992) published in the United Kingdom (UK) and modified to reflect Thai culture and family-based preferences of listed companies. It offered guidelines for voluntary disclosure. The guidance is presented in six sections: the board; the financial reports; audit reports; information disclosure and transparency; equitable business conduct; and, compliance with the code of best practice (Jelatianranat, 2000a). To encourage listed companies to improve the quality of financial disclosure through annual reports, the SET also initiated an annual report competition among listed companies.

The Institute of Internal Auditors of Thailand (IIAT) has also played a role in supporting the improvement of the quality of disclosure by endorsing the concept of ‘transparency’. IIAT’s corporate governance campaign is intended to help stimulate the concept which is one of the six key principles of good corporate governance advocated by IIAT. A regular television program, “Transparency 360 degrees” was also launched to provide education about and promote corporate governance. Both the television program on corporate governance and the annual contest about Best Practices in Corporate Governance have sought to establish a trend for top companies to demonstrate position values and signal the significance of transparency (Jelatianranat, 2000b).

Since January 2000 the SEC has required every listed company in Thailand to establish an audit committee, aside from the board of directors, as a body responsible for financial disclosure. Under this requirement, three to five members of such audit committees must be independent from management (SET, 2000). In this setting, the responsibility for audit, internal control and financial disclosure is transferred to the audit committee, which has to make sure that the firm's financial and non-financial information are adequately disclosed. This minimises the influence of management which typically represents members of families who may be major shareholders of publicly traded companies.

The Thai government named 2002 the "Year of Good Corporate Governance". The SET and the SEC assert that listed companies will benefit from corporate governance policies. They are trying to set a standard for corporate governance by establishing the Thai Rating and Information Service Co. Ltd., (TRIS) as part of the corporate governance development program with support from the Government, the SEC and the SET. A Corporate Governance Centre (CG Centre) was established in July 2002 by the SET with a mission to promote the recognition of good governance amongst listed companies and other organisations as well as to encourage them to put principles into practice. Good corporate governance in listed companies is likely to increase confidence and trust in the Thai capital market. As an incentive, the SEC allows a discount on filing fees for three years and the SET reduced its annual membership fee for two years for those listed firms that earn good to excellent corporate governance ratings.

In 2002, the Thai Cabinet set up the National Corporate Governance Committee (NCGC) to set out policies, measures, and procedures to up-grade the level of corporate governance in Thai business. The responsibility of the NCGC is to: (1) establish policies, measures and schemes to upgrade the level of corporate governance among institutions, associations, corporations and government agencies in the capital market; (2) make suggestions to related agencies to improve their policy schemes and operating processes including legal reforms, ministerial regulations, rules and enactment to achieve good corporate governance; (3) promote the guidelines of good corporate governance to the public and related parties to raise confidence from international investors; (4) appoint sub-committees and working groups to study and assist any operations by using their authority. The NCGC group members comprise representatives from various private and public agencies. The sub-committees have to report operating results to the NCGC within the specified period; and (5) monitor the progress and evaluate the performance of sub-committees (NCGC, 2005).

3.5 Problems of implementation of corporate governance in Thailand

Companies in many emerging markets including Thailand have highly concentrated ownership structures. The Thai financial crisis exposed the poor practices at many companies that suffered from poor corporate governance practices (Zhuang et al., 2000).

Morck, Shleifer and Vishny (1988) argued the relationship between firm value and managerial ownership and the relationship between dividend policy and managerial ownership might be positive over some low range of ownership. On the other hand, the relationship could turn negative as managerial entrenchment at higher levels of ownership increased. The relationship is especially important for Thai firms as they are often characterised by concentrated ownership and by families or family groups where the family members frequently are actively involved in managing the company.

Many researchers found that the two major problems of corporate governance in Thailand are low transparency and the lack of disclosure (Alba, Clasessens and Djankov, 1998; Alba, Hernandez and Klingebiel, 1999; Zhuang et al., 2000).

3.5.1 Conflicts of interest

Conflicts of interest arise when a person, as a public sector employee or official, is influenced by personal considerations when doing their job. Thus, decisions may be made for the wrong reasons (Boadi, 2000). In a family business, conflicts of interest can be difficult and damaging. This can be a real source of conflict where members of the family perceive one of the family members to have acted in their own interest, rather than for the benefit of the family business and the family as a whole. Perception is everything in conflicts of interest, even if there is a good intention (The Nation, 2005c).

Fairness in remuneration is often a major cause of conflict within a family business. The remuneration of executive directors, the Chief Executive Officer (CEO) and senior management could all be linked to the performance of the company. Some argue that members of a family who work in the business need to be compensated fairly for their efforts, though there should not be any over-spending (The Nation, 2005c).

Thailand's 1997 Constitution contains provisions to prevent conflicts of interest between elected officials and big business, including an unprecedented bar on politicians holding shares in companies. Such provisions were seen as necessary to avoid repetition of the corruption in previous governments that greatly contributed to Thailand's 1997 financial collapse. However, in a significant oversight the Thai Constitution does not bar family members of politicians from owning shares in companies that do business with the government. For example, Shin Satellite, a company in which Prime Minister Thaksin's family holds a majority stake, recently won an eight-year tax holiday worth 16 billion baht (US$ 401.5 million) from Thailand's Board of Investment for its IPSTAR broad-band satellite system. The tax break is of concern because it represents the first time the Board of Investment, historically charged with attracting foreign investment, and has offered such incentives to a Thai-owned company (Shawn, 2003).

3.5.2 Nepotism and cronyism

Nepotism is a particular type of conflict of interest. The expression applies to a situation in which a person uses their public power to obtain a favour, very often a job, for a member of their family (Boadi, 2000). Cronyism is a broader term than nepotism, and covers situations where preferences are given to friends and colleagues (Boadi, 2000). According to Kidd and Richter (2003), cronyism is a very prevalent phenomenon in societies and organisations with certain cultural values such as paternalism, collectivism and Confucianism. These characteristics are a part of Thai culture making the problem a Thai problem.

Not all organisations are troubled by nepotism and cronyism. For example in Thailand, both Siam Cement and Siam Commercial Bank are considered Thai companies of integrity. They survived the financial crisis of 1997-1998 in better shape than did the “crony capitalist” banks, finance companies and relationship-based property and industrial firms. Siam Cement and Siam Commercial Bank emerged from the Crown Property Bureau. Directors and managers of Siam Cement and Siam Commercial Bank are most careful about maintaining the honor and integrity of their royal patronage and so they rise above what Justice Cardozo once called "the morals of the market place” (Young, 2002a).

3.5.3 Corruption

Kidd and Richter (2003, p.28) defined corruption as ‘The abuse of public office for private gain’ and they defined corruption in the private sector as ‘giving or receiving undue advantage in the course of business activities leading to acts in breach of a person’s duties’.

Phongpaichit and Piriyarangsan (1996) studied corruption in Thailand. They used data from the Office of the Auditor General and the Counter Corruption Commission to give an indication of the distribution of corruption across different ministries and departments. The annual reports of the Office of the Auditor General show the amounts of money which had to be returned to the government by bureaucrats who engaged in corrupt practices, cheating, and misuse of government funds, both from the expenditure and the revenue sides. Phongpaichit and Piriyarangson (1996) state that misuse of funds and corruption occurs in all ministries and all government offices in Thailand.

3.6 Thai business culture

In the nineteenth century, Thai society was dominated by the Sakdina system, a form of Southeast Asian feudalism. The Sakdina system was transformed into a centralised capitalist state, under the rule of an absolute monarchy. The monarchy struggled against the old nobles and local Sakdina rulers. The peasantry continually tried to avoid forced labor and refused to work as new capitalist labourers for low wages. Extra wage labourers had to be imported from China. Soon these Chinese workers were forming unions and struggling to improve their conditions (Ungpakorn, 2005).

Many other Asian countries allowed the Chinese to stay but in Thailand in the late 1930s; the new nationalist rulers set out to develop a Thai economy for the Thai people. They reserved certain occupations for Thai labour. They set up state companies to dislodge Chinese merchants from their dominant positions in commerce. As the Chinese entrepreneurs grew wealthier on the new business opportunities of the 1940s, they became more attractive friends. The politicians were easily tempted to tap growing business wealth to bolster their own shaky political power (Phongpaichit and Baker, 1996). Thus, this facet of Thai business culture continues.

3.6.1 Family business culture

Bertrand et al. (2004) found that the involvement of family members in business in Thailand is positively related to the number of available males in the family. However, not all male family members are regarded as equal; involvement in the family business is mostly concentrated among the immediate relatives of the current head (brothers, father and sons of the current head). Executive roles are shared across brothers of heads. While eldest sons of founders are much more likely to be chosen as heirs to the family business, other sons also appear to inherit a substantial role in the control of the family business. Female family members are not totally excluded from participation in the family businesses; however, male family members hold the majority of positions.

The larger the family, in particular the more male children and the more brothers the current group head has, the more positions within family firms are held by family members instead of outside managers and outside board members. Family size also appears to affect the overall size of business groups as well as their organisational structure. Bertrand et al. (2004) also showed that groups that are run by larger families (especially more brothers of current group head) tend to have lower performance and to be, financially, less sound. Groups run by larger families also appear associated with more fragmented internal capital markets for investment purposes and more tunnelling along the pyramidal structure. They suggested that individual family members may not only have to be concerned about expropriation by outsiders, but also expropriation by other (more powerful) family members.

3.7 Benefit of corporate governance in Thailand

Corporate governance is a tool to evaluate and monitor internal operations of a company. It has useful guidelines to increasing operational efficiency and effectiveness**.** An organisation with good corporate governance is widely accepted as comparable to international standards and possesses comparative advantages in terms of strategic management. Corporate governance can ensure the transparency of business management and reduce opportunities for executives and management to take advantages for their own benefit. In other words, stakeholders would not take any risks with an organisation without good corporate governance (NCGC, 2005).

3.8 Summary

This chapter provides a history of the Thai economy and corporate organisational structure in Thailand, as well as Thai accounting standards and disclosure requirements because these factors are generally viewed as having an important effect on the implementation of corporate governance. The financial crisis caused a large number of negative impacts on Thai companies: this chapter describes how the financial crisis in Thailand occurred and how it impacted Thai companies. In addition, this chapter also describes Thai corporate governance, problems of implementation, Thai business culture, and benefits of corporate governance in Thailand. A detailed discussion on the propositions and the research methodology used to conduct this study is provided in the next chapter.

Chapter 4

Research Methodology

4.1 Introduction

In this chapter, the research methodology used in this study is described and the research propositions relating to the objectives of the study are stated. Methods available for collecting data and the characteristics of the sample group are set out in this chapter. The rights and safety of the participants and rules on ethics and confidentiality in collecting data are described. In addition, the variables, questionnaire design and techniques used to analyse data are stated.

4.2 Propositions

4.2.1 Proposition 1

One objective of the current study is to discover the nature and extent of corporate governance in listed companies in Thailand. The Asian Development Bank (ADB) (2000) investigated the corporate governance structures of the Asian crisis economies, Indonesia, Korea, Malaysia, Thailand and the Philippines, and found that the governance structures of the crisis economies closely resembled each other. Generally, the similar elements were: high ownership concentration; bank-centric financial systems; ineffective shareholder rights laws; and low transparency. Claessens, Djankov and Lang (2000) also stated that high ownership concentration is typically both a symptom and a cause of weak corporate governance. In addition, Alba, Clasessens and Djankov (1998) stated that factors such as the treatment of investor rights in the company, bankruptcy and securities legislation, the efficacy of legal enforcement, and the content and enforcement of capital market regulations, including listing rules and disclosure, could protect shareholders.

Poor corporate governance was one of the major contributing factors to the build-up of vulnerabilities in the countries affected by the Asian financial crisis in 1997 (Alba, Clasessens and Djankov, 1998; Keong, 2002; Claessens, Djankov and Lang, 2000). Corporate governance ought to be a means for investors to monitor and control management when protection systems are weak (Alba, Claessens and Djankov, 1998). A high concentration of ownership reduces the effectiveness of some important mechanisms of investor protection, such as the system of the board of directors, shareholder participation through voting at shareholder meetings, and transparency and disclosure of financial and non-financial information.

The Thai Securities and Exchange Commission (SEC) requires every listed company in Thailand to establish an audit committee aside from the board of directors, as a body responsible for financial disclosure (SET, 2000). Under this requirement, three to five members of audit committees must be independent from management.

In the current study, it was expected that the state of the economy resulting from the financial crisis, ownership structure, and international development and acceptance of the rules of corporate governance would force Thai companies to improve the implementation of corporate governance. Accordingly, the first proposition is stated as follows:

Proposition 1: There is a relationship between corporate governance and each of: the Thai financial crisis, ownership structure, and regulation of listed companies in Thailand.

4.2.2 Proposition 2

Letza, Sun and Kirkbride (2004) stated that corporate governance is completely changeable and transformable and there is no permanent or universal principle that covers all societies, cultures and business situations. There are many corporate governance models and each governance system appears to have its own weaknesses; no perfect system appears to exist that can be applied as a 'best practice' model to all countries.

There are two general models of corporate governance. The first is a 'shareholder' or 'equity market-based' governance model of the Anglo-American style, under which a broad range of investors play a role through the pricing, trading and buying of the firm's securities. The other model is a 'bank-led' governance model under which banks play the leading role in monitoring firms. Many researchers have suggested a mixture of the two models is appropriate for developing countries such as Thailand (Alba, Clasessens and Djankov, 1998; Keong, 2002; Khan 2004).

Western style principles and models of corporate governance, developed by the World Bank, the International Monetary Fund (IMF) and the Organisation for Economic Co-operation and Development (OECD) have been proposed as preferred theoretical models for Thailand. An objective in this study is to extend the theory in this area to include information characteristics fundamental to the share ownership and familial control patterns that exist in the Thai context. Proposition 2 is thus stated as:

Proposition 2: There will be significant differences from western models of corporate governance mechanisms in listed companies in Thailand.

4.2.3 Proposition 3

Some researchers conclude that companies with demanding governance standards show higher market valuation (Keong, 2002; Strenger, 2004). Clarke (2004) suggested that corporate governance standards and reforms will increase in future as a matter of public concern because more of the public will have more of their wealth invested in companies and will insist that companies behave responsibly. As a result, the Stock Exchange of Thailand (SET) introduced guidelines of best practice that consisted of 15 principles of good corporate governance for implementation by listed companies in Thailand.

The Asian financial crisis has shown that the economy in Thailand was weak in the area of corporate governance. Alba, Clasessens and Djankov (1998) indicate that lack of transparency and the lack of solid information regarding financial transactions as a result of this structural feature may have been critical factors contributing to the Thai crisis. It was expected that the Thai Government, the SET, and the SEC might improve regulations related to information disclosure as part of its program to implement corporate governance. Thus Proposition 3 is generated.

Proposition 3: There will be significant improvement in information disclosure in financial reports of Thai companies resulting from the implementation of corporate governance.

4.2.4 Proposition 4

Demsetz and Villalonga (2001) used accounting profit ratios, specifically ‘return on equity’ (ROE), ‘return on assets’ (ROA) and ‘Tobin’s Q’ to measure firm performance. These measures differ in their time perspectives since the accounting profit ratios are backward-looking, whereas Tobin’s Q is forward-looking. The accounting profit ratios measure what management has accomplished whereas Tobin’s Q is an estimate of what management will accomplish. The Tobin’s Q formula is the firm’s market value of equity and book value of debt divided by the book value of total assets. Furthermore, the accounting profit ratios are not affected by investor psychology, but in contrast, Tobin’s Q is strongly influenced by investor psychology, because it pertains to forecasts of a multitude of world events that include the outcome of present business strategies. Thus, the two accounting profit ratios and Tobin’s Q reflect different perspectives of firm performance. It is of interest to understand whether these variables are useful or provide useful information in the Thai context related to corporate governance. This leads to Proposition 4.

Proposition 4: The variables ROA, ROE and Tobin's Q will be relevant for the measurement of corporate governance performance in Thailand.

4.2.5 Proposition 5

Limpaphayom and Connelly (2004) stated that directors need to improve their awareness of the role of other stakeholders. They suggested that directors centre on encouraging the true independence of independent directors, and that they be encouraged to serve and protect the interests of a broad group of stakeholders.

The Asian Development Bank (ADB) (2000) contended that the issue of corporate governance is important, not only for protecting investors' interests, but also for reducing systemic market risks and maintaining financial stability. The views of three different groups are of interest in this study: (1) Chief Executive Officers (CEO); (2) Executive directors; and, (3) Outside/independent directors (audit committee). Other aspects, such as the above-mentioned three study groups' views about the problems of corporate governance and the impact of the implementation of corporate governance in Thailand, are also investigated in this study. Thus Proposition 5 is stated as:

Proposition 5: There will be significant differences in measures of responses from different groups for strengthening corporate governance in Thailand.

4.3 Data Collection

In this study the impact of the financial crisis on corporate governance in listed companies in Thailand is assessed and information is provided that is likely to be of practical use to listed companies to improve their corporate governance practices. It is anticipated that alterations to the Western models of corporate governance will be needed to suit the Thai context. Thus, the data collection will relate to the modifications to theory and implementation issues identified in the literature reviews in Chapters 2 and 3.

4.3.1 Questionnaire data

In this study a survey of 453 listed companies in eight industries on various aspects of corporate governance in Thailand is conducted. The industries and the number of companies in each industry are as follows. Agro and Food industry (42); Consumer Products (37); Financial (66); Industrials (50); Property and Construction (80); Resources (18); Services (78); and Technology (43); Other (39).

4.3.2 The questionnaire survey instrument

The questionnaire survey (the ‘questionnaire’) was distributed to companies listed on the SET during the period September 15, 2005 ~ February 15, 2006. The questionnaire was mailed to the CEO, the executive directors, and the outside/independent directors (audit committee). Recipients were asked to return the questionnaire by mail.

The main reasons to choose companies listed on the SET are that they are large-size companies that have sufficient resources for implementation of corporate governance. A mailed questionnaire survey is an appropriate means to gather data from stock exchange listed companies. It allows for an improvement in the response rate and is relatively low-cost. If the response is low, Sekaran (2000) suggests that sending follow-up letters, providing the respondent with self-addressed, stamped return envelopes and keeping the questionnaires brief are useful ways to improve the rate of response. Accordingly, the questionnaires developed for use in this study were sent with a cover letter and a postage-paid reply envelope. A covering letter was addressed to the CEO, executive directors, and outside/independent directors (audit committee) of each company as the officers assumed to be responsible for corporate governance in the company. A follow-up telephone call was made and a follow-up questionnaire was posted approximately four weeks after the first mail-out.

4.3.3 Interview data

This study involves personal interviews to supplement the questionnaire data. Personal interviews have the advantage that the interviewer can see how a respondent is reacting and can show the respondent items that help clarify questions and response options. Interviews allow people to answer more on their own terms than the standard questionnaire permits, but still provide a structure for the focus interview.

The personal interviews were conducted by consent of the participants. Event significance sheets and prepared discussion questions were used to ensure that interview discussions remain relevant and that all areas of interest were covered. The interviews were taped, with the interviewees' agreement, and notes taken to ensure accuracy in recording data.

4.3.4 Annual report data

Data were collected from the Stock Exchange of Thailand Information Products (SETINFO) to support the analysis of the accounting profit ratios and the calculation of Tobin's Q. This data included: (i) ROE; (ii) ROA; (iii) the market value of equity; (iv) firm debt; and (v) the book value of total assets, across the study period January 1996 to December 2005. These data were subjected to time series analysis in an attempt to discover relevant relationships.

4.4 Ethics and Confidentiality

Before administering the survey and conducting the interviews, the approval of the Human Research Ethics Committee of Victoria University was obtained to ensure that the rights, liberties and safety of the participants would be preserved. In addition, an information sheet, including the name of Victoria University and the name of the School of Accounting and Finance, was prepared to explain the purpose of the study and the ethical rules. This was given to each participant, attached to the survey. The participants were informed that under the ethical rules participation is voluntary. Personal interviews were conducted only with consenting participants. Before conducting the personal interviews the participants were fully informed as to the objectives of the research and the ethical rules of Victoria University.

Completed questionnaires and transcripts of the personal interviews are kept in a secure place at Victoria University under control of the researcher and the supervisors and are available only to the researcher and supervisors. The interview tapes were erased after transcription. In addition, the results are only reported in aggregate form so as to avoid the identification of individual responses from the participants.

4.5 Variables

Several variables were investigated in the questionnaires. These variables can be classified into two parts. Part A is sub-classified into eight categories: demographics; company characteristics; CEO; board of directors; audit committee; disclosure and transparency; shareholder rights; and effectiveness of the board of directors. Part B is sub-classified into three categories: general information; independent director; and impact of the implementation of corporate governance in Thailand. All variables in Part A were designed to seek general information about the company; CEO decision making; board of directors; audit committee; information disclosure; shareholder rights; and effectiveness of the board of directors. Variables in Part B were designed to seek opinions and perceptions about information, disclosure, performance of independent directors, and the impact of the implementation of corporate governance by listed companies in Thailand. Part A variables are presented in Table 4.1 and Part B variables appear in Table 4.2.

Table 4.1 Part A Variables investigated in the questionnaire

Category	Variables investigated in the questionnaire	Question
	Part A	
A.1	Demography	
	1.1 Personal information about a respondent	1-4
A.2	Company characteristics	
	2.1 Industry group	5
	2.2 Size	6-7
	2.3 Ownership structure	8-9
A.3	CEO	
	3.1 Decision-making	10-11
A.4	Board of directors	
	4.1 Board size	12
	4.2 Board structure	13-14
	4.3 Independence of board member	15,19
	4.4 Board meetings	16-18
	4.5 Board member qualifications	19
	4.6 Functions of the board	20
A.5	Audit committee	
	5.1 Size	21
	5.2 Structure	22
	5.3 Meetings	23
	5.4 Members' qualifications and positions	24-25
A.6	Disclosure and transparency	
	6.1 Information disclosure	26
	6.2 Language used	27
A.7	Shareholder rights	
	7.1 Equality of all shareholders	28
	7.2 Information and disclosure	28
	7.3 Shareholders' rules	29
	7.4 Shareholders' meetings	30-31
	Effectiveness of the board of directors	
A.8	8.1 Functions of the board	32-34
	8.2 Effectiveness of the board	35

In Part A, important elements of this study are addressed. These include the board of directors; audit committee; disclosure and transparency; and shareholder rights. The first category relates to personal information of respondents including gender, age and education. The second category is associated with industry group, company size and organisational structure. The third category investigates decision-making by the CEO.

Categories four to eight address the current status of corporate governance and means to improve corporate governance in Thailand. The fourth category investigates issues involving the board of directors such as board size, board structure, and independence of the board, frequency and style of board meetings, board members' qualifications, and the functions of the board. The fifth category relates to the audit committee and examines issues such as qualification and position of member, and the size, structure, and frequency of meetings. The sixth category relates to information disclosure and transparency. The seventh category is concerned with shareholder rights and investigates the equality of rights for all shareholders, information and disclosure for shareholders, shareholders' rules and shareholders' meeting procedures. The eighth category contains questions about the effectiveness of the board of directors and the function of the board.

Table 4.2 Part B Variables investigated in the questionnaire

Category	Variables investigated in the questionnaires	Question
	Part B	
B.1	General information	
	1.1 Background	36-39
	1.2 Ethics and governance improvement	40
	1.3 Incentives for investment	41
	1.4 Initiate corporate governance	42
	1.5 Tasks for better corporate governance	43
	1.6 Level of corporate governance	44
	1.7 Benefits of corporate governance	45
	1.8 Rules to improve corporate governance	46
	1.9 Introducing enhancement in Thailand	47
B.2	Independent directors	
	2.1Better performance of independent directors	48
B.3	Impact of the implementation of corporate governance in Thailand	
	3.1 Knowledge	49
	3.2 Support	
	3.3 Disclosure	
	3.4 Business ethics	
	3.5 Environment	

In Part B, the questionnaire is divided into three categories. The first category considers issues of general information such as background, ethics and governance improvement, incentives for investment, implementation of corporate governance, tasks for better corporate governance, the level of corporate governance, and the benefits of corporate governance. The second category considers the performance of independent directors, and the third category relates to the factors that may impact the implementation of corporate governance in listed companies in Thailand.

The variables are used to test the propositions and to indicate factors that determine corporate governance in Thailand.

4.6 Questionnaire design

Most data are collected from the questionnaires. Some questionnaire items were developed from existing studies (Nam, 2004b; Claessens, Djankov and Lang, 2000; Werder, 2005; Kwek, Jin and Teen, 2004; Mustakallio, 2002; SET, 2004) as they have been shown to be reliable. Nevertheless, additional questions were developed to be suitable to the context of the study. All questions were shown in closed form because closed questions provide guidance that may encourage the respondents to have more interest in answering the questionnaire.

The questionaire consists of forty-nine questions in the two parts (A and B). Part A included eight sections. The first section was designed to seek characteristics of the participants. So, this section, containing questions one to four, is about the personal information of the participants, such as their age, gender, and education.

Section two of Part A is aimed at an examination of company characteristics. Thus, questions five to nine seek general information about the company in which the participants are working such as its industry group, company size, and ownership structure. Question five seeks data about the industry grouping of companies and the classification according to the SET categories. Questions six and seven seek information about the company size such as the number of employees, net assets, market capitalisation, and net profit. These questions were adapted from Chongruksut (2002) and SET (2003). Questions eight and nine are aimed at identifying ownership structure in companies. Question eight, relates to ownership structure and describes the ownership and control structure of the companies. It was developed from Nam (2004b). Question nine is specific to a company that is a family-based business group. It investigates the relationship between family members and the company. It was adapted from Mustakallio (2002). This question, containing, four sub-questions, was measured by a five-point Likert-style scale from '1 = strongly disagree' to '5 = strongly agree'.

The aim in Part A section three (questions 10-11) is to investigate who is important in decision-making in the company and who exercises a great deal of power in the company. Question 10 was designed to identify the most important person in the operation of the company. Question 11 was related to decision-making of the CEO and the board of directors, and was developed from Mustakallio (2002). This question consists of four items and was also measured using a five-point Likert-style scale.

The fourth section (questions 12-20) is designed to examine operations of the board of directors. Questions 12-15 consider board size, board structure, and independence of the board. They were adapted from Nam (2004). Questions 16-18 relate to frequency of board meetings, duration of board meetings, and attendance of board members. Question 19 consists of three sub-questions and is designed to seek information about the qualifications and education of the board members, the independent directors and the chairman and CEO. This question was to be answered with "yes" or "no" response. Question 20 (Mustakallio, 2002) is intended to facilitate an understanding of the functions of the board such as monitoring and review. This question, containing 11 sub-questions, was also measured by a five-point Likert-style scale.

The fifth section examines matters concerning the audit committee. This section (questions 21-25) gathers data about qualifications and position, size, structure, and meeting frequency of the audit committee. Question 24 containing five sub-questions investigates the position of participants, qualifications of the audit committee (Nam, 2004) and the independence of the committee. Question 25 seeks details of the number of boards on which the audit committee members serve outside the organisation as this is likely to provide an indicator of conflict of interest if the employer company has related party transactions with that outside organisation.

The purpose of section six (questions 26-27) is to investigate the information disclosure and transparency that is available on the company's web-site and in its annual report and whether the information is available in English and the local Thai language. The questions in this section were developed from Nam (2004b). Question 26 gathers data about information disclosure on the web-site and annual report, voting rights, related-party transactions, and background of directors, governance and risk management policies, and material issues regarding stakeholders. Question 27 was aimed at seeking information about disclosure in the web-site that is available in the local Thai language and English.

The seventh section (questions 28-31) gathers information about the equality of shareholder rights. The questions were adapted from Nam (2004b). Question 28 addresses equality of information for all shareholders, opportunity for shareholders to ask questions at meetings, the process and procedures for shareholder meetings, and whether adequate information and disclosure for shareholders is provided. Question 28, consists of 12 sub-questions and is measured using a five-point Likert-style scale.

Question 29 seeks information about shareholders' rules (one-share-one-vote rule), remuneration, the existence of a nomination committee, and information about the directors elected before the shareholders' meeting. Question 30 was designed to identify the length of the annual shareholders' meeting. The last question in this section investigates the success of management's nominations of directors.

The final section in Part A is intended to investigate the effectiveness of the board of directors. This section (questions 32-35) is concerned with the role and effectiveness of the board. Questions 32 and 33 were designed to identify who has the strongest voice in selecting independent directors, and who has the strongest voice in removing a poorly performing CEO and in selecting a new CEO. Question 34 was designed to ask about the activeness of the board in formulating long-term strategies, the selection monitoring and replacement of the CEO, reviews of key executive and director remuneration, conflicts of interest and related-party transactions, ensuring the integrity of financial reporting and the effectiveness of various corporate governance practices, disclosure, and communications with shareholders and stakeholders. This question, consisting of seven sub-questions, was measured by a five-point Likert-style scale from '1 = strongly disagree' to '5 = strongly agree'. The last question sought respondents' opinions about the usefulness of tasks enhancing the effectiveness of company boards, and included: selecting better-qualified and truly independent directors, separating the CEO from the board chairman position, timely provision of relevant information to directors, provision of education programs and adoption of codes of conduct for directors, evaluation of the board and directors, evaluation of the CEO by the board, giving independent directors better compensation and making it directly linked to firm performance, and disclosure of board activity. This question, containing eight sub-questions, used a five-point Likert-style scale from ‘1 = not useful’ to ‘5 = useful’.

Part B included three sections. The first section was designed to gather general information about the participants and their opinions about corporate governance. This section (questions 36-47) addressed the individuals’ background, opinions about ethics and corporate governance improvement, incentives for investment, implementation of corporate governance, tasks for better corporate governance, level of corporate governance, benefits of corporate governance, rules to improve corporate governance, and enhancements to corporate governance in Thailand.

Questions 36-39 are designed to seek information about the background of the participants including their independence, professional background, how many boards they serve on, and length of that service. These questions were developed from Nam (2004b). Question 40 is designed to investigate the standard of business ethics and whether corporate governance in Thailand has improved over the last five years. It was adapted from Kwek, Jin and Teen (2004). Question 41 investigates whether the corporate governance regime is an incentive for investment in Thailand. Question 42 determines opinions about who should initiate improvements in corporate governance, and was adapted from Kwek, Jin and Teen (2004) and Nam (2004b). Question 43 (Nam 2004b) seeks opinions about which tasks are the most effective for better corporate governance in a Thai company.

Question 44 investigates opinions about the level of corporate governance compared with other listed companies and compares current corporate governance practices with those of five years ago. The available responses were “much better”, “about the same”, or “much worse”. Question 45 was designed to identify opinions about the benefits to companies if corporate governance improved; it was adapted from Kwek, Jin and Teen (2004).

Question 46 seeks opinions about rules to improve corporate governance. It covers the standards of corporate governance in Thailand compared with the USA, the UK, Australia and various selected Asian countries. It also gathers data about measures to strengthen corporate governance in Thailand, the level of standards of corporate governance, whether minority investors are equitably treated in family controlled companies, whether more stringent listing standards from the SET should be adopted, and whether there is adequate protection for the interests of minority investors. It was adopted from Kwek, Jin and Teen (2004). This question consists of eight sub-questions, and was measured by a five-point Likert-style scale from ‘1 = strongly disagree’ to ‘5 = strongly agree’.

Question 47 asks for opinions about introducing corporate governance enhancements in Thailand. It addressed issues relating to independent directors of the board, independence of the chairman of the board, disclosure, the selection and appointment process of new directors, independence of the remuneration committee, disclosure of the remuneration policy for executive directors and the remuneration of each director, and the independence of the audit committee. It also sought opinions about a limit on the number of non-executive directorships, adoption of a code of conduct and the code of ethics for directors officers and employees, and whether there should be different guidelines for companies of different sizes. This question contained thirteen sub-questions, and was scored on a five-point numerical Likert-style scale from ‘1 = strongly disagree’ to ‘5 = strongly agree’.

Part B, Section 2 (question 48) investigated the performance of independent directors and included details of the attendance rate at board meetings, preparation, discussion and participation at board meetings, knowledge of the business, awareness of fiduciary duties to all shareholders, and willingness to speak for minority shareholders. It was developed from Nam (2004b). This question, consists of five items and was measured by a five-point Likert-style scale from ‘1 = not at all’ to ‘5 = very well’.

The last section (question 49) involves the impact of the implementation of corporate governance and covered knowledge of data requirements and collection processes, senior management support, transparency and disclosure, checks and balances, high cost of ratings, concentration of ownership, protection of shareholder rights, independence of directors, employee involvement, social responsibility, and business ethics. This question, contains eleven sub-questions, and was measured by a five-point Likert-style scale from ‘1 = not important’ to ‘5 = critically important’.

As further justification for the questions asked, the relationship of each question to the five study propositions is presented in Table 4.3.

Table 4.3 The relationship of questions to the study propositions

Proposition	Questions and variables relating to the propositions
1	Q8, Q9 (ownership structure) Q26, Q27 (regulation of rules) Q40 (standard of business ethics and corporate governance) Q43,44 (effectiveness of corporate governance) Q45 (benefits of corporate governance)
2	Q16,Q17,Q18 (roles of board of directors) Q26,Q27 (disclosure and transparency) Q28, Q29 (shareholder rights) Q28, Q30, Q31 (the role of stakeholders) Q32,Q33,Q34, Q35 (board of directors) Q42, Q44, Q46 (improvement in corporate governance)
3	Q26 (information disclosure) Q27 (limited information) Q28,Q29 (timely information)
4	Q12,Q13,Q14 (board structure) Q20 (effectiveness of board) Q21,Q22,Q24,Q25 (audit committee qualifications) Q26 (information disclosure) Q 28 (shareholder rights)
5	Q37 (respondents' background) Q38, Q39 (independence) Q41 (incentives for investment) Q45 (benefits of corporate governance) Q46 (rules to improve corporate governance) Q47 (enhancement of corporate governance) Q48 (performance of independent directors) Q49 (impact of the implementation of corporate governance)

The questions were first developed in English. For administration, translation of the questions into the Thai language was necessary. Three translators were used. A bi-lingual person who grew up in Thailand and is also a native speaker of the Thai language conducted the first translation. The first translator gained her doctorate in accounting in Australia and has been teaching accounting in Thailand for several years. The second translator teaches accounting in Thailand. The third translator gained her Master degree in Management in Australia and has been working as an interpreter in Australia for several years. The translations and the original questionnaire were carefully compared by the researcher and examined to assure that there were no significant differences between the English and Thai versions. No significant differences were detected.

4.7 Interview questions

Personal interviews were conducted in which a descriptive questioning method was used to induce the interviewees to give as much information as possible about details on the view of the present state of corporate governance in Thailand. These details included the influence of corporate governance after the Asian financial crisis, problems and benefits in implementing corporate governance, perceptions of independence, protection of minority shareholders, concentrated ownership, business ethics, social responsibility, factors to improve corporate governance, and who should initiate improvements to corporate governance in the future.

4.8 Validity of the questionnaire

To confirm the clarity and validity of the questionnaire, it was reviewed by four accounting academics who are experts in the area of corporate governance; two in Australia, and two in Thailand. This procedure confirmed that the estimate of the time required to complete the questionnaire was reasonable and that the questions were suitable for the intended audience. Some minor modifications to satisfy the expert academics' comments were made before the questionnaire was sent to the participants.

4.9 Data analysis techniques

4.9.1 Questionnaire data analysis

The data collected consist of two types: quantitative and qualitative. The quantitative data analysis, together with the testing of propositions relating to cultural effects and performance such as family ownership, involved the use of the Statistical Package for the Social Sciences (SPSS) program for statistical analysis. Tests included descriptive and inferential statistical analysis: frequencies, means, standard deviations of attributes of good corporate governance, board of directors, audit committee, disclosure, and shareholder rights, with measures of performance.

Frequency distributions were suitable for analysis of data such as the personal information (questions 1-4), the classification of industry groups (question 5), the company size (questions 6-7), the ownership structure (question 8), decision making in the company (question 10), board size (question 12), board structure (questions 13-14), independence of board members (question 15), board meetings (questions 16-18), board qualification and independence of board members (question 19), audit committee size (question 21), audit committee structure (question 22), audit committee meetings (question 23), qualification, position and truly independence (questions 24-25). In addition, information disclosure (question 26), language available (question 27), shareholder rules (question 29), shareholder meetings (questions 30-31), function of the board of directors (questions 32-33), background information (questions 36-39), ethics and governance improvement (question 40), incentives for investment (question 41), initiation of corporate governance (question 42), tasks for better corporate governance (question 43), level of corporate governance (question 44), and benefits of corporate governance (question 45), are also tested using frequency distributions.

Other statistical measures, such as means and standard deviations, are used in analysing data such as the ownership structure (question 9), decision-making in the company (question11), function of the board of directors (question 20), information and disclosure for shareholders and procedure for shareholder meetings (question 28), function of the board of directors (question 34), effectiveness of the board (question 35), rules to improve corporate governance (question 46), enhancing corporate governance in Thailand (question 47), better performance of independent directors (question 48), and the impact of the implementation of corporate governance in Thailand (question 49).

4.9.2 Interview data analysis

The qualitative data gathered from the interviews were subjected to content analysis. In the personal interviews, a list of predetermined interview questions was prepared. The interviews were taped with the interviewees' agreement and notes taken. To ensure accuracy of the interview data, transcripts of the personal interviews were checked with the interview tapes and notes taken. Most of interviewees in this study are Thai. The translations and the original notes were carefully compared to ensure that there were not significant differences between the Thai and English versions. The check of the translation into English was conducted by a bi-lingual person who grew up in Thailand, has a doctorate in accounting in Australia and has been teaching in Thailand for several years. No significant differences were detected. The list of interview questions can be found in Appendix C.

4.9.3 Annual report data analysis

Two accounting profit ratios (ROE and ROA) and Tobin's Q were used to analyse data from the Stock Exchange of Thailand Information Products (SETINFO). These data included ROE and ROA measures, market value of equity, firm debt, and book value of total assets. Data were available for the ROE and ROA across the period January 1996 to December 2005, and Tobin's Q data were available for the period January 2001 to December 2005. The accounting profit ratio is a measure of what management has accomplished, whereas Tobin's Q is an estimate of what management will accomplish. The Tobin's Q formula is the firm's market value of equity and book value of debt divided by the book value of total assets (Maury and Pajuste, 2004).

4.10 Summary

In this chapter the research methodology has been described. Five proposed propositions relating to the objectives of the study are discussed. Proposition 1 investigates a relationship between corporate governance and the Thai financial crisis and ownership structure. Proposition 2 explores differences from western models of corporate governance mechanisms in listed companies. Proposition 3 considers information disclosures improving the financial reports of Thai companies resulting from the implementation of corporate governance. Proposition 4 considers Western variables used for performance measurement, and Proposition 5 addresses responses from different groups for strengthening corporate governance in Thailand.

This study uses multiple data collection methods, including a questionnaire, personal interviews across the study period January 1996 to December 2005. Data are analysed using content analysis for qualitative data and using the SPSS program for quantitative data. Data from the determination of the two accounting profit ratios, ROE and ROA, and for Tobin's Q are drawn from public sources. In the next chapter the results, findings and discussions about corporate governance in Thailand are presented.

Chapter 5

Results and Discussion

5.1 Introduction

In this chapter, the data collected from the questionnaire survey (the 'questionnaire') are analysed and discussed; a questionnaire was sent to 453 listed companies. The questionnaires were addressed to the Chief Executive Officer (CEO), executive directors, and outside/independent directors of each company. This resulted in 1,359 questionnaires being sent and 160 usable questionnaires being returned. Of the 453 companies, 101 returned questionnaires; 62 companies each returned one questionnaire, 19 companies each returned two questionnaires and 20 companies each returned three complete questionnaires. Problems of data collection and non-response rate are discussed. The profile of respondents is also described in this chapter.

5.2 Problems of data collection

The questionnaires were sent to 453 companies listed on the Stock Exchange of Thailand (SET). These companies were operating in the Bangkok region at the end of September 2005. After four weeks from the date of mailing the questionnaires a follow-up call process was commenced. Some respondents agreed to be interviewed and some indicated that they did not answer the questions because their employing company has a policy of non-participation in questionnaires.

5.2.1 Missing data

Most respondents completed the questionnaire in full. Six questionnaires were returned unanswered, and eight company respondents did not answer all questions in the questionnaires.

5.2.2. Reluctance to participate in face-to-face interviews

Twenty-four respondents returned questionnaires and agreed to be interviewed. All interviewees worked in the Bangkok region. Seven respondents cancelled their interviews because of clashing time commitments. Four respondents could not be contacted to confirm interview dates and times. This resulted in thirteen respondents agreeing to be interviewed. Three were CEOs, four were outside/independent directors (audit committee) and six were executive directors. Five respondents did not agree to the use of audio taping, so their interviews were recorded in note form only.

5.3 Non-response

Mailed surveys have a possibility of biased response rates (Fox, Robinson and Boardley, 1998). In order to reduce this problem follow-up telephone calls were made and a follow-up questionnaire was mailed approximately four weeks after the initial mailing. Non-response bias was evaluated by comparing the composition of early (107) and late respondents (29) to the survey (Innes and Mitchell, 1995;

Chongruksut, 2002). Validity of the first and second mailing was assessed by using the t-test technique to compare the mean-values of each variable in terms of age group, net assets, board size and corporate governance in Thailand. Table 5.1 shows that there are no significant differences between the first and the second groups because all values are above the alpha level of 0.05. These results do not suggest the existence of a non-response bias, which means that the responses in this study can be regarded as representative of the whole selected sample.

Table 5.1 Test of non-response bias

Comparison	N	Mean	Standard Deviation	Significance*
Age group				0.548
-First group	107	3.60	0.930	
-Second group	29	3.34	1.045	
Net Assets				0.336
-First group	102	4.15	1.360	
-Second group	29	4.90	1.472	
Board Size				
Number on board of directors				0.488
-First group	107	10.70	2.629	
-Second group	28	10.54	2.603	
Number of independent directors				0.236
-First group	107	3.92	1.524	
-Second group	29	3.66	1.045	
Number of executive directors				0.919
-First group	106	3.70	1.779	
-Second group	28	3.75	1.838	
Corporate governance in Thailand				
Compared with USA, UK and Australia				0.555
-First group	104	2.94	0.923	
-Second group	27	2.93	0.829	
Compared with Asian countries				0.290
-First group	104	3.55	0.846	
-Second group	28	3.61	0.737	
Measures to strengthen corporate governance				0.433
-First group	103	3.62	0.768	
-Second group	27	3.59	0.636	
Companies could be doing more to strengthen corporate governance				0.600
-First group	104	3.53	0.892	
-Second group	28	3.71	0.854	
Shareholders are demanding higher standards				0.426
-First group	104	4.00	0.750	
-Second group	27	3.78	0.751	
Minority investors are treated equitably				0.262
-First group	101	3.31	0.987	
-Second group	27	3.11	0.934	
Adopt more stringent listing standards				0.918
-First group	104	4.17	0.769	
-Second group	28	4.18	0.772	
Shareholders adequately protected				0.284
-First group	104	3.94	0.923	
-Second group	28	3.86	.0970	

* At the 0.05 level of significance.

5.4 Profile of respondents

Questionnaires which revealed a real attempt to provide answers were considered as valid even if not all questions were answered. Unanswered questions have not been included in the Tables, and percentages have been calculated on the basis of the actual number of respondents to each question.

The questionnaire was administered to companies listed on the SET between the period 15 September 2005 to 31 December 2005. A total of 1,359 questionnaires was mailed to the CEO for distribution to outside/independent directors (audit committee) and executive directors. Table 5.2 shows that 160 questionnaires were returned representing a response rate of 11.98 percent (%). Of the 160 respondents, 13 (8.13%) agreed to be interviewed. Interviewing was an important technique used for triangulation of the data and to provide the opportunity for further explanation of the issues being investigated. The questionnaire was sent to 453 listed companies. 101 companies returned the questionnaire; generating a 22.69% response rate. This result is shown in Table 5.2. The responses were received mainly by mail, although, a small number of questionnaires were returned by the respondents by e-mail.

Table 5.2: Response rate

	Number of questionnaires	Number of companies
Questionnaires	1359	453
Unanswered	24	8
Net questionnaires	1335	445
Usable responses	160	101
Response rate	11.98%	22.69%

The questionnaire was divided into two parts. In Part A factual information was collected about the respondents, company characteristics, the CEO, the board of directors, the audit committee, information disclosure and transparency, questions on shareholder rights, and effectiveness of the board of directors. Part B of the questionnaire comprised a survey of perceptions and views about corporate governance in Thailand, independent directors and the impact of the implementation of corporate governance in Thailand.

The questionnaires were addressed to the CEO, outside/independent directors (audit committee), and executive directors of each company. Table 5.3 shows the number of usable survey responses to be 73 (46%) CEOs; 48 (30%) and 39 (24%) of the responses were from executive directors and outside/independent directors (audit committee) respectively. As indicated earlier, this does not mean that three complete sets of responses were collected from each company.

Table 5.3 Number of survey responses from chief executive officers (CEO), independent directors, executive directors

Number of survey responses	Frequency	Percentage
Chief executive officer (CEO)	73	46
Outside/independent directors	39	24
Executive directors	48	30
Total	160	100

CEOs from 36 of 101 (35.7%) responding companies returned one questionnaire. 17 of 101 (16.8%) companies returned one questionnaire from executive directors. Independent directors from 9 of 101 (8.9%) responding companies returned one questionnaire. 19 of 101 (18.8%) of responding companies returned two sets of questionnaires. 20 of 101 (19.8%) companies returned the three complete questionnaires from the CEO, outside/independent directors (audit committee), and executive directors. These results are shown in Table 5.4.

Table 5.4 Number of companies responding to survey

Survey responses from	Frequency	Percentage
CEO only	36	35.7
Independent directors only	9	8.9
Executive directors only	17	16.8
CEO and independent directors	8	7.9
CEO and executive directors	9	8.9
Independent directors and executive directors	2	2.0
CEO, independent directors and executive directors	20	19.8
Total	101	100

Table 5.5 shows the individual respondents' profiles in terms of their gender, age, education and the country where they graduated. 119 individual respondents (87.5%) were from males and 17 (12.5%) were from females. This outcome supports Bertrand et al. (2004) who indicated that while females hold executive business positions in Thailand and so are not totally precluded from participation in the survey, males hold the majority of positions. 56 (41.2%) of the individual respondents were in the 41-50 age groups with only 15 (11.1%) being aged 40 or younger. 65 (47.8%) respondents were in the over 50 age group indicating they were likely to be very experienced. Over 68 % of the respondents had achieved a Master's degree qualification, predominately from Thailand, although this was followed closely by a USA qualification.

Table 5.5 Broad demographic characteristics of respondents

Characteristics	Categories	Frequency	Percentage
Gender	Male	119	87.5
	Female	17	12.5
	Total	136	100
Age	20-30 years	2	1.4
	31-40	13	9.6
	41-50	56	41.2
	51-60	39	28.7
	Over 60 years	26	19.1
	Total	136	100
Education	Less than a degree	1	0.8
	Degree	35	25.7
	Master's degree	93	68.4
	Doctorate	7	5.1
	Total	136	100
Country of graduation	Thailand	72	52.9
	Overseas	64	47.1
	Total	136	100

Note: Data drawn from Question 1 (gender), Question 2 (age), Question 3 (education), Question 4 (country of graduation).

Table 5.6 shows the relationship between the gender of individual respondents and the size of company. The company size parameters were adapted from the SET guidelines (2003) and Chongruksut (2002). It was notable that the proportion of male respondents working in large-size companies (1,501-2,000 employees) was considerably greater than that of female respondents working with large companies. Only 18% (3/17) of female respondents were employed within large companies. 87% of individual respondents were males of whom 53 (39% of all respondents) were employed within small (< 500 employees) companies. The results in this study show that predominantly most female respondents (36%) were employed within small (41%) and medium-size (41%) companies (1,001-1,500 employees). Bertrand et al. (2004) suggested that family-controlled companies tend to be smaller in size than non-family-controlled companies. Thus it would appear that most female executives are likely to be employed by family-controlled companies.

Table 5.6 Gender and company size

Number of employees	**Gender of respondent**		
	Male	**Female**	**Total**
Less than 500 (small size)			
• Count	**53**	7	60
• % within number of employees	88	12	100
• % of total	**39**	5	44
501-1,000(medium size)			
• Count	30	3	33
• % within number of employees	91	9	100
• % of total	22	2	24
1,001-1,500 (medium size)			
• Count	7	4	11
• % within number of employees	64	**36**	100
• % of total	5	3	8
1,501-2,000 (large size)			
• Count	11	0	11
• % within number of employees	**100**	0	100
• % of total	8	0	8
More than 2,000 (large size)			
• Count	17	3	20
• % within number of employees	85	15	100
• % of total	13	2	15
Total			
• Count	118	17	135
• % within number of employees	**87**	13	100
• % of total	**87**	13	100

Note: Data drawn from Question 1 (gender), Question 6 (number of employees).

Table 5.7 shows the respondents' position within the employing company. Thirteen of the respondents are chairmen of audit committees; seven respondents are chairmen of the board of directors; 57 respondents are CEOs and 34 respondents are independent directors. Additionally, 92 respondents have been working as employees or executives in their companies for at least the last five years. This finding that respondents have, on average, at least 5 years service implies that they may have accumulated a great deal of working experience within companies.

Table 5.7 Positions of respondents

Position	**Yes**		**No**		**Total**	
	No.	**%**	**No.**	**%**	**No.**	**%**
Are you the chairman of the audit committee?	13	10	120	90	133	100
Are you the chairman of the board of directors?	7	5	126	95	133	100
Are you the CEO of this organisation?	**57**	43	76	57	133	100
Are you an independent director?	**34**	25	101	75	135	100
Did you work as an employee or an executive in this company over the last 5 years?	**92**	69	41	31	133	100

Note: Data drawn from Question 24 (chairman of the audit committee, the board of directors, CEO, employee in last 5 year), Question 36 (independent director).

The professional backgrounds of the respondents are most commonly business executives (58 of 134); 35 and 37 of 134 respondents were bankers/financiers and accountants respectively. The educational background of board members in business, accounting, and finance implies they have good financial decision-making skills and understanding of corporate reports. Most other respondents had backgrounds in engineering, and five respondents were doctors or economists. These results are shown in Table 5.8.

Table 5.8 Professional background of respondents

Background	Yes		No		Total	
	No.	%	No.	%	No.	%
Business executive	**58**	43	76	57	134	100
Bank/Financier	**35**	26	99	74	134	100
Academic	5	4	129	96	134	100
Accountant	**37**	28	97	72	134	100
Lawyer	5	4	129	96	134	100
Other	25	19	109	81	134	100

Note: Data drawn from Question 37 (professional background).

Many (64%) of the respondents serve on more than one board of directors, and 36% of the respondents serve on only one board. The respondents that serve on only one board are all CEOs. 15 (13%) respondents serve on more than five boards. The maximum number of boards on which a respondent serves is thirteen. The majority of respondents serve on between 1-5 boards (87%). Nam (2004b) predicted that if a corporate officer serves on more than one board conflict of interest may occur that could lead to poor corporate governance. Furthermore as noted earlier in chapter 2, Nam and Lum (2005) show that in Thailand, bank directors are not permitted to serve in more than three business groups. The fact that some directors (13%) are still serving on a large number of boards has negative corporate governance implications. These results are shown in Table 5.9.

Table 5.9 Service on other boards of directors

Number of other Boards	Frequency	Percentage	Ranging
1	**41**	**36**	1
2	17	15	2
3	16	14	4=
4	9	8	5
5	16	14	4=
6	4	3	7
7	1	1	11=
8	5	4	6
10	3	3	8
11	1	1	11=
13	1	1	11=

Note: Data drawn from Question 38 (how many boards do you serve on).

Table 5.10 shows how long the respondents have been serving as a board member in their companies. Most respondents (74%) have been serving as board members for between 1-10 years. Length of service on the board may be an indicator of entrenched views. Directors with entrenched views are likely to be less inclined to support the implementation of corporate governance principles. Fourteen percent of directors have been serving as a board member for more than 15 years. The maximum period a respondent has served is 39 years. The respondents that have served on boards for more than 20 years tend to be over 60 years of age.

Table 5.10 Number of year's service as a board member

Number of years	Frequency	Percentage
1-5	**52**	**44**
6-10	**35**	**30**
11-15	14	12
16-20	8	7
21-25	4	3
26-30	3	2
31-35	1	1
36-40	1	1
Total	118	100

Note: Data drawn from Question 39 (length of service on board).

5.5 Company characteristics

Table 5.11 shows the responses by industry group. The 'financial' industry provided the largest number of responses (23%) followed by the services industry (19%) and the property and construction industry (15%). This is in the line with expectations of the responses from industry groups with a demonstrated interest in corporate governance and a good policy of corporate governance (SET, 2003). SET (2003) also shows that the financial industry had the best corporate governance practices.

Table 5.11 Industry group

Industry group	Frequency	Percentage
Agro & Food Industry	11	8
Consumer products	3	2
Financial	**33**	**23**
Industrials	17	12
Property & Construction	**21**	**15**
Resources	13	9
Services	**27**	**19**
Technology	16	11
Other	1	1
Total	142	100

Note: Data drawn from Question 5 (industry group).

In this study, the number of employees, net assets, market capitalisation and net profit were variables chosen to measure the size of companies. The broad ranges chosen for the number of employees were from less than 500 to more than 2,000 (SET, 2003; Chongruksut, 2002). Most respondent companies have less than 1,000 employees. These respondent companies are likely to be family controlled companies as these tend to be small rather than large. Claessens, Djankov and Lang (2000) also found that ownership of many Thai public companies is family dominated. Table 5.12 shows that 45% of the responding companies have less than 500 employees (small size), and 24% have between 501-1,000 employees (medium size).

Table 5.12 Number of employees

Number of employees	Frequency	Percentage
Less than 500 (small size)	**60**	**45**
501-1,000 (medium size)	33	24
1,001-1500 (medium size)	11	8
1,501-2,000 (large size)	11	8
More than 2,000 (large size)	20	15
Total	135	100

Note: Data drawn from Question 6 (number of employees).

Net assets, market capitalisation and net profit of the respondent companies ranged from less than 100 million baht to more than 50,000 million baht (SET, 2003; Chongruksut, 2002). Most companies (63%) had net assets of less than 5,000 million baht. 28% of the responding companies had net assets between 5,001-50,000 million baht and 9% of the responding companies had net assets more than 50,000 million baht. These results indicate that most responses are from small to medium sized companies and so, in the Thai context are likely to be predominantly from family owned or controlled companies. This result is shown in Table 5.13.

Table 5.13 Net assets of company

Net Assets of company	Frequency	Percentage
Less than 100 million baht (small size)	0	0
101-500 million baht (small size)	13	9
501-1,000 million baht (small size)	23	18
1,001-5,000 million baht (small size)	47	36
5,001-10,000 million baht (medium size)	18	14
10,001-50,000 million baht (medium size)	18	14
More than 50,000 million baht (large size)	12	9
Total	131	100

Note: Data drawn from Question 7 (net assets).

Table 5.14 shows that 69% of the respondent companies had a market capitalisation of less than 5,000 million baht. 25% of the respondent companies had a market capitalisation between 5,001-50,000 million baht and 6% had a market capitalisation of more than 50,000 million baht. These results indicate that most responses are from small to medium sized companies and so, in the Thai context are likely to be predominantly from family owned or controlled companies.

Table 5.14 Market capitalisation of company

Market capitalisation of company	Frequency	Percentage
Less than 100 million baht (small size)	3	2
101-500 million baht (small size)	19	15
501-1,000 million baht (small size)	26	21
1,001-5,000 million baht (small size)	38	31
5,001-10,000 million baht (medium size)	8	7
10,001-50,000 million baht (medium size)	23	18
More than 50,000 million baht (large size)	7	6
Total	124	100

Note: Data drawn from Question 7 (market capitalisation).

The net profit of the responding companies is summarised in Table 5.15. No responding companies had net profit of more than 50,000 million baht. 95% had net profit less than 5,000 million baht and 5% had between 5,001-50,000 million baht. These results indicate that most responses are from small to medium sized companies and so, in the Thai context are likely to be predominantly from family controlled companies.

Table 5.15 Net profit of company

Net profit of company	Frequency	Percentage
Less than 100 million baht (small size)	51	40
101-500 million baht (small size)	44	34
501-1,000 million baht (medium size)	8	6
1,001-5,000 million baht (medium size)	20	15
5,001-10,000 million baht (large size)	2	2
10,001-50,000 million baht (large size)	4	3
More than 50,000 million baht (large size)	0	0
Total	129	100

Note: Data drawn from Question 7 (net profit).

5.6 Ownership Structure

Table 5.16 shows the ownership structure of the companies. Multiple responses were received from some companies. 74 of 131 responding companies are partially owned, but not controlled by foreign investors. 63 of 129 responding companies are the family-based business groups and 38 of 130 of the respondent companies are single companies. As expected, companies in Thailand are characterised as having highly concentrated ownership structures. La Porta, Lopez de-Silanes and Shleifer (1999) noted that in most East Asian countries corporate control is enhanced through pyramidal structures and cross-holdings among family-controlled firms. Family-based business groups are likely to be more reluctant to implement corporate governance structures and processes than companies that have sizeable foreign shareholdings.

Table 5.16 Ownership structure

Ownership structure	**Yes**		**No**		**Total**	
	No.	**%**	**No.**	**%**	**No.**	**%**
-Single company	**38**	29	92	71	130	100
-Holding company family-based business group	**44**	34	85	66	129	100
-Subsidiary of a family-based business group	**19**	15	110	85	129	100
-Partially owned, and controlled by the government	2	2	127	98	129	100
-Partially owned, but not controlled by the government	14	11	115	89	129	100
-Partially owned, and controlled by foreigners	12	9	118	91	130	100
-Partially owned, but not controlled by foreign investor	**74**	56	57	44	131	100

Note: Data drawn from Question 8 (ownership structure).

Table 15.17 presents the roles of family members of family-based business groups. Bertrand et al. (2004) point out that companies that are run by larger families tend to have lower performance and to be financially less sound. They suggested that individual family members may not only have to be concerned about expropriation by outsiders, but also expropriation by other (more powerful) family members. However, most of the respondents indicated that the owners' family negotiates joint expectations fairly with top management (mean scores = 4.02, minimum = 2, maximum = 5) and shares a common vision about the company.

Table 5. 17 Roles of family members in family-based business group

	N	Minimum	Maximum	Mean	S.D.
-Family members share a common vision about the company	56	1	5	2.95	1.271
-Family members are committed to jointly agreed goals of the company	56	1	5	2.88	1.222
-Family members agree about the long-term development objectives of the company	57	1	5	2.88	1.269
-Owners' family negotiate joint expectations fairly with the top management	57	2	5	4.02	.790

Note: -A five-point scale (1 = strongly disagree and 5 = strongly agree)
-Data drawn from Question 9 (roles of family members in family- based business group).

5.7 Roles of CEOs and boards

Table 5.18 presents results about the decisions affecting the operation of the respondent companies. The most important decisions are made by the boards of directors (60%) followed by CEOs (36%). Shareholders are not perceived as having the power to make operating decisions for companies. This is in the line with expectations based on the historic role of shareholders as having no formal power to actively participle in company operational decision-making (Mustakallio, 2002). However, this outcome implies that agency problems between managers and shareholders are likely to exist in Thailand.

Table 5.18 Focus of decisions about company operations

	Frequency	**Percentage**
Board of directors	79	60
Chief executive officer	47	36
Shareholders	5	4
Total	131	100

Note: Data drawn from Question 10 (the decisions about the operation of the company).

Data are presented in Table 5.19 about the roles of CEOs and boards of directors. While most respondents agreed that the CEO participates substantially in making fundamental decisions pertaining to the company (mean scores = 1.64, minimum = 1, maximum = 4), they disagreed that the board of directors makes all fundamental decisions (mean scores = 2.24, minimum =1, maximum = 5). Nevertheless, the respondents believed that the board of directors acts only as a formal decision-making body active (mean scores = 4.26, minimum = 1, maximum = 5). The participation of the board of directors in formal decision-making is regarded as an indication of good corporate governance (Nam and Lum, 2005).

Table 5.19 Roles of CEOs and boards of directors

	N	**Minimum**	**Maximum**	**Mean**	**S.D.**
-CEO has a great deal of power	132	1	5	**3.63**	1.044
-CEO does not participate much in making fundamental decisions pertaining to the company	132	1	4	1.64	.902
-The Board of Directors makes all the fundamental decisions	133	1	5	2.24	1.207
-The Board of Directors acts only as a formal decision-making body	132	1	5	**4.26**	.993

Note:-A five-point scale (1 = strongly disagree and 5 = strongly agree)
- Data drawn from Question 11(power of CEO and board of directors).

5.8 Board size

The size of the board of directors of respondent companies ranged from six to eighteen members. Most companies (82%) have no more than twelve members on the board. The results presented in Table 5.20 show that 25 of 135 (19%) of the responding companies have nine board members, while 16% of the respondent companies each have eight and twelve board member. The maximum number of members of the boards in this study is eighteen. The overwhelming tendency is for boards to have between eight and twelve members (76%). The finding that number of the board members tends to be between eight and twelve has positive implications for corporate governance. Nam and Lum (2005) argued that the most effective size for a board for corporate governance purposes is no more than twelve members. The tendency for Thai boards to have between eight and twelve members, should facilitate the improvement in corporate governance over time.

Table 5.20 Board size

Number of board members	**Frequency**	**Percentage**
6	4	3
7	4	3
8	**21**	**16**
9	**25**	**19**
10	16	12
11	18	13
12	**21**	**16**
13	6	4
14	5	3
15	11	8
18	4	3
Total	135	100

Note: Data drawn from Question 12 (Board size).

Under the rules of the SET, a company must have a minimum of three independent directors. 56% of the respondent companies have three independent directors on the board of directors. This satisfied the minimum requirement of the rules of number of independent directors by SET.

The maximum number of independent directors observed in this study is thirteen. Minimum number of independent directors observed in this study is two. Notably, two companies had lower than the mandatory number of independent directors. Nam and Lum (2005) point out that low numbers of independent directors has negative implications for corporate governance. These results are shown in Table 5.21.

Table 5.21 Number of independent directors

Number of independent directors	Frequency	Percentage
2	**2**	**2**
3	**76**	**56**
4	25	18
5	21	15
6	4	3
7	6	4
9	1	1
13	1	1
Total	136	100

Note: Data drawn from Question 13 (number of independent director).

Most of the responding companies (86%) have one to five executive directors as board members. Thirty-six companies (27%) have four executive directors on the board; thirty companies (22%) have three executive directors on the board, and eighteen companies (14%) have more than five executive directors on the board. Consideration and surveillance of the number of executive directors on the board of Thai companies may need the attention of corporate regulators. This result is shown in Table 5.22.

Table 5.22 Number of executive directors

Executive directors	Frequency	Percentage
1	16	12
2	16	12
3	**30**	**22**
4	**36**	**27**
5	18	13
6	8	6
7	6	4
8	2	2
9	1	1
10	1	1
Total	134	100

Note: Data drawn from Question 14 (number of executive director).

Table 5.23 shows the total number of directors on the board (mean score = 10.67, minimum = 6, maximum = 18), independent directors on the board (mean score = 3.86, minimum =2, maximum = 13), and executive directors on the board (mean score =3.71, minimum = 1, maximum = 10). The number of directors on the board may have implications for good corporate governance. Nam and Lum (2005) stated that the optimum size of a board for effective corporate governance is no more than twelve members. They also reported that as a minimum requirement the number of independent directors should make up at least 50 percent or least three of the total number of board members. These results are shown in Table 5.23.

Table 5.23 Number of directors on the board

	N	**Minimum**	**Maximum**	**Mean**	**S.D.**
-Total directors on the board	135	6	18	10.67	2.615
-Independent directors on the board	136	2	13	3.86	1.436
-Executive directors on the board	134	1	10	3.71	1.785

Note: Data drawn from Questions 12, 13, 14.

Of the 136 responding companies, 127 indicated that they have accountants or lawyers as board members. This finding has positive implications for corporate governance as Board members with an accounting or legal background may be more receptive to the implementation of corporate governance structure and processes.

The board often included members of controlling shareholder's families (88 of 136) (65%). Bertrand et al. (2004) believe that the pressure of family members is likely to have a negative impact on the implementation of corporate governance, and is likely to cause conflicts of interest. None of the boards of directors has members representing labour unions or government appointed members of parliament. These results are shown in Table 5.24.

Table 5.24 Composition of the board

Directors on Board	Yes		No		Total	
	No.	%	No.	%	No.	%
Accountant/Lawyer	**127**	**94**	9	6	136	100
Representative of a financial institution	48	35	88	65	136	100
Representative of a customer company	9	7	126	93	135	100
Representative of a labor union	**0**	**0**	136	100	136	100
Representative or member of controlling shareholder's family	**88**	**65**	48	35	136	100
Representative of a supplier	8	6	128	94	136	100
Government appointee-member of parliament	**0**	**0**	135	100	135	100
Government appointee-public service	22	16	112	84	134	100
Government appointee-other	12	9	124	91	136	100

Note: Data drawn from Question 15 (members of the board).

5.9 Board function and responsibilities

Nam (2004) suggested that compiling detailed minutes of board meeting discussions and meaning may encourage independent directors to behave more independently and enhance their performance. The Organisation for Economic Co-operation and Development (OECD) (2004) also included independence of directors in the OECD Principles as an important characteristic of good corporate governance. With this in mind, questions were asked about the frequency and length of board meetings, and attendance at these meetings. Details in Table 5.25 show that 73% of the boards were meeting 4-8 times per year, 18% were meeting 9-12 times per year, and 8% were meeting more than twelve times per year (more frequently than monthly).

Table 5.25 Frequency of board meetings

Number of times Board meets per year	Frequency	Percentage
Less than 4 times	1	1
4 - 8 times	**99**	**73**
9 - 12 times	25	18
More than 12 times	11	8
Total	136	100

Note: Data drawn from Question 16 (frequency of board meeting).

Table 5.26 shows the duration of board meetings. Most of the respondents have meetings lasting between one and three hours (82%), and 16% have meetings of longer than 3 hours. This time space is likely to be adequate for directors to have enough time to adequately discuss all important issues, and this is likely to enhance their corporate governance performance.

Table 5.26 Length of board meeting

Duration of Board meeting	Frequency	Percentage
Less than 1 hour	3	2
1-2 hours	55	41
2-3 hours	56	41
More than 3 hours	22	16
Total	136	100

Note: Data drawn from Question 17 (length of board meeting).

Most of the respondent companies in this study have board meeting attendance rates exceeding 80%. 90 of 136 (66%) of the respondents achieved an attendance rate of 90-100%. 37 of 136 (27%) of the respondents attended 80-89% of board meetings. Board meeting attendance is likely to have a positive impact on corporate governance performance of directors. These results are shown in Table 5.27.

Table 5.27 Board meeting attendance rate

Board meeting	Frequency	Percentage
90-100%	**90**	**66**
80-89%	**37**	**27**
70-79%	8	6
60-69%	1	1
Total	136	100

Note: Data drawn from Question 18 (board meeting attendance rate).

Data on the functions of boards of directors are presented in Table 5.28. Most respondents agreed the boards are actively involved in formulating long-term strategies (mean scores = 4.49, minimum = 1, maximum = 5); they play an important role in selecting, monitoring, and replacing the CEO (mean scores = 4.19,minimum = 1, maximum = 5); they seriously review key executive and director remuneration (mean scores = 3.98, minimum = 1, maximum = 5); effectively oversee potential conflicts of interest including related-party transactions (mean scores = 4.52, minimum = 3, maximum = 5); ensure the integrity of the firm’s financial reporting (mean scores = 4.73, minimum = 3, maximum = 5); ensure proper disclosure and actively communicate with shareholders and stakeholders (mean scores = 4.63, minimum = 2, maximum = 5); and, ensure the effectiveness of various corporate governance practices (mean scores = 4.45, minimum = 2, maximum = 5). All responses support corporate governance variables specified in the OECD Principles (OECD, 2004).

Table 5.28 Function of boards

	N	Minimum	Maximum	Mean	S.D.
-Actively formulates long-term strategies	132	1	5	4.49	.786
-Plays an important role in selecting, monitoring, replacing CEO	131	1	5	4.19	.978
-Seriously reviews key executive and director remuneration	130	1	5	3.98	1.151
-Effectively oversees potential conflicts of interest including related-party transactions	132	3	5	4.52	.586
-Ensures the integrity of the firm's financial reporting	132	3	5	4.73	.480
-Ensures proper disclosure and actively communicates with shareholders and stakeholders	132	2	5	4.63	.558
-Ensures the effectiveness of various corporate governance practices	132	2	5	4.45	.745

Note: -A five-point scale (1 = strongly disagree to 5 = strongly agree)
- Data drawn from Question 34 (roles of board).

Respondents believe that the main responsibilities of the board of directors is to review financial reports prepared by top management (mean scores = 4.66, minimum = 1, maximum = 5). Return on assents (ROA) and Return on investment (ROI) capital are regularly reviewed in board meetings (mean scores = 4.17, minimum = 1, maximum = 5). Cash flows are regularly discussed in board meetings (mean scores = 4.13, minimum = 1, maximum = 5). ROI of large individual investments are regularly monitored by the board (mean scores = 4.23, minimum = 1, maximum = 5). The board closely monitors top management's strategic decision making (mean scores = 4.12, minimum = 2, maximum = 5). The board formally evaluates performance of top management in regularly held feedback meetings (mean scores = 3.8, minimum = 1, maximum = 5). The board usually defers to the CEO's judgment on final strategic decisions (mean scores = 3.41 minimum = 1, maximum = 5). The board is actively involved in shaping company strategy (mean scores = 4.15, minimum = 1, maximum = 5). The board and top management meet often to discuss the company's future strategic choices (mean scores = 4.36, minimum = 2, maximum = 5). Board members give top management sufficient counsel on company strategy (mean scores = 4.10, minimum = 2, maximum = 5). Directors provide advice and counsel to top management in discussions outside board meetings (mean scores = 3.96, minimum = 1, maximum = 5). All respondents indicate support for the roles of board directors. These results support Limpaphayom and Connelly's (2004) prediction that, these board activities supports the practice of good corporate governance within companies. These results are shown in Table 5.29.

Table 5.29 Responsibilities of boards of directors

	N	Minimum	Maximum	Mean	S.D.
-Financial reports are reviewed	132	1	5	**4.66**	**.675**
-Criteria such as ROA and ROI are regularly reviewed	133	1	5	4.17	1.026
-Cash flows are discussed	134	1	5	4.13	.987
-ROI are regularly monitored	133	1	5	4.23	.950
-Top management's strategic decision making is monitored	135	2	5	4.12	.847
-Performance of top management is evaluated	133	1	5	3.8	1.013
-The board usually defers to the CEO's judgment on final strategic decisions	128	1	5	**3.41**	**1.031**
-The board is actively involved in shaping company strategy	135	1	5	4.15	.885
-The board and top management meet often to discuss operations	132	2	5	**4.36**	**.764**
-Board members give top management sufficient counsel on company strategy	134	2	5	4.10	.784
-Directors provide advice and counsel to top management in discussions outside board meetings	134	1	5	3.93	.927

Note: - A five-point scale (1 = strongly disagree and 5 = strongly agree)
- Data drawn from Question 20 (function of board).

5.10 Qualifications of board members

It appears that Thai companies recognise the importance of on-going training. While, many Thai directors hold a Thai Institute of Directors (IOD) certificate, 63% of all directors of respondent companies do not hold a Thai Institute of Directors (IOD) certificate. However, more than 87% of respondent companies provide their directors with education and training relating to corporate governance.

The positions of CEO and board chairman are largely separate (87% of responding companies). Pease and McMillan (1993) found that separation of the roles of board chairman and chief executive officer enhances the independence of the board whilst maintaining a series of checks and balances. These results are shown in Table 5.30.

Table 5.30 Qualification of board members

	Yes		**No**		**Total**	
	No.	**%**	**No.**	**%**	**No.**	**%**
Do all directors hold a Thai Institute of Directors (IOD) certificate?	50	37	86	**63**	136	100
Is education or training for directors relating to corporate governance provided?	116	**87**	18	13	134	100
Are the Chairman and CEO the same person?	17	13	119	**87**	136	100

Note: Data drawn from Question 19 (board qualification).

5.11 Audit committee

Table 5.31 shows the minimum number of audit committee membership is three and the maximum number of members of the audit committee is five. 92% of respondent companies have three members, 5% of respondent companies have four members, and 3% of respondent companies have five members. This satisfied the minimum requirement of the rules governing the number of independent directors set by the SET and as reported by Nam and Lum (2005) that the number of independent directors should make up at least 50 percent or least three of the total number of board members. These results are shown in Table 5.31.

Table 5.31 Members on the audit committee

Number on audit committee	Frequency	Percentage
3	**124**	**92**
4	7	5
More than 4	4	3
Total	135	100

Note: Data drawn from Question 21(member on the audit committee).

Most of the respondent companies (77%) have more than two non-executive directors on the audit committee. Only 3% of companies have two non-executive directors on the audit committee, and 20% do not have non-executive directors on the audit committee. These results indicate that more than two non-executive directors on the audit committee is a positive indicator for the enhancement for corporate governance in Thai companies. These results are shown in Table 5.32.

Table 5.32 Non-executive directors on the audit committee

Number of non-executive directors	Frequency	Percentage
None	26	20
1	0	0
2	4	3
More than 2	103	77
Total	133	100

Note: Data drawn from Question 22 (members of non-executive directors on the audit committee).

Table 5.33 shows the frequency of audit committee meetings. 81% of the respondents had audit committees that were meeting between 4-8 times per year. 14% were meeting 9-12 times per year and only 5% were meeting less than 4 times per year. The frequency of meetings is likely to be a factor in effective monitoring of performance and should enhance corporate governance (Nam and Lum, 2005). These results indicate that audit committee meetings are held frequently and is a positive indicator for the enhancement of corporate governance in Thai companies.

Table 5.33 Frequency of audit committee meetings

Audit committee meeting	Frequency	Percentage
Less than 4 times	6	5
4 – 8 times	109	81
9 –12 times	19	14
More than 12 times	0	0
Total	134	100

Note: Data drawn from Question 23 (frequency of audit committee meeting).

5.12 Independence of Audit committee

The overwhelming majority of audit committees (99%) have at least one member who is an accounting or finance specialist. This positions the board well to understand financial information and should lead to improvements in corporate governance performance. 17% of respondents are also members of the audit committee of a company outside the organisation indicating that they are likely to have had exposure to corporate governance processes in more than one setting. This may lead to and facilitate the transfer of corporate governance processes into their own organisations. These results are presented in Table 5.34.

Table 5.34 Independence of audit committee

	Yes		No		Total	
	No.	**%**	**No.**	**%**	**No**	**%**
Does the audit committee have at least one member who is qualified in accounting or finance?	131	99	2	1	133	100
Are you a member of the audit committee of a company outside this organisation?	23	17	111	83	134	100

Note: Data drawn from Question 24 (audit committee qualification), Question 25 (audit committee outside organisation).

5.13 Disclosure and transparency

The data in Table 5.35 show that most companies disclose major corporate information in their annual report. They also provide semi-annual and quarterly financial statements. Financial statement information is disclosed on the main company web site. One of the six OECD Principles (OECD, 2004) is the requirement to provide adequate disclosure, and Thai companies appear to have embraced this Western-style guideline.

Table 5.35 Disclosure and transparency (%)

Information disclosed	Web Site		Annual Report		No Disclosure	
	Yes	No	Yes	No	Yes	No
Semi-annual financial statements	79.8	20.2	24.0	76.0	7.8	92.2
Quarterly financial statements	84.6	15.4	21.5	78.5	4.6	95.4
Consolidated financial statements	69.5	30.5	80.9	19.1	2.3	97.7
Major share ownership and voting rights	47.4	52.6	88.0	12.0	2.3	97.7
Self-dealing (related-party) transactions	43.5	56.5	90.1	9.9	4.6	95.4
Names of board members	63.7	36.3	94.1	5.9	0	100.0
Directors selling or buying of shares in the company	45.1	54.9	56.6	43.4	18.0	82.0
Resume/background of directors	40.7	59.3	91.9	8.1	2.2	97.8
Remuneration of directors	29.6	70.4	93.3	6.7	4.4	95.6
Fees paid to external auditors, advisors, and other related parties	26.9	73.1	88.1	11.9	9.0	91.0
Major contingent liabilities such as cross-guarantees of debt	27.9	72.1	86.0	14.0	10.1	89.9
Policies on risk management and the company objectives	23.7	76.3	95.6	4.4	3.7	96.3
Significant changes in ownership	27.6	72.4	69.8	30.2	21.6	78.4
Material issues regarding employees and other stakeholders	22.5	77.5	79.1	20.9	16.3	83.7
Governance structures and policies	33.1	66.9	91.7	8.3	6.0	94.0
Extent to which corporate governance practices conform to established standards	27.5	72.5	91.6	8.4	7.6	92.4

Note: Data drawn from Question 26 (disclosure and transparency).

51% of the respondent companies note that their web sites have limited information in English. Iskander and Chamlou (2000) suggested that disclosure is likely to be important to foreign investors as it provides confidence in the corporate system. Thus, this result does not provide strong evidence of the adoption of the OECD (2004) principle of disclosure and transparency. These results are shown in Table 5.36.

Table 5.36 Language disclosure

Language	Yes	No	Total
Available in local language	95	5	100
Available in English	91	9	100
Available with limited information in English	**51**	49	100

Note: Data drawn from Question 27 (language disclosure).

5.14 Shareholder rights

Table 5.37 shows the data relating to shareholder rights. This question was ranked on a five-point scale (1 = strongly disagree and 5 = strongly agree). Within any class, all shareholders have the same right to dividends (mean scores = 4.79, minimum = 1, maximum = 5), and the same voting rights (mean scores = 4.69, minimum = 1, maximum = 5). Lease, McConnell, and Mikkelson (1983, 1984), DeAngelo and DeAngelo (1985), and Zingales (1995) pointed out that in the USA the protection of shareholder rights is most typically accomplished through ownership of shares of common stock, affording all shareholders equal rights. The results show that Thai companies provide protection of shareholder rights. This outcome is positive for the state of corporate governance in Thai compaies.

Adequate opportunity is given for asking questions and placing issues at shareholders' meetings (mean scores = 4.75, minimum = 3, maximum = 5). Process and procedures for general shareholder meetings allow for equitable treatment of all shareholders (mean scores = 4.73, minimum = 3, maximum = 5). All shareholders of the same class are treated equally (mean scores = 4.64, minimum = 2, maximum = 5). Shareholders elect members of the board (mean scores = 3.3, minimum = 1, maximum = 5). Dyck and Zingales (2002) found that private benefits vary greatly around the world and that they are quite significant in some countries. They also found that the individual voting premiums are negatively related to the degree of investor protection in the country. In countries where investors are less well protected by law, controlling shareholders can and do extract larger private benefits of control.

Table 5.37 Shareholder rights

	N	Minimum	Maximum	Mean	S.D.
-Shareholders have secure methods of ownership registration	130	3	5	4.49	.662
-Shareholders obtain relevant information about the company on a timely and regular basis	131	2	5	4.63	.599
-Shareholders elect members of the board	131	1	5	**3.30**	**1.471**
-Shareholders share in the profits of the company	131	1	5	4.62	.907
-All shareholders of the same class are treated equally	131	2	5	**4.64**	**.633**
-Within any class, all shareholders have the same voting rights	131	1	5	**4.69**	**.755**
-Within any class, all shareholders have the same right to dividend	131	1	5	**4.79**	**.604**
-Process and procedures for general shareholder meetings allow for equitable treatment of all shareholders	131	3	5	**4.73**	**.527**
-Members of the board and managers required to disclose any material interests in transactions or matters affecting the shareholders	130	2	5	4.62	.601
-Shareholders are provided with adequate information on the agenda items of the shareholders' meeting	131	2	5	4.63	.598
-Adequate opportunity is given for asking questions and placing issues at shareholders' meetings	131	3	5	**4.75**	**.486**
-It is not difficult to discover how much equity ownership the major shareholders control (including the equity shares of companies they control)	127	1	5	3.96	1.330

Note: -A five-point scale (1 = strongly disagree and 5 = strongly agree)
-Data drawn from Question 28 (shareholder rights).

The results presented in Table 5.38 indicate that Thai companies are largely complying with the rules on shareholder meetings. This finding supports the conclusion that Thai companies are actively supporting and implementing good corporate governance structures. Data on the rules of shareholders' meeting are presented in Table 5.38. 95% of the respondent companies have the one-share one-vote rule. 85% of the respondents disclosed details of directors to be elected before the shareholders' meeting, 64% have a remuneration committee, and 44% have a nomination committee. The OECD Principles state that a corporate governance framework should ensure the equitable treatment of all shareholders (OECD, 2004).

Table 5.38 Shareholders' meetings

Rules	Yes		No		Total	
	No.	%	No.	%	No.	%
One-share one-vote	124	95	7	5	131	100
Remuneration committee	84	64	48	36	132	100
Nomination committee	57	44	73	56	130	100
Details of directors to be elected are disclosed, before the shareholders' meeting	111	85	19	15	130	100

Note: Data drawn from Question 29 (the rules shareholders' meeting).

More than 68% of shareholders' meetings have a duration of greater than one hour; and 29% of shareholders' meetings run for more than 30 minutes but less than one hour. This is likely to provide an adequate opportunity for shareholders to ask questions about corporate policy and annual report data. This practice is likely to mean that adequate disclosure occurs and transparency exists, and is, according to OECD Principles (2004), a further indication of good corporate governance. The results are shown in Table 5.39.

Table 5.39 Length of shareholder meetings

	Frequency	**Percentage**
Less than 30 minutes	3	3
More than 30 minutes and less than 1 hour	**39**	**29**
1-2 hours	65	48
More than 2 hours	28	20
Total	135	100

Note: Data drawn from Question 30 (length of shareholders' meeting).

Table 5.40 shows the possibility of the director candidates, proposed by the management of the responding companies, failing to be elected at the shareholders' meeting. The majority of the respondent companies (72%) indicated that director candidates are rarely rejected at the shareholders' meeting. 16% of the respondent companies believe that it is unthinkable for the directors' candidates to fail to be elected at the shareholders' meeting. This finding indicates the strength of the directors in matters of governance. Solomon and Solomon (2004) indicated that if directors have significant power, there is a potential for a management/shareholder agency problem to exist. This finding reflects the strength of the directors' power relative to that of the shareholders. This may be a fruitful issue for future corporate governance research.

Table 5.40 The rejection of management's candidates for directorship

	Frequency	**Percentage**
Sometimes	17	12
Rarely	**97**	**72**
Unthinkable	21	16
Total	135	100

Note: Data drawn from Question 31 (the directors candidates by management).

5.15 Effectiveness of the board of directors

In regards to the selection of independent directors, 52% of responding companies said the board of directors has the strongest voice in selecting independent directors. 47% of respondents said that in their companies the independent directors were selected by shareholders, and only 1% of respondents indicated that the independent directors were selected by CEOs. The results are shown in Table 5.41.

Table 5.41 The selection of independent directors

Position	Frequency	Percentage
Board of directors	70	52
CEOs	1	1
Shareholders	64	47
Total	135	100

Note: Data drawn from Question 32 (the selection of independent directors).

The strongest authority in removing a poorly performing CEO and selecting a new CEO belongs to the board of directors (87%). This is followed by shareholders (43%) and major shareholders (6%). Clearly, shareholders' discontent with a poorly performing CEO is acknowledged and acted upon. This result further confirms earlier findings in this study, that shareholders' rights are supported by Thai companies. These results are shown in Table 5.42.

Table 5.42 Authority to remove a poorly performing CEO, and select a new CEO

Position	Frequency		Percentage	
	Yes	No	Yes	No
The board of directors	115	18	**87**	13
Shareholders	56	77	**43**	57
Other	8	125	6	94

Note : Data drawn from Question 33 (remove and select a new CEO).

Table 5.43 shows the effectiveness of the company's board of directors. This question was ranked on a five-point scale (1 = not useful and 5 = useful). Mean scores, and minimum and maximum scores are presented in Table 5.43. Pease and McMillan (1993) found that separation of the roles of board chairman and chief executive officer enhances the independence of the board whilst maintaining a series of checks and balances.

Respondents also believe that the timely provision of relevant information to the directors is very important, (mean scores = 4.63, minimum = 3, maximum = 5), as is providing education programs and adopting codes of conduct for directors (mean scores = 4.40, minimum = 2, maximum = 5), a formal annual evaluation of the board and directors (mean scores = 4.31, minimum = 2, maximum = 5), and a formal evaluation of the CEO by the board (mean scores = 4.35, minimum = 2, maximum = 5) better disclosure of board activity (mean scores = 4.32, minimum = 1, maximum = 5). All these responsibilities of the board were identified in the OECD Principles (2004) as important components of a corporate governance framework that should ensure the effective monitoring of management by the board and timely disclosure.

Respondents did not appear to support the provision of better compensation to independent directors, and link it to firm performance (mean scores = 3.72, minimum = 1, maximum = 5) as the most desirable way to ensure board effectiveness.

Table 5.43 The effectiveness of a company board of directors

	N	Minimum	Maximum	Mean	S.D.
-Selecting more, better qualified, truly independent directors	134	1	5	**4.62**	.635
-Separating the CEO from the board chairman position	134	1	5	**4.58**	.652
-Timely provision of relevant information to the directors	134	3	5	**4.63**	.556
-Providing education programs and adopting codes of conduct for directors	134	2	5	4.40	.705
-Formal annual evaluation of the board and directors	134	2	5	4.31	.768
-Formal evaluation of the CEO by the board	134	2	5	4.35	.758
-Giving independent directors better compensation and making it directly linked to firm performance	134	1	5	**3.72**	1.148
-Better disclosure of board activity	134	1	5	4.32	.762

Note: -A five-point scale (1 = not useful and 5 = useful)
-Data drawn from Question 35 (the effectiveness of the company board of directors).

5.16 Improvement of corporate governance in Thailand

Table 5.44 shows the respondents' beliefs in relation to improvement in the standard of business ethics and corporate governance in Thailand over the last five years. Most respondents agreed that overall, corporate governance in Thailand had improved (97%). 72% of respondents believed it had improved considerably, and only 25% of respondents believed that, generally, little improvement had occurred. These results support the view of Limpaphayom and Connelly (2004) who said that corporate governance in Thailand has improved since the financial crisis.

Table 5.44 The standard of business ethics and corporate governance

	Frequency	Percentage
Improved considerably	**98**	**72**
Improved a little	34	25
Remained largely unchanged	1	1
Deteriorated slightly	1	1
Deteriorated a lot	0	0
Unsure	1	1
Total	135	100

Note: Data drawn from Question 40 (the standard of business ethics and corporate governance).

The majority of respondents (87%) show that the state of the corporate governance regime in Thailand provides an incentive for foreign investment in Thailand. National Corporate Governance Committee (NCGC) (2005) stated that corporate governance ensures transparency and stakeholders are less likely to take risks with an organisation without a good corporate governance structure. Iskander and Chamlou (2000) argued that improved transparency and good corporate governance structures are likely to provide an inducement to foreign investors. These results, shown in Table 5.45, provide further general indicators that corporate governance in Thailand is both improving, and seen to be improving.

Table 5.45 Improved corporate governance is an incentive for investment

	Frequency	**Percentage**
Yes	117	87
No	1	1
Unsure	16	12
Total	134	100

Note: Data drawn from Question 41 (incentive for investment).

Table 5.46 shows that respondents think companies should initiate further improvements in corporate governance. They consider the most important institutions in relation to promoting improved corporate governance are the SET (81%), the Thai Securities and Exchange Commission (SEC) (86%), and the Thai Institute of Directors (IOD) (61%). The respondents revealed a strong belief that professional societies such as accounting and audit, civil (minority shareholder) activists, and the judiciary, were less important in initiating corporate governance in Thailand. In contrast, Nam and Nam (2004) found that outside directors and professional societies such as accounting and audit staffs are most important.

Table 5.46 Initiate improvements in corporate governance

Organization	**Yes**		**No**		**Total**	
	N	**%**	**N**	**%**	**N**	**%**
The Stock Exchange of Thailand (SET)	108	**81**	25	19	133	100
Thai Securities and Exchange Commission(SEC)	115	**86**	18	14	133	100
Corporate Governance Center (CGC)	44	34	88	66	132	100
Federation of Accounting Professions	55	42	77	58	132	100
Thai Government Regulation Board	51	39	81	61	132	100
National Corporate Governance Committee(NCGC)	62	47	70	53	132	100
Institute of Internal Auditors Thailand (IIAT)	47	36	85	64	132	100
Thai Institute of Directors (IOD)	81	**61**	51	39	132	100
Civil (minority shareholder) activists	23	17	109	83	132	100
Professional societies accounting and audit	33	25	99	75	132	100
The judiciary	14	11	118	89	132	100
Outside directors	40	30	92	70	132	100

Note: Data drawn from Question 42 (who initiates corporate governance).

The respondents identified the various tasks to improve corporate governance that their companies are undertaking including improving internal corporate governance mechanisms (79%), and enhancing the standards of accounting and auditing and disclosure (72%). Importantly, only 21% of respondents indicated their belief that reducing ownership concentration is likely to be effective for better corporate governance in Thailand. In contrast, Claessens, Djankov, and Lang (2000) and Claessens, et al. (2002) noted that owners often enhance their control rights through cross-shareholdings and pyramidal structures. Other studies in East Asia have also found that corporate governance factors affect firm valuation (Mitton, 2002; Lins, 2003; Zhuang, et al., 2000). These results are shown in Table 5.47.

Table 5.47 Tasks for better corporate governance

Tasks	**Yes**		**No**		**Total**	
	N	**%**	**N**	**%**	**N**	**%**
Making the internal corporate governance mechanisms (such as shareholder participation and the role of the board) work better	104	**79**	27	21	131	100
Enhancing the standards of accounting, audit and disclosure	94	**72**	37	28	131	100
Conducting and publicising corporate governance ratings	64	49	67	51	131	100
Reducing ownership concentration	28	**21**	103	79	131	100

Note: Data drawn from Question 43 (effective for better corporate governance).

In Table 5.48 the respondents compared corporate governance in their company with other listed companies. 52% of all respondents said that their company is about the same, or comparable with other companies, while 42% say that their company is much better. When comparing their own companies' corporate governance with that of five years earlier, most respondents said that it is much better (89%). This is consistent with the overall response to question 40 when respondents indicated their belief that corporate governance in Thai companies had improved. This finding further confirms Nam's (2004b) view that corporate governance in Thailand is better since the financial crisis.

Table 5.48 Compare corporate governance

	Frequency	**Percentage**
Corporate governance in your company compared with other listed companies		
• Much better	54	42
• About the same	67	52
• Much worse	8	6
Compare your company's current corporate governance practices with those of five years ago		
• Much better	117	89
• About the same	13	9
• Much worse	2	2

Note: Data drawn from Question 44 (compare corporate governance).

5.17 Benefits of corporate governance in Thailand

Table 5.49 shows the benefits to companies if corporate governance in Thailand improves. 91% of respondents agreed that corporate credibility would increase if corporate governance improved; 62% agreed corporate governance would improve access to new capital; and 54% agreed that the numbers of long-term investors would increase. However, 90% of respondents did not agree that corporate governance reduced political or regulatory intervention. This is an important outcome as it suggests that regulatory costs would remain high whether corporate governance is poor or good.

Table 5.49 Benefits of corporate governance in Thailand

Benefits of corporate governance	Yes		No		Total	
	N	%	N	%	N	%
Improved access to new capital	**83**	**62**	50	38	133	100
Increased number of long-term investors	**72**	**54**	61	46	133	100
Increased share liquidity	18	14	115	86	133	100
Reduced share price volatility	32	24	101	76	133	100
Reduced political or regulatory intervention	15	10	**118**	**90**	133	100
Reduced cost of capital	27	20	106	80	133	100
Increased credibility	**121**	**91**	12	9	133	100
Increased price/earnings ratio	38	28	95	72	133	100
Increased share value	57	43	76	57	133	100
Other	8	6	125	94	133	100

Note: Data drawn from Question 45(Benefit of corporate governance in Thailand).

5.18 The standard of corporate governance in Thailand

Further beliefs about the standard of corporate governance in Thailand are summarised in Table 5.50. These questions (40, 46) were ranked on a five-point scale (1 = strongly disagree and 5 = strongly agree). Respondents believe that the standard of business ethics and corporate governance have improved over the last five years (mean scores = 1.33, minimum = 1, maximum = 5). They also believe that the standard of corporate governance is not yet on a comparable level with the USA, UK and Australia (mean scores = 2.94, minimum = 1, maximum= 5). Corporate governance compared with Asian countries (mean scores =3.56, minimum = 1, maximum = 5). Nam (2004b) stated that the standard of corporate governance in Thailand is the same Asian countries. However, corporate governance in Thailand does not compare with the standard in western countries such as the USA, UK or Australia.

Table 5.50 The standard of corporate governance in Thailand

	N	Minimum	Maximum	Mean	S.D.
-The standard of business ethics and corporate governance in Thailand has improved over the last five years	135	1	5	1.33	.656
-The standard of corporate governance in Thailand is comparable to that of the USA, UK or Australia	131	1	5	2.94	.901
-The standard of corporate governance in Thailand is high among Asian countries	132	1	5	3.56	.822

Note: -A five-point scale (1 = strongly disagree and 5 = strongly agree)
- Data drawn from Question 46, 40 (standard of corporate governance).

5.19 Improvement in corporate governance

Table 5.51 presents results about improvement in corporate governance in Thailand. A five-point scale (1 = strongly disagree and 5 = strongly agree) was used in measuring these responses. Respondents believe that the SET should adopt more stringent listing standards (mean scores = 4.17, minimum = 1, maximum = 5); that shareholders and regulatory authorities are demanding higher standards of corporate governance (mean scores = 3.95, minimum = 2, maximum = 5). They also believe that the interests of minority investors are adequately protected in Thailand (mean scores = 3.92, minimum = 1, maximum = 5), and that minority investors in family-controlled listed companies are equitably treated by controlling family shareholders (mean scores = 3.27, minimum = 1, maximum = 5).

While they believe that the majority of listed companies in Thailand are taking measures to strengthen corporate governance (mean scores = 3.62, minimum = 1, maximum = 5), they also think that most listed companies in Thailand could be doing more to strengthen corporate governance (mean scores = 3.57, minimum = 1, maximum = 5). The OECD (2004) Principles state that the equitable treatment of shareholders will improve corporate governance. These results suggest that Thai companies have accepted and implemented this OECD Principle.

Table 5.51 Improvement in corporate governance in Thailand

Improvements	**N**	**Minimum**	**Maximum**	**Mean**	**S.D.**
-The majority of listed companies in Thailand are taking measures to strengthen corporate governance	130	1	5	3.62	.741
-Most listed companies in Thailand could be doing more to strengthen corporate governance	132	1	5	3.57	.884
-Shareholders and regulatory authorities are demanding higher standards of corporate governance	131	2	5	3.95	.753
-Minority investors in family-controlled listed companies are equitably treated by controlling family shareholders	128	1	5	3.27	.976
-The SET should adopt more stringent listing standards	132	2	5	4.17	.767
-The interests of minority investors are adequately protected in Thailand	132	1	5	3.92	.930

Note: -A five-point scale (1 = strongly disagree and 5 = strongly agree)
- Data drawn from Question 46, 40 (improve of corporate governance).

5.20 Enhancements in corporate governance

Table 5.52 shows the respondents' views on potential enhancements to corporate governance for Thailand. This question was ranked on a five-point scale (1 = strongly disagree and 5 = strongly agree). Respondents' believe that the selection and appointment process of new directors to the board should be disclosed (mean scores = 4.72, minimum = 3, maximum = 5); The OECD Principles indicated that adequate disclosure improves corporate governance (OECD, 2004) and that independent directors should be independent of both management and substantial shareholders (mean scores = 4.58, minimum = 2, maximum = 5). Pease and McMillan (1993) found that separation of the roles of the board enhances the independence of the board whilst maintaining a series of checks and balances. Independent directors should make up at least one-half of the board (mean scores = 2.90, minimum =1, maximum = 5). Nam and Lum (2005) point that low numbers of independent directors has negative implications for corporate governance.

Table 5.52 Possible enhancements in corporate governance for Thailand

	N	Minimum	Maximum	Mean	S.D.
-Independent directors should					
-make up at least one-half of the board	134	1	5	**2.90**	1.262
-be independent of both management and substantial shareholders	133	2	5	**4.58**	.642
-Companies should					
-disclose more information about the remuneration policy for executive directors	134	1	5	3.41	1.056
-disclose the exact remuneration of each director	134	1	5	3.52	1.174
-place a limit on the number of non-executive directorships in listed companies that can be held by a person	134	1	5	4.27	.860
-adopt a code of conduct/ethics for all directors, officers and employees	133	1	5	4.05	.869
-The Chairman of the board should be an independent director	133	1	5	4.35	.844
-The board should					
-appoint a lead independent director when the Chairman is not an independent director	131	1	5	3.82	1.249
-The selection and appointment process of new directors to the board should be disclosed	133	3	5	**4.72**	.542
-The remuneration committee should comprise entirely directors who are independent from management and substantial shareholders	133	1	5	3.77	1.159
-The audit committee should be comprised entirely independent of directors	133	1	5	3.63	1.151
-There should be a legal limit on the number of non-executive directorships in listed companies that can be held by one person	132	2	5	4.44	.723
-The Code of Corporate Governance should contain different guidelines for companies of different sizes (e.g., market capitalization, revenue)	134	1	5	3.31	1.437

Note: -A five-point scale (1 = strongly disagree and 5 = strongly agree)
- Data drawn from Question 47 (enhancements in corporate governance).

5.21 Performance of independent directors

Table 5.53 reports the finding is relation to tasks which could contribute to better performance of independent directors. Most respondents indicated that independent directors perform very well when they have a better knowledge of the business, adequate preparation and active participation in board discussions (mean scores = 4.68). The respondents also indicate better attendance at board meeting (mean scores = 4.64) and better awareness of fiduciary duties to all shareholders (mean scores = 4.64), including willingness to speak for minority shareholders would lead to improved corporate governance performance (mean scores = 4.03). The results are supported in the literature (Limpaphayom and Connelly, 2004) as indicators of good corporate governance.

Table 5.53 Performance of independent directors

Tasks	N	Minimum	Maximum	Mean	S.D.
-Better attendance rate at board meetings	130	2	5	4.64	.584
-Better preparation for, and more active participation in, board discussion	130	3	5	4.68	.517
-Better knowledge of the business of the firm	130	2	5	4.68	.529
-Better awareness of fiduciary duties to all shareholders	130	2	5	4.64	.610
-Willingness to speak for minority shareholders	129	1	5	4.03	.927

Note: -A five-point scale (1 = not at all and 5 = very well)
- Data drawn from Question 48 (performance of independent directors).

5.22 Impact of the implementation of corporate governance

Table 5.54 shows the impact of the implementation of corporate governance in Thailand. This question was ranked on a five-point scale (1 = not important and 5 = critically important). The greatest impact of the implementation of corporate governance in Thailand was an improvement in transparency and disclosure (mean scores = 4.75), followed by support from top management (mean scores = 4.68), and the appointment of truly independent directors (mean scores = 4.65), as well as checks and balances (mean scores = 4.64) and business ethics (mean scores = 4.64). However, concentrated ownership does not score as highly (mean scores = 3.43). This finding supports the literature (Claessens, Djankov and Lang, 2000) which suggests that high ownership concentration is typically both a symptom and a cause of weak corporate governance. The high concentration of ownership reduces the effectiveness of some important mechanisms of shareholder protection, such as the system of the board of directors, shareholder participation through voting during shareholder meetings, transparency and disclosure. The cost of corporate governance ratings (mean scores = 3.54) was seen as less important. Respondents may be expressing a view that the benefits outweigh the costs.

Table 5.54 Impact of the implementation of corporate governance in Thailand

Impact of corporate governance	N	Minimum	Maximum	Mean	S.D.
-Knowledge of data requirements and collection processes	130	2	5	4.62	.576
-Top management support	131	3	5	4.68	.530
-Transparency and disclosure	130	3	5	**4.75**	**.454**
-Checks and balances	130	3	5	4.64	.543
-High cost of corporate governance ratings	130	1	5	3.54	.997
-Concentrated ownership	130	1	5	**3.43**	**.650**
-Protection of shareholders' rights	130	3	5	4.50	.553
-True independent directors	130	3	5	4.65	.781
-Employee involvement	130	1	5	4.13	.849
-Social responsibility	130	2	5	4.23	.557
-Business ethics	130	3	5	4.64	.386

Note: -A five-point scale (1 = not important and 5 = critically important)
- Data drawn from Question 49 (impact of implementation).

5.23 Summary

The findings drawn from the analysis of questionnaire data, and reported in this chapter, highlight the views of senior corporate managers of corporate governance in Thailand. Many key findings were discussed in this chapter. First, most respondents' backgrounds are banker/ financiers and accountants (97%) indicating their business and educational background is likely to have been a positive factor in the implementation of corporate governance by Thai companies. The ownership structures of respondent companies indicates substantial levels of partial ownership, but not control, by foreigners (56%). If the respondent companies are a family-based business group most of the respondents believe that the owners' family negotiate fairly with top management and share a common vision about the company.

Second, regarding the roles of CEOs and board, the results show most important decisions are made by the board of directors (60%). The size of the board of directors is large (76% have between 8-12 members, and 18% more than 12 members, maximum is 18). Most boards have relatively few independent directors (56% have 3 independent), which may have adverse implications for the successful implementation of a good corporate governance structure. The main function of the board appears to be to review financial reports and ensure the integrity of the company financial report.

Third, most audit committees (99%) have at least one member who is an accounting or financial specialist and the audit committee meets frequently (4-8 times per year). However, 17% of respondents are also members of the audit committee of a company outside the organisation raising the possibility of conflict of interests. Fourth, it was clear that adequate disclosure and transparency of major corporate information in company annual report was occurring. Fifth, the results show that shareholders have the same rights to dividends and voting rights and have adequate opportunity to ask questions in shareholders' meetings. Sixth, most respondents agreed (97%) that corporate governance in Thailand had improved and also indicated that the SET (81%) and the SEC (86%) are the most important organisations for the promotion and improvement of corporate governance in Thailand. Finally, the greatest impact of the implementation of corporate governance in Thailand was seen in improved transparency and disclosure, followed by support from top management and truly independent directors, as well as the introduction of appropriate checks and balances.

In the next chapter the discussions of the annual report data and the results of proposition testing and interview data analysis are provided.

Chapter 6

Results and Findings, Propositions and Interview Data

6.1 Introduction

Chapter 5 provided the results of analysing data from questionnaires. In this chapter, the annual report data and analyses are described. In addition, the interview results are presented and discussed. This chapter also contains a report of the results of testing the five research propositions. These propositions focus on the relationship between corporate governance and each of: the Thai financial crisis; ownership structure; regulation of listed companies in Thailand; the differences from Western models of corporate governance in listed companies in Thailand; the differences in information disclosure used to improve financial reports of Thai companies resulting from the implementation of corporate governance; the different relevance of selected performance measures to corporate governance in Thailand; and the differences in measures of responses from different groups for strengthening corporate governance in Thailand.

6.2 The annual report data analysis

The data from annual reports were used to analyse Return on Equity (ROE), Return on Assets (ROA) and Tobin's Q, across the study period January 1996 to December

2005. The data were collected from the Stock Exchange of Thailand Information Products (SETINFO) to support the analysis. This analysis relied on the market value of equity, firm debt, and book value of total assets. Tobin's Q was computed using the measurement as refined by Maury and Pajuste (2004) the firm's market value of equity and book value of debt, divided by the book value of total assets.

The formulae for ROE, ROA, and Tobin's Q used in this study are as follows:

$$\text{ROE (Return on Equity)} = \frac{\text{Annual Net Income}}{\text{Average Shareholders' Equity}}$$

$$\text{ROA (Return on Assets)} = \frac{\text{Annual Net Income}}{\text{Total Assets}}$$

$$\text{Tobin's Q} = \frac{\text{Market value of equity + firm debt}}{\text{Book value of total assets}}$$

Limpaphayom and Connelly (2004) studied the connection between corporate governance and market performance as measured by Tobin's Q and they produced a corporate governance score that indicates the existence of good corporate governance, and that corporate governance is improving. Wiwattanakantang (2000) also studied the effectiveness of existing corporate governance mechanisms on corporate performance using ROA and Tobin's Q. In this study the measures ROA, ROE, and Tobin's Q are applied to corporate performance across the study period and the results compared with the overall finding discussed in Chapter 5 that corporate governance in Thailand has improved since the Thai financial crisis in 1997.

6.2.1 ROA and ROE

Table 6.1 and Table 6.2 present the key financial ratios of all listed companies on The Stock Exchange of Thailand (SET) by year and industry. Corporate profitability is measured by ROA and ROE. Following Wiwattanakantang (2000) improvement in corporate profitability as measured by ROA and ROE are indicators of corporate governance. As shown in Table 6.1 by early 1997 the averages for the two accounting profit ratios, ROA and ROE, had deteriorated. This trend continued until 2000. Across this time period, Thai corporate regulators were engaged in the installation and promotion of corporate governance regulations, and companies in the implementation of structures and processes. ROA dipped from 5.86 in 1996 to -3.51 in 1999. ROE similarly fell from 8.06 in 1996 to -45.73 in 1999.

Upward trends for ROA and ROE commenced in 2000, and then stalled in 2004. These results indicate an improvement in corporate performance from 2000 to 2004. From 2004 the performance appears to have stabilised. These is a similar trend between corporate performance, as measured by ROA and ROE and corporate governance across the study period.

Table 6.1 Average values of ROA by year and industry

ROA	TOTAL	AGRO	CON	FIN	IND	PRO	RES	SER	TECH
1996	5.86	9.47	2.62	-0.09	9.37	3.38	5.79	9.05	9.17
1997	-0.89	8.86	2.4	-1.63	0.81	0.26	4.31	-3.56	1.78
1998	-1.2	16.27	11.92	**-6.11**	13.59	4.58	15.6	13.47	8.27
1999	-3.51	13.98	1.08	-5.67	1.92	0.92	8.45	3.94	3.17
2000	-0.8	10.75	4.87	-1.85	-4.56	1.51	9.03	1.26	7.27
2001	1.86	11.91	8.2	-0.09	6.86	6.23	7.53	6.34	7.92
2002	3.27	9.78	3.82	0.35	8.91	8.68	15.88	9.98	8.7
2003	4.21	8.18	2.08	0.88	10.74	11.52	18.26	10.27	11.59
2004	5.64	6.2	8.97	1.51	15.86	12.6	20.23	11.3	11.94
2005	5.71	10.4	8.1	1.74	8.55	10.03	19.83	8.96	10.23

Note: 1. Data from Stock Exchange of Thailand (SET)

:2.ROA(Return on Asset),Total(Stock Exchange of Thailand), AGRO(Agro & Food Industry),CON(Consumer products), FIN(Financial), IND(Industrials), PRO(Property& Construction), RES(Resources), SER(Services), TECH(Technology).

Table 6.2 Average values of ROE by year and industry

ROE	TOTAL	AGRO	CON	FIN	IND	PRO	RES	SER	TECH
1996	8.06	8.34	3.27	-1.1	8.82	1.73	11.38	18.45	12.59
1997	-75	-28.6	-73.44	-31.53	-155	-108.9	-54.53	-74.83	**-181.16**
1998	-27.51	23.07	17.53	-93.94	39.5	-2.94	28.51	**41.03**	27.15
1999	-45.73	17.67	-7.62	-83.86	-10.51	-19.58	5.29	-3.65	-3.92
2000	-9.3	11.92	2.93	-2.12	-56.11	-10.65	9.3	-9.46	17.29
2001	17.63	15.15	10.07	25.15	5.05	9.27	12.92	11.72	11.15
2002	17.62	12.75	1.33	4.8	13.53	19.83	28.52	29.01	10.63
2003	20.1	12.12	-0.32	10.58	16.78	23.05	30.17	17.17	22.14
2004	21.67	7.99	10.28	15.17	25.42	20.66	33.42	18.44	20.11
2005	20.98	14.75	8.83	15.68	12.38	14.44	32.9	14.77	15.48

Note: 1. Data from Stock Exchange of Thailand (SET)

: 2.ROE (Return on Equity),Total(Stock Exchange of Thailand), AGRO(Agro & Food Industry),CON(Consumer products), FIN(Financial), IND(Industrials), PRO(Property& Construction), RES(Resources), SER(Services), TECH(Technology).

6.2.2 Tobin's Q

Tobin's Q is a measure of market performance and is calculated for the purposes of this study as the ratio between the market value of equity plus firm debt divided by the book value of total assets. It is widely used in finance research as a measure of managerial performance (Limpaphayom and Connelly, 2004). Table 6.3 shows the Tobin's Q values for this study.

Wiwattanakantang (2000) studied the effectiveness of the existing corporate governance mechanisms on corporate performance using ROA and Tobin's Q. Limpaphayom and Connelly (2004) studied the connection between corporate governance and market performance as measured by Tobin's Q, and suggested that Tobin's Q is an indicator of good corporate governance in Western systems. Brown and Caylor (2004) examined return on equity (ROE) and observed that better governance as measured by ROE is associated with corporate performance.

Evans, Evan and Loh (2002) suggested that if a firm's Tobin's Q is greater than 1, it indicates that investors have a positive outlook for the firm's growth opportunities and it implies that the firm is implementing a growth strategy. On the other hand, a ratio below 1 show that investors have negative growth expectations and the firm should not reinvest in the same stock of assets. A good or improving investment opportunity is regarded as an indicator that firm is exhibiting, or has embedded, good corporate governance principles and structures.

Table 6.3 presents average values for Tobin's Q for industry groups across the period 2001 to 2005. Average values of Tobin's Q greater than 1, indicate that the industry group represents a positive investment opportunity, and following Limpaphayom and Connelly (2004), by implication, exhibits good corporate governance.

Table 6.3 Average values of Tobin's Q by year and industry

Tobin's Q	TOTAL	AGRO	CON	FIN	IND	PRO	RES	SER	TECH
2001	1.058	0.994	0.745	1.002	0.990	**0.365**	1.149	1.079	1.399
2002	1.067	0.997	0.844	1.000	1.096	1.223	1.129	1.151	1.243
2003	1.288	1.153	1.025	1.061	1.827	1.740	1.989	1.494	**2.233**
2004	1.194	1.072	0.848	1.033	1.477	1.397	1.588	1.289	1.719
2005	1.190	1.153	0.869	1.032	1.182	1.403	1.587	1.242	1.677

Note: 1. Data from Stock Exchange of Thailand (SET)

: 2. Total (Stock Exchange of Thailand), AGRO (Agro & Food Industry), CON (Consumer products), FIN(Financial), IND(Industrials), PRO(Property & Construction), RES(Resources), SER(Services), TECH(Technology).

6.2.3 Descriptive statistics for ROA, ROE and Tobin's Q (1996-2005)

In Table 6.4 descriptive statistics of ROA, ROE and Tobin's Q during the period 1996-2005 are presented. Data from public resources for the computation of Tobin's Q are unavailable for the period 1996-2000. Therefore, in this study ROA and ROE are measured across the period 1996-2005, and Tobin's Q is measured across the period 2001-2005. Table 6.4 shows the ROA results are mean scores = 6.4086, minimum = -6.11, maximum = 20.23; the ROE results are mean scores = -1.3986, minimum = -181.16, maximum = 41.03; and the Tobin's Q results are mean scores = 1.22873, minimum = 0.365, maximum = 2.233. The ROE results show that this

Western style performance measurement tool that the literature suggests is an appropriate indicator of corporate governance in companies, is also relevant in the Thai context.

Table 6.4 Descriptive statistics of ROA, ROE and Tobin's Q (1996-2005)

	N	Minimum	Maximum	Mean	S.D.
ROA	90	-6.11	20.23	6.4086	5.72989
ROE	90	-181.16	41.03	**-1.3986**	38.88142
Tobin's Q	45	0.365	2.233	1.22873	.340756

6.2.4 Descriptive statistics for ROA, ROE (1996-2000)

In Table 6.5 the descriptive statistics for ROA, ROE in the period surrounding the Thai financial crisis (1996-2000) are presented. In this study ROA results are as follows : (mean scores = 4.3358, minimum = -6.11, maximum = 16.27), and ROE results are as follows :(mean scores = -19.0480, minimum = -181.16, maximum = 41.03). The ROE results show a negative performance trend across this period. This conflict with the positive trend in ROA is consistent with the finding of Brown and Caylor (2004).

Table 6.5 Descriptive statistics for ROA, ROE (1996-2000)

	N	Minimum	Maximum	Mean	S.D.
ROA	45	-6.11	16.27	4.3358	5.83083
ROE	45	-181.16	41.03	-19.0480	48.58951

6.2.5 Descriptive statistics for ROA, ROE and Tobin's Q (2001-2005)

Descriptive statistics for ROA, ROE and Tobin's Q across period 2001-2005 after the Thai financial crisis are shown in Table 6.6. ROA results are; mean scores = 8.4813, minimum = -0.09, maximum = 20.23. ROE results are mean scores = 16.2509, minimum = -0.32, maximum = 33.42. A positive trend in ROA and ROE implies a similar trend for corporate governance in Thailand. Tobin's Q results are mean scores = 1.22873, minimum = 0.365, maximum = 2.233. Means scores of Tobin's Q is more than 1 that indicate the environment positive investment opportunity, and, following Limpaphayom and Connelly (2004) by implication Thai companies are exhibiting improved corporate governance since the financial crisis.

Table 6.6 Descriptive statistics for ROA, ROE and Tobin's Q (2001-2005)

	N	Minimum	Maximum	Mean	S.D.
ROA	45	-0.09	20.23	8.4813	4.86034
ROE	45	-0.32	33.42	16.2509	7.73193
Tobin's Q	45	0.365	2.233	1.22873	.340756

6.3 Interview Analysis

This study included personal interviews to supplement the questionnaire data. As discussed earlier, the personal interviews were conducted with the consent of the participants. Of 160 questionnaire respondents 24 respondents were willing to be interviewed. Seven respondents cancelled these interviews; four respondents could not be contacted to confirm an interview. The remaining 13 respondents agreed to be interviewed.

In Table 6.7 the number of personal interviews conducted with three sub-groups, Chief Executive Officers (CEOs), Audit committee members (outside/independent director) and Executive directors, is shown. The thirteen respondents included three CEOs (23%), four audit committee members (outside/independent director) (31%), and six executive directors (46%). Sources of data were taped transcripts of the interviews and the detailed notes taken by the researcher during the interviews. These data were analysed for identification of material relevant to the questionnaire. Themes, and similar responses, were identified.

Table 6.7 Number of personal interviews with chief executive officers (CEO), audit committee members (outside/independent directors) and executive directors

Respondents	Number of respondents	Number of interviewees	Percentage (%)
Chief executive officers (CEO)	8	3	23
Audit committee members	6	4	31
Executive directors	10	6	46
Total	24	13	100

6.3.1 Profiles of interviewee firms

This section contains details of the profiles of the corporate employers of all interviewees classified into the three sub-groups: CEOs; audit committee members (outside/independent); and executive directors.

6.3.1.1 CEOs. Comparisons of company profile CEO interviewees are provided in Exhibit 6.1.

Exhibit 6.1 Profiles of corporate employer of CEO interviewees

Company profile	**Company A**	**Company B**	**Company C**
Company industry	Property & Construction	Industrials	Financial
Net Assets Market Capitalisation Net Profit	501-1,000 million baht 501-1,000 million baht Less than 100 million baht	501-1,000 million baht 501-1,000 million baht 101-500 million baht	1,001-5,000 million baht 1,001-5,000 million baht 101-500 million baht
Number of employees	501-1,000	501-1,000	Less than 500
<u>Proposition 1</u> **- Corporate governance after the Asian financial crisis** -Ownership structure **-Regulation** **-Benefits**	 **-Remained largely unchanged** -Subsidiary of a family-based business group **-Improved** **-Increased number of long-term investors**	 **-Improved considerably** -Partially owned, but not controlled by foreign investors - - **-Protected shareholders**	 **-Remained largely unchanged** -Single company **-Not useful** **-Not effective for company**
<u>Proposition 2</u> **-Compare corporate governance with western models** -Improvement in corporate governance -Information disclosure **-Roles of stakeholders and shareholders** **-Roles of audit committee** **-Roles of the board of directors**	 **-Similar** -Improved a little -Extended **-Much better** **-Strengthened** **-Improved**	 **-Similar** -Improved considerably -Extended **-Much better** **-Strengthened** **-Improved**	 **-Similar** -Improved a little -Extended **-Much better** **-Strengthened** **-Improved**
<u>Proposition 3</u> -Information disclosure -Timely information	 -Extended -Satisfied	 -Extended -Satisfied	 -Extended -Satisfied
<u>Proposition 4</u> **-Performance measurement**	 **-Improved**	 **-Improved**	 **-Improved**
<u>Proposition 5</u> -Measurement from CEOs	 -Improved	 -Improved	 -Improved

Source: Questionnaire and interview data

Note: Net assets, market capitalisation, net profit and number of employees are reported within 'ranges' to preserve anonymity.

The CEOs from Companies A and C believed corporate governance in Thailand remained largely unchanged across the study period. In contrast, the CEO of Company B believed that corporate governance in Thailand improved considerably. The benefits of improved corporate governance may have increased the number of long-term investors and enhanced protection of shareholders. The CEO from Company C considered that corporate governance is not useful and not effective for the company.

All CEOs believed that corporate governance in Thailand is now similar to corporate governance of western models. They also believed that the roles of stakeholders and shareholders, the roles of the audit committee, and the roles of the board of directors had improved. Overall CEOs indicated that corporate governance improved after the financial crisis, and that performance measurement had improved.

6.3.1.2 Audit committee members (outside/independent directors). The audit committee interviewees were employed in companies D, E, F and G. Company profiles are provided in Exhibit 6.2.

Exhibit 6.2 Profiles of corporate employers of audit committee interviewees

Company profile	Company D	Company E	Company F	Company G
Company industry	Property & Construction	Financial	Resources	Resource
Net assets Market capitalisation Net profit	501-1,000 million baht 501-1,000 million baht Less than 100 million baht	1,001-5,000 million baht 501-1,000 million baht Less than 100 million baht	More than 50,000 million baht More than 50,000 million baht 10,001-50,000 million baht	1,001-5,000millionbaht 1,001-5,000million baht 101-500 million baht
Number of employees	501-1,000	Less than 500	501-1,000	501-1,000
<u>Proposition 1</u> **- Corporate governance after the Asian financial crisis** -Ownership structure **-Benefits**	 **-Improved considerably** -Holding company family based business group - Partially owned, but not controlled by foreign investors **-Improved ethics**	 **-Improved a little** -Single company -Partially owned, but not controlled by foreign investors **--Increased credibility**	 -Initiate from government **-Improved a little** -Partially owned, and controlled by the government -Partially owned, but not controlled by foreign investors **-Increased investors**	 **-Improved a little** -Partially owned, but not controlled by foreign investors **-Increased credibility**
<u>Proposition 2</u> **-Compare corporate governance with western models** **-Improvement in corporate governance** -Information disclosure **-Roles of stakeholders and shareholders** **- Roles of audit committee** **-Roles of the board of directors**	 **-Similar** **-Improved considerably** -Extended **-Much better** **-Strengthened** **-Improved**	 **-Similar** **-Improved a little** -Extended **-Much better** **-Strengthened** **-Improved**	 **-Similar** **-Improved** -Extended **-Much better** **-Strengthened** **-Improved**	 **-Similar** **-Improved a little** -Extended **-Much better** **-Strengthened** **-Improved**
<u>Proposition 3</u> **-Information disclosure** -Timely information	 **-Extended** -Satisfied	 **-Extended** -Satisfied	 **-Extended** -Satisfied	 **-Extended** -more satisfied
<u>Proposition 4</u> **-Performance measurement**	 **-Relevant**	 **-Relevant**	 **-Relevant**	 **-Relevant**
<u>Proposition 5</u> -Measurement from audit committee	 -Improved	 -Improved	 -Improved	 -Improved

Source: Questionnaire and interview data

Note: Net assets, market capitalisation, net profit and number of employees are reported within ‘ranges to preserve anonymity.

Audit committee interviewees (outside/independent directors) of Companies E, F and G believe that corporate governance in Thailand improved marginally across the study period. However, the interviewee from Company D believed that corporate governance in Thailand improved considerably. The interviewees from Companies E and G consider that corporate governance increased the credibility of the companies. The Company D interviewee believed that corporate governance improved ethics. In addition, the Company F interviewee believes that improved corporate governance has increased the attractiveness of investing to foreigner investors.

Most audit committee interviewees agreed that corporate governance was similar when compared to corporate governance under Western models. Audit committee interviewees also believed that the roles of stakeholders and shareholders, the roles of audit committees, and the roles of the board of directors had been extended and improved. They also believed that information disclosures had been extended and improved. Overall the audit committee interviewees indicated that corporate governance had improved since the financial crisis. Moreover, they also stated that in their view, performance measurements were improved**.**

6.3.1.3 Executive directors. Exhibit 6.3 presents comparisons of profiles of the corporations' executive director interviewees.

.

Exhibit 6.3 Profiles of executive director interviewees

Company profile	Company H	Company I	Company J	Company K	Company L	Company M
Company industry	Property&Construction	Industrials	Technology	Services	Financial	Financial
Net assets Market capitalisation Net profit	501-1,000 million baht 1,001-5,000 million baht Less than 100 million baht	501-1,000 million baht 1,001-5,000 million baht 101-500 million baht	1,001-5,000 million baht 101-500 million baht Less than 100 million baht	101-500 million baht 1,001-5,000 million baht Less than 100 million baht	1,001-5,000 million baht 101-500 million baht Less than 100 million baht	1,001-5,000 million baht 101-500 million baht Less than 100 million baht
Number of employees	Less than 500	1,501-2,000	Less than 500	Less than 500	Less than 500	Less than 500
<u>Proposition 1</u> - Corporate governance after the Asian financial crisis	-Improved considerably	-Improved a little	-Improved a little	-Improved a little	-Improved a little	-More awareness -Improved a little
-Ownership structure	-Single company	-Holding company family-based business group -Partially owned, and controlled by foreigners	-Single company	-Single company -Partially owned, but not controlled by the government -Partially owned, but not controlled by foreign investors	-Single company -Holding company family-based business group -Partially owned, but not controlled by foreign investors	-Partially owned, and controlled by foreigners
-Benefits	**-Increased credibility** **-Increased foreigner investor**	**-Enhanced image**	**-Increased credibility**	**-Increased foreigner investor**	**-Increased foreigner investor** **-Increased number of long-term investors**	**-Increased image**
<u>Proposition 2</u> **-Compare corporate governance with western models**	**-Unsure**	**-Similar**	**-Similar**	**-Similar**	**-Similar**	**-Similar**
-Improvement in corporate governance	**- Improved considerable**	**-Improved a little**	**-Improved a little**	**-Improved a little**	**-Improved a little**	**-Improved a little**
-Information disclosure	-Extended	-Extended	-Extended	-Extended	-Extended	-Extended
-Roles of stakeholders and shareholders	**-Better**	**-Much better**	**-Much better**	**-Much better**	**-Much better**	**-Much better**
-Roles of audit committee	**-Strengthened**	**-Strengthened**	**-Strengthened**	**-Strengthened**	**-Strengthened**	**-Strengthened**
-Roles of the board of directors	**-Improved**	**-Improved**	**-Improved**	**-Improved**	**-Improved**	**-Improved**
<u>Proposition 3</u> **-Information disclosure**	**-Extended**	**-Extended**	**-Extended**	**-Extended**	**-Extended**	**-Extended**
-Timely information	-Satisfied	-Satisfied	-Satisfied	-Satisfied	-Satisfied	-Satisfied
<u>Proposition 4</u> **-Performance measurement**	**-Relevant**	**-Relevant**	**-Relevant**	**-Relevant**	**-Relevant**	**-Relevant**
<u>Proposition 5</u> -Measurement from executive directors	-Improved	-Improved	-Improved	-Improved	-Improved	-Improved

Source: Questionnaire and interview data
Note: Net assets, market capitalisation, net profit and number of employees are reported within ‘ranges to preserve anonymity.

Executive directors from two companies considered that corporate governance in Thailand improved a little across the study period, while one executive director believes that corporate governance in Thailand improved considerably, and that the benefits of corporate governance included increased credibility and increased foreign investment. One executive director considered that corporate governance enhanced the image of the company.

Executive directors of three companies believe that corporate governance in Thailand improved only slightly. Moreover, executive directors of Company M stated that corporate governance in Thailand raised awareness of disclosures. Two interviewees also believed a benefit of improvement in corporate governance is increased foreign investment. One executive director thinks corporate governance improved corporate image. In addition, an executive director of Company L said that one of the benefits of corporate governance is an increased number of long-term foreign investors.

Executive directors interviewed in this study believed that corporate governance in Thailand is similar when compared to corporate governance under Western models. An exception was Company H whose executive director was unsure corporate governance compared with Western models. All directors believed that the roles of stakeholders and shareholders, roles of audit committee members, and roles of the board of directors had improved. They also believed that information disclosures had been extended and improved. Overall executive directors indicated that corporate governance improved a little. All executive directors also believed that performance measurements had been improved.

6.4 Major results, findings and discussion

6.4.1. The present state of corporate governance in Thailand

According to the interview data, the present view of corporate governance in Thailand is that it has been developed and improved considerably since the Thai financial crisis. The SET, the Thai Securities and Exchange Commission (SEC), and the Thai Institute of Directors (IOD) have played an important role in the development of corporate governance. A notable initiative has been the introduction of courses to educate corporate officers.

Table 6.8 The present state of corporate governance in Thailand

Type	company	comments
Executive director	H	Improved considerably
Audit committee	D	Improved
Executive director	I	Improved
Executive director	M	Overall listed companies need to have corporate governance.
CEO	A	Depends on the company's intention to take the rules seriously or not
CEO	C	Overall corporate governance has been developing rapidly
Executive director	K	Better by about 50-60%, depends on organisation structure and the board members

An executive director of Company H said that:

> 'More regulation from SET and SEC have helped listed companies improve corporate governance. The IOD now have more courses to educate the directors, so they know what their rules and responsibilities are.'

Similarly, an audit committee member of Company D and an executive director from Company I, recalled that:

> 'Corporate governance in Thailand started when Australia gave a course about corporate governance to the SET committee. So now the SEC Committee understands its responsibility for corporate governance. The IOD is the main support in corporate governance. Some big listed companies like PTT corporation now have independent committees.'

> 'CEOs and audit committees have different responsibilities. CEOs operate the company and have less responsibility for corporate governance. Audit committee has high responsibility and risk. Nobody wants to be an audit committee member. In my opinion, the audit committee and CEO should have the same responsibility. Mostly the audit committee has been chosen from a person that is familiar with company procedure. It is difficult to find a person that has familiarity and business experience and also knows about accounting and law. It is easier to find directors because there are more people you can choose from. The IOD should provide a list of persons who have undertaken the IOD course about corporate governance so they can select suitably qualified audit committee members.'

The interviewee from Company M said that:

> 'Corporate governance is important for international companies. A company with good corporate governance is attractive to international investors. People that have finished the courses from the IOD are in demand. Companies that are part of the SET50 index and the SET100 index (Thai Stock Exchange Indices) mostly have good corporate governance. Family businesses need corporate governance improvement. It is easier for big companies to implement corporate governance. The IOD should provide support by giving rewards or privileges. Rating of corporate governance does not have clear results. Government policy has to be serious about corporate governance. Overall, only listed companies need to have corporate governance.'

The interviewee of Company A said that:

> 'Most listed companies follow the SET rules but it is up to the company's intention to do it seriously or not. My company hires specialists to implement corporate governance.'

In contrast, the CEO from Company C does not agree about the need for corporate governance. He said that:

> 'Overall, corporate governance has been developing rapidly. Many things are changing. We have tried to find the way of being honest for a long time. I do not agree with corporate governance. It only solves the problem after it has occurred; it does not prevent the problem. The board of directors has less risk if they follow the

> rules. We should learn to be honest from a young age. Corporate governance must be consciously related to Buddhism.'

The executive director from Company K believes that corporate governance is better by about 50-60% than before the Asian financial crisis. He contended that boards of directors need to have a basic sense of corporate governance, moral attitude, social responsibility and trust in human merit. Corporate governance depends on the organisational structure, the leader of the organisation and the board members.

6.4.2. Changes since the Asian financial crisis

Before the Asian financial crisis most of the interviewees (80%) had heard about corporate governance but were not interested in this topic and were not clear about what corporate governance meant for them or their employer companies. Limpaphayom and Connelly (2004) reported that after the financial crisis, corporate governance in Thailand was reformed. The interview data in this research study confirm that corporate governance reforms emanated primarily from regulators, although investors, government and professional organisations have also contributed.

Table 6.9 Changes since the Asian financial crisis

Type	Company	Comments
Audit committee	E	Better developed
Audit committee	D	SET has taken action; Corporate governance is better now
Executive director	L	Developed
Executive director	M	Accounting standards and more disclosure occurs
Executive director	H	Have more defined roles
Executive director	I	Have more defined roles
CEO	A	Better protection for shareholders

An audit committee member from Company E recalled that:

> 'Ten years before the Asian financial crisis, there was not significant attention given to corporate governance. There was more emphasis on making profits. After the crisis, the SET has more rules that make corporate governance in companies stronger. International trade and investors help develop corporate governance because foreign investors mostly look for investment opportunities where there is good corporate governance. Corporate governance will be better in the long run.'

An interviewee from Company D said that:

> 'After the crisis, the SET, SEC, IOD and investor organisations took more action. They try to protect shareholders. Their representatives attend shareholders' meetings to ask questions, to see document details, and also to show more interest in corporate governance.'

The executive director of Company L said that there was no interest in corporate governance before the financial crisis. After the financial crisis, executives have been working more responsibly. They are developing their knowledge and making decisions very carefully because there are more government laws and rules.

Similarly, the executive director from Company M said that:

> 'I never heard about corporate governance from the SET before the financial crisis. In 2001 (after the crisis) there is more regulatory awareness. IOD policy comes from the SEC but the SET takes the action. Since the crisis, accounting systems have been improved and more disclosure occurs.'

Two executive directors said that the financial crisis occurred because Thailand did not have good corporate governance. Before the financial crisis, corporate governance was only a technical term. Since the financial crisis, the SET regulation has developed more defined roles for independent directors. However, SET rules still need further adjustment.

Additionally, the CEO from Company A said that:

> 'I have heard about corporate governance, but not much before the crisis. Corporate governance protects minority shareholders' benefits. Every commitment must be fair for all stakeholders.'

6.4.3 The problems in implementing corporate governance

The lack of knowledge is a major problem in implementing corporate governance. One executive director said that:

> 'Most staff, at every level, do not understand exactly what corporate governance is and how to do it. The lack of knowledge and insufficient documentation make it more complicated to work on corporate governance. There is a need to educate all staff about corporate governance especially those who work on it and those who gather the information to perform corporate governance.'

6.4.3.1 Size

Implementation of corporate governance presented different implementation difficulties for large listed companies and small listed companies. One executive director said that:

> 'Big companies do not really have a problem because they have good systems and clear documents. Small companies, have problems working with corporate governance because they do not have good systems. Many mistakes could occur.'

Similarly, the executive director of Company H said that:

> 'Corporate governance costs are relatively higher for small companies. But if you deal with foreign companies that give significant information on corporate governance then having corporate governance is an advantage even though you have

> a higher cost. In the long term it is better for every company to have good corporate governance because they will have clear documents and this will reduce auditing costs.'

A particular problem about corporate governance appears to be that the SET has policies and rules but many companies are not following them. Therefore, the SET should follow up with every company. Clear penalties should be enforced by the SET. However, corporate governance would be less of a problem if the audit committee knew of, and took responsibility for its duties.

6.4.3.2 Culture

One audit committee member said that implementation of corporate governance in Thailand is a big problem because of Thai culture.

> 'In practice, Thai culture makes Thai people have deep respect for others. They do not really ask for clear information when they have a problem. Some executive directors give respect to the audit committee which has implications for corporate governance. It is up to the audit committee as to how much attention they pay to their duties and responsibilities.'

Similarly, the executive director from Company M said that:

> 'Normally there is no problem but it is up to the boards' intention. Most Thai board members will not do what they cannot explain. More independence makes things

clearer. If the board cannot work independently and audit committee members resign, the SET and SEC will ask for explanations.

Similarly, the interviewee from Company I recalled that there are 15 principles of good corporate governance in the Thai SET rules. Having corporate governance principles is a disadvantage for a listed company because they have to disclose information. On the other hand, companies that are not SET members do not need to disclose any information.

Moreover, an audit committee member from Company F said that:

> 'In the past it was normal to have related party transactions. The audit committee was not important. Corporate governance gives the audit committee a wider role. Officers pass more up-to-date information to board members. Big companies mostly have corporate governance but medium-sized companies focus on financial performance and mostly only try to complete SET regulation. Small companies will only focus on break-even profit. Different size means different standards, making it harder to implement corporate governance. If Thailand has better corporate governance, we would be more acceptable internationally.'

An interviewee from Company H said that:

> 'Overall, there is not enough knowledge about corporate governance. Clear policies will make a better system. All companies must follow SET regulations. Implementing corporate governance increases costs but has benefits for every listed company. It is better to divide corporate governance rules by size than by type of

company. The IOD should educate both listed and unlisted companies in their corporate governance responsibilities. Listed candidates must know about corporate governance too.'

These comments clearly indicate a belief in the benefits of a sound educational and training programme. They also point to the perceived need for a differentiation of rules and regulations about corporate governance on the basis of company size.

6.4.4. The benefits of implementing corporate governance

Thailand engages in a significant level of international trade. The literature indicates that having a strong corporate governance regime is an advantage to Thai companies if they trade with countries that also have strong corporate governance regimes (Nam, 2004b).

Table 6.10 The benefits of implementing corporate governance

Type	Company	Comments
Audit committee	E	Make better overall
CEO	B	More trust
Executive director	L	Attract more investors
CEO	**C**	**No effect to company**
Audit committee	D	Dependent on personal knowledge and morals

Reflecting on the benefits of corporate governance, an audit committee member from Company E said that:

> 'Organisations have precise steps of work and can make the right decisions. Investors and traders will have clear information, making for fewer problems. Also creditors will have more confidence. Having corporate governance will make the overall economy better. Disclosing information to competitors is not a disadvantage if the disclosing company is not a listed company, because only part of the financial information is forced to be revealed by SET rules.

Similarly, the CEO from Company B recalled that having corporate governance is the way to protect shareholders' benefits. Better and clearer information improves trust.

The audit committee interviewee of Company D questioned how much benefit comes from having corporate governance? He suggested that it is up to personal knowledge and morals.

Moreover, the executive director from Company L said that corporate governance is important for international trading as having good corporate governance will attract more foreign investors. It has advantages for the long-term and the short-term if executives give significant commitment to improving corporate governance.

In contrast some resistance to the implementation of corporate governance was observed. The CEO from Company C said that having corporate governance does not affect the company. Some rules do not make sense. We cannot reveal all information because some is secret and it might create a disadvantage for us. Disclosure of information does provide an advantage for investors and minor shareholders.

Overall, the interviewees said that corporate governance is good for the image of the company and it is also encourages foreign investors. Corporate governance is good for the long-term because it is a good method to reduce a business's risks. These comments provide support for the literature which also suggests that corporate governance has the potential to attract foreign investment and to reduce business risk.

6.4.5. Truly independent

One of the important principles of good corporate governance is that audit committee members in listed companies should be truly independent from directors and stakeholders (OECD, 2004). An executive director said that:

> 'Overall, small companies have audit committee members only for compliance with SET rules. It would be better to choose audit committee members from shareholders with qualifications such as: honesty, reputation, and credibility. True independence is also reliant on a person's conscience to protect shareholders' and stakeholders' interests'.

An audit committee member of Company E believed that:

> 'It is difficult to draw the line on independence. Remuneration committees mostly find members from people they know. So there is always connection between them

> but its needs to be limited. However, they acknowledge that independence is up to an audit committee member's personal character.'

In relation to individual characteristics, the CEO from Company B expressed a similar view.

> 'It is up to an audit committee member how much honesty, clearness, and responsibility the member has in their conscience. It is also an individual matter whether or not they will use their power in the wrong way.'

6.4.5.1 Type of business

There are other factors that potentially affect independence such as audit committee members' qualifications, their culture, and the kind of business. If it is a family business there is a clear need for audit committee members to be educated to accept the idea of independence.

A family business rarely has audit committee members who are 100% independent. Most of them need to learn more about corporate governance. Also Thai culture perpetuates the low level of independence as it encourages a system of connected relationships. However, big listed companies that are not family businesses have stronger independence. Members of the audit committee and the board are more freely able to give their comments in meetings. But overall, most of audit committee members in Thai companies still have connections with their employers and so cannot claim to be truly independent.

The rules from the SET are clear for audit committee members serving on boards. The CEO from Company A said that:

> 'The rule is each company must have at least three independent directors (audit committee members). They have clear responsibility and must be able to give guidelines to solve problems'.

Overall, the interviewees believe that attaining independence depends upon the individual. There are adverse implications for corporate governance if audit committee members have board connections. This finding is supported in the literature where it is suggested that related-party transactions are associated with lower-levels of corporate governance. Organisations could improve their corporate governance by revealing related-party connections. Mechanisms for improvement could also include more practical regulations, and serious penalties could be introduced to regulate behaviour. Overall, interviewees believe that the role of government in improving corporate governance should be reinforced, and that the government has to be seen to support corporate governance more strongly.

6.4.6. Role of the audit committee

The results of the interviews indicate that the audit committee members believed that corporate governance in Thailand had improved. The executive director of Company H said that:

> 'The audit committee takes care of benefits and helps corporate governance development. Most senior members of committees will not discredit themselves. If many audit committee members resign, it means that the company has problems. Some audit committees cannot really protect shareholders' because they do not understand their duties, so organisations like the SET, the SEC, and the IOD should provide more education to audit committee members. The SET, SEC, and IOD should have rules' that all committee members must take courses to improve their performance and better understand their responsibilities. There should be continuous courses to keep knowledge up-to-date'.

One interviewee said that audit committee members should not have shares in the company, and that there should be serious penalties for audit committee members breaching this rule. Audit committee is a necessary cost to ensure quality, because they review everything in the business system. The interviewee agreed that rating corporate governance by using different standards for different sizes was beneficial for corporate governance.

6.4.7. Concentrated ownership and corporate governance

Shareholders' of listed companies that grew from family companies mostly wanted to be able to retain control of the business. In Thailand, culture relies on the seniority system. This culture could be an obstacle to developing corporate governance.

An audit committee member from Company E said that:

> 'Corporate governance concerns from ownership concentration depends on how professional the owner is. Some board members might be family members. They must have up-to-date knowledge of corporate governance and be less concerned with the benefits of ownership. I think that there are not many listed family companies like that'.

Similarly, the CEO of Company B believed that family businesses need to accept a lot of change and development before they become a listed company. They have to follow all the corporate rules and trust executives that might not come from their family. The new generation's vision and background is important.

The interviewee from Company L also believes that family businesses have a concentrated ownership problem. He said:

> 'These companies have to accept the rules of listed companies. All rules including related-party transactions need to be clear to reduce the effects of concentrated ownership problems. The SEC has these kinds of rule and they have improved. The important thing is that the board must follow the rules. Clear and fast penalties need to be set because, now, the verification process is very slow and penalties are not clear. Investigation has to take place if an audit committee member feels something wrong. That would make board members work more carefully'.

An executive director from Company M suggested that the SET and SEC should have a rule that one-third of board members must also be audit committee members. He also suggested that specialists might be needed to help audit committee members in order to reduce audit committee risk.

On the other hand, another executive director said that:

> ‘Audit committee member from family members are mostly not independent. This company is a small company. We start corporate governance from having a clear accounting system. The CEO tries to make the best profit for shareholders. It is a good strategy in long-term. But it will be difficult to compete in the market if our competitors do not also practice good corporate governance principles. Most family listed companies are still being controlled by the family.’

The overall view is that a family business is always family business. Some of them hire professionals to reduce the effects of ownership concentration. In such businesses an independent director is not truly free and has limited duties. Interviewees believe that at least three independent directors must be truly free to ensure the integrity of corporate governance. They hold the view that those who want to be audit committee members (independent directors) should take a test similar to the Australian professional examination for Certified Practising Accountants (CPAs).

6.4.8. Business ethics and social responsibility

The results indicate that ethical and social responsibility provides an image advantage. The more profit the business has, the more it gives to social causes. It is easier for a big company to engage in social work than the small company. Thailand has ethical problems in business including child labour, a bad work discipline and low work-skill development.

One interviewee said that:

> 'Social responsibility and ethics are becoming more important because there are more business models with these characteristics included. Each company has different social and ethical codes. It depends on a company's vision. The SET already has rules about codes of ethics and social responsibility in general, but we should add more about the environment. I do not agree with different standards of corporate governance for different sizes of company. Every company should have the same policy and the leader should have a good knowledge about corporate governance. A big company might spend more money than a small company so they seem to have better corporate governance.'

The audit committee member from Company D maintained that:

> 'Having corporate governance is good for company image. Well rated (for corporate governance) companies mostly are big companies. It is a disadvantage for small companies to implement corporate governance compared to big companies because of the cost but all companies should have the same standard. We should encourage every company to implement corporate governance to develop the overall market. In my opinion, companies should be rated by size and type of business. Rating by type of business is better than size because it is easier to compare with the same standard. We might be able to check from industry index or compare by groups of companies.'

On the other hand, three interviewees do not agree with the IOD index of ethical and social responsibility because, in the view, it is only written policy and not practical. They think social and moral responsibility starts from family, friends, customers.

Overall the interviewees' view is that ethical and social responsibilities are improving, but they articulate a need to teach Thai children more about public responsibility when they are young. At this time, not much attention is paid to social responsibility by Thai companies. Interviewees believe that all organisations should have an ethical and social responsibility. They believe that 'the more an organisations give out to society, the more it gets in return'.

6.4.8.1 Rating

One interviewee said that there should be similar rules of morals and social responsibility. How much the written rules have been followed is up to an executive's moral and board limitations. Rating is not worth it because it is a high cost for a small company. A small company normally gives out to surrounding social and environment. Having corporate governance or judgement by score is not consistent or balanced; it is dependent on how it has been presented

6.4.9. Factors to improve corporate governance

The overall view of interviewees is that the Thai government should give more support to corporate governance. Companies that have good corporate governance should get more privileges.

The audit committee member of Company E said that in the future, every listed company should implement corporate governance. Organisations like the IOD and Thai Rating and Information Service Co. Ltd., (TRIS) have a responsibility to educate companies that are not SET members. It is a benefit to the Thai Revenue Department if all companies have corporate governance because clear information could increase the tax income of the Revenue Department.

There are five interviewees who think that in the future the SET, SEC, IOD and other organisations must help more to develop corporate governance. They believe that the SET should have the main responsibility for corporate governance, and that the IOD and SET should support and encourage committees in listed companies to develop their knowledge about corporate governance by undertaking courses. The IOD encourage companies that are not in the SET to take courses about corporate governance. The interviewees believe this approach would be good for the whole system and country. They said that 'Corporate governance would make better overall economics, which is good for listed companies'.

They also said that in their view 'Minor shareholders do not have a significant impact on corporate governance. Minor shareholder organisations do not ask enough questions in shareholders' meeting'.

Two interviewees think that government should be the main supporter of corporate governance for unlisted companies. They should introduce corporate governance laws to supplement the existing rules.

In contrast, the CEO from Company A said that:

> 'I do not think government can give good support to corporate governance because government itself does not have corporate governance. For better training the SEC, SET and IOD should offer separate courses for audit committees, company representatives and educators.'

However, the CEO from Company C said that:

> 'Customers and employees are the main supporters of corporate governance. I do not agree with ratings of companies. We should focus on making money for shareholder; take care of customers and employees first. We try to do our best in the future. We will do more if the concept is useful but if not we will just follow the rules. Rules cannot make good people. A good corporate citizen has a good conscience and is not greedy.'

The executive director of Company K suggested that we should teach corporate governance to our children. Thai culture is a supporting system not like western culture. There should be an independent director organisation to register, investigate, give knowledge and correct work background of independent directors.

6.4.10. Future improvements in corporate governance

Interviewees believe that there are still too few people interested in corporate governance. This view was confirmed by an audit committee member from Company E who said that:

> ‘There are not enough organisations that provide corporate governance education. We should have more practical corporate governance. Each company should have government advisors to check and give advice. There should be a good corporate governance measurement organisation to make standards corporate governance.’

In relation to disclosure and transparency an audit committee member from Company D said that most investors do not have a sophisticated knowledge of investment.

> ‘They are not interested in long-term results but place more emphasis on seeking exorbitant short-term profits. Investors should have knowledge about corporate governance. We need clearer information to answer all questions in shareholders’ meetings. In the past, they only need to answer questions like how much the profit is? or will the price go up? They never ask about future plans or how does the business run’.

An executive director from Company L suggested that educational, family and social institutions need to teach good conscience to all people.

> ‘Thai culture has too much respect for others. We need to learn to speak for our rights; that would make a better social system. Western culture needs appropriate adjustment then it will be used efficiently in Thailand’.

Moreover, another interviewee said that one of the factors that helps to develop corporate governance is a family that has a good conscience. Corporate governance cannot solve problems if audit committee members do not have good conscience. Rating is fine if we also analyse it to improve it, and, do it for customers, employees and shareholders.

In summary, human behaviour is viewed as the main factor for corporate governance development: rules are also an important factor. Humans need education to improve their capability. High capability will improve corporate governance, and education is the primary factor. There is a clear view that children need to be taught responsibility, morality and good discipline. The SET has good regulation but needs to impose, serious penalties on poor performers and give primacy to companies with good corporate governance. Government should also provide support.

6.5 Summary of the Propositions

6.5.1 Proposition 1

It was expected that the Asian financial and Thai economic crises would force the SET to improve regulation, and companies listed on the SET to improve their corporate governance. Proposition 1 was generated from this expectation.

Proposition 1*: There is a relationship between corporate governance of listed companies and each of; the Thai economic crisis; ownership structure of listed companies; and regulation of rules in listed companies in Thailand.*

After the Asian financial crisis, the SET introduced rules and roles for listed companies aimed at preparing companies for good corporate governance. These rules and roles addressed disclosure, shareholder rights, and the practice of directorship, bankruptcy reform, and accounting standards. The SET also encouraged listed companies to benefit from corporate governance such as, by decreasing the tax rate of companies demonstrating they had implemented good corporate governance practices.

Table 6.11 Matching of questions to proposition 1 and variables

Proposition 1		**Theme**	**Questions**	**Table**	**Variables**
1	There is a relationship between corporate governance and each of the Thai economic crisis, ownership structure, and regulation of rules governing listed companies in Thailand.	1	8	5.16	Ownership structure
		2	9	5.17	Family-based business group
		3	26,27	5.35	Regulation (disclosure)
		4	40	5.44	Standard of business ethics and corporate governance
		5	43,44	5.47,5.48	Effectiveness of corporate governance
		6	45	5.49	Benefits of corporate governance

Theme 1 ***Ownership structure***

Ownership structures of the respondents included: partial ownership, but not control by foreign investors (74 of 131). In addition, 44 of 129 (34 %) of companies were holding companies controlled by family-based business groups. These results are presented in Question 8 (Table 5.16). Companies in Thailand are characterised as having highly concentrated ownership structures. La Porta, Lopez de-Silanes and

Shleifer (1999) noted that in most East Asian countries corporate control is enhanced through pyramidal structures and cross-holdings among family-controlled firms.

Theme 2 Family-based business group

Most respondents agreed (mean scores = 4.02) that the owners' family negotiates joint expectations fairly with top management and shares a common vision about the company. These results are shown in Question 9 (Table 5.17). Bertrand et al. (2004) point out that companies that are run by larger families tend to have lower performance and to be, financially, less sound. They suggested that individual family members may not only have to be concerned about expropriation by outsiders, but also expropriation by other (more powerful) family members.

Theme 3 Regulation (disclosure)

Most companies disclose corporate information in their annual report and on their web site. These results are shown in the responses to Question 26 and 27 (Table5.35). The OECD Principle requirements include adequate disclosure, and Thai companies appear to satisfy this Western-style guideline (SET, 2004).

Theme 4 Standard of business ethics and corporate governance

Most respondents (97%) agreed that the standard of business ethics and corporate governance has improved since the financial crisis. These results are shown in Question 40 (Table 5.44). Consistent with Limpaphayom and Connelly (2004) responses support the improvement of corporate governance in Thailand since the financial crisis.

Theme 5 Effectiveness of corporate governance

The results of this research presented earlier in Table 5.44, and supported by the interview data, indicate that the standard of business ethics and corporate governance in Thailand improved considerably after the financial crisis. Respondents believe the various tasks to improve corporate governance that their companies are undertaking, have made the internal corporate governance mechanisms work better. Furthermore, most respondents believed that corporate governance now, compared with corporate governance five years ago, is much better.

Theme 6 Benefits of corporate governance

Respondents agreed that corporate governance was beneficial to the companies by increasing credibility, improving access to new capital, and increasing the number of long-term and foreign investors. However, most respondents disagreed that corporate governance reduced political or regulatory intervention. These results were shown in Question 45 (Table 5.49).

6.5.2 Proposition 2

The Thai standards of 15 corporate governance principles were compared with international standards.

Proposition 2*: There will be significant differences from Western models of corporate governance mechanisms in listed companies in Thailand.*

Table 6.12 Matching of questions to proposition 2 and variables

Proposition 2		Theme	Questions	Table	Variables
2	There will be significant differences from western models (OECD) of corporate governance mechanisms in listed companies in Thailand.	7	46	5.50	Improved corporate governance compared with Western models
		8	42,44	5.46,5.48	Improved corporate governance
		9	28	5.37	Equality of all shareholders
		10	28	5.37	Information and disclosure for shareholders
		11	29	5.38	Shareholders rules
		12	28,30,31	5.39,5.37,5.40	The role of stakeholders
		13	26,27	5.35,5.36	Disclosure and transparency
		14	16,17,18	5.25,5.26, 5.27	Roles of boards of directors
		15	32,33	5.41,5.42	Function of the board
		16	34,35	5.28,5.43	Responsibilities of the board

Theme 7 ***Improved corporate governance compared with Western models***

Questions 46(a) has a mean score = 2.94 (Table 5.50). This indicated that respondents were unsure whether the standard of corporate governance in Thailand is yet comparable with the USA, UK and Australia. However, the respondents believed that the standard of corporate governance in Thailand is high among Asian countries. Nam (2004b) stated that the standard of corporate governance in Thailand is the same as in other Asian countries.

Theme 8 ***Improved corporate governance***

Respondents and interviewees believe the present state of corporate governance practices in their companies compared with five years ago is much better (89%). Supported by the interview data, all interviewees agree that corporate governance in Thailand has improved considerably. They also believe that the SET and the SEC should initiate further improvements in corporate governance. These results are reported Tables 5.46 and 5.47.

Theme 9 ***Equality of all shareholders***

Respondents indicated that all shareholders have substantially the same rights. These results were presented in the responses to Question 28 (Table 5.37). However, some respondents were not sure that shareholders have equality in electing members of the board. These results were supported by interview data which show that interviewees believe the majority shareholders elect members of the board of directors. Dyck and Zingales (2002) found that the individual voting premiums are negatively related to the degree of investor protection in the country. In countries where investors are less well protected by law, controlling shareholders can and do extract larger private benefits of control.

Theme 10 Information and disclosure for shareholders

Respondents believed that shareholders obtain relevant information about the company on a timely and regular basis (mean score = 4.63). Moreover, they believed that shareholders have adequate opportunity to ask questions and place issues at shareholders' meetings. These results are shown in Table 5.37 (Question 28). This implies an improvement in corporate governance has occurred since the financial crisis. Dyck and Zingales (2002) found that private benefits vary greatly around the world and that they are quite significant in some countries

Theme 11 Shareholders rules

The rules of shareholders' are presented in Table 5.38 (Question 29). Respondents believe that all listed companies in Thailand have the one-share-one-vote rule (95%). Before the shareholders' meeting companies send details of directors to be elected to all shareholders. This result can be interpreted as a positive corporate governance factor. The OECD Principles stated that the corporate governance framework should ensure the equitable treatment of all shareholders, and timely disclosure of information (OECD, 2004).

Theme 12 The role of stakeholders

Questions 28, 30, and 31 investigated beliefs about the roles of shareholders and stakeholders. Respondents agreed that the rights of shareholders and stakeholders should be protected and there should be equality for all shareholders and stakeholders. These results are reported in Table 5.37, 5.39 and 5.40. The principle of equality is part of the OECD principles (OECD, 2004) and the view articulated by respondents is positive for the future of good corporate governance.

Theme 13 Disclosure and transparency

Disclosure is likely to be important to foreign investors to encourage confidence in the corporate governance system (Iskander and Chamlou, 2000). Adequate information about respondent companies was disclosed in annual reports and on company web sites. However, there is limited information available in English. These results are shown in Table 5.35 and 5.36 (Question 26 and 27). This has negative implications for encouraging foreign investors, and is an issue that could be addressed by government regulation.

Theme 14 Roles of boards of directors

Questions 16, 17 and 20 were designed to address the roles of boards of directors. Respondents indicated that the board was meeting 4-8 times per year and the duration of the board meetings was between 1-3 hours. Most respondents attend most meetings (90-100%). These results are reported in Table 5.25, 5.26 and 5.27.

Theme 15 Function of the board

Respondents agreed that the board of directors has the strongest voice in selecting independent directors, and believed that the board also should have the strongest voice in removing a poorly performing CEO and in selecting a new CEO. These results are presented in Table 5.41 and 5.42 (Question 32 and 33). This emphasises the importance of ensuring that the board of directors is aware of their corporate governance responsibilities. The OECD (2004) also included the independence of directors in the OECD Principles as an important characteristic of good corporate governance.

Theme 16 Responsibilities of the board

Questions 34 and 35 were designed to address responsibilities of the board. Respondents agreed that the board should ensure the integrity of the company's financial report and ensure proper disclosure and actively communicate with shareholders and stakeholders, and that the board should effectively oversee potential conflicts of interest including related-party transactions and ensure the effectiveness of various corporate governance practices. This emphasises the importance of ensuring that the board of directors is aware of their corporate governance responsibilities.

Respondents indicated that the effectiveness of the company board lies in selecting more, better qualified, truly independent directors and separating the CEO from the board Chairman position. Furthermore, in line with OECD Principles (2004), the board should make timely provision of relevant information to the directors and provide education and adopt codes of conduct for directors.

6.5.3 Proposition 3

It was expected that information disclosure would improve financial reporting and more, relevant corporate information, would be provided.

Proposition 3*: There will be significant differences in information disclosure to improve financial reports of Thai companies resulting from the implementation of corporate governance****.***

Table 6.13 Matching of questions to proposition 3 and variables

Proposition 3		Theme	Questions	Table	Variables
3	There will be significant differences in information disclosure to improve financial reports of Thai companies resulting from the implementation of corporate governance.	17	26	5.35	Information disclosure
		18	28,29	5.37,5.38	Timely information disclosure
		19	27	5.36	Limited information

Theme 17 Information disclosure

Respondents agreed that all relevant corporate information about their companies was disclosed in annual reports and on company web sites. These results are shown in Table 5.35 (Question 26). Information disclosure is an important corporate governance principle (OECD Principles) and these results confirm that, overall, Thai companies are making positive improvements.

Theme 18 Timely information disclosure

Questions 28 and 29 investigated whether information about the company is sent to shareholders on time, including details of directors to be elected. These results are shown in Table 5.37 and 5.38. Timely flow of information is an important corporate governance principle (OECD, 2004) and these results confirm that Thai companies have implemented this important principle.

Theme 19 Limited information

Respondents indicated that corporate information was available on their companies' web site but there was limited information available in English. These results are reported in Table 5.36 (Question 27). Disclosure is likely to be important to foreign investors to promote public confidence in the corporate system (Iskander and Chamlou, 2000).

6.5.4 Proposition 4

It was expected that western variables used for performance measurement would be applicable in Thailand. In this study, appropriate data were collected from the Stock Exchange of Thailand Information Products (SETINFO) to facilitate the use of the ROA, ROE, and Tobin's Q statistics for performance measurement (Table 6.1- 6.6), as these are regarded as appropriate for use in the Western context. Of interest was whether these same variables are useful, or provide useful information, in the Thai context. It was also expected that these variables for performance measurement would be related to variables of corporate governance, such as, 'board of directors', 'audit committee', 'disclosure and transparency', and 'shareholder rights'. Proposition 4 was generated from these expectations.

Proposition 4: *The variables ROA, ROE and Tobin's Q will be relevant for the measurement of corporate governance performance in Thailand.*

Table 6.14 Matching of questions to proposition 4 and variables

Proposition 4		Theme	Questions	Table	Variables
4	The variables ROA, ROE and Tobin's Q will be relevant for the measurement of corporate governance performance in Thailand	20	12,13,14	5.20,5.21,5.22	Board structure
		21	20	5.29	Effective monitoring by the board
		22	28	5.37	Shareholders rights
		23	21,22	5.31,5.32	Audit committee structure
		24	22,24,25	5.32,5.34	Independence of audit committee
		25	26	5.35	Information disclosure

Theme 20 ***Board structure***

Questions 12, 13 and 14 were designed to examine board structure**.** The boards of most respondent companies have no more than twelve members, and most companies had three independent directors on the board because of the minimum requirement of the SET rules regarding the number of independent directors. Most companies have between one and five executive directors as board members. These results were presented in Tables 5.20, 5.21 and 5.22. Nam and Lum (2005) reported that as a minimum requirement, the number of independent directors should make up at least 50 percent or least three of the total number of board members. The maximum number of independent directors observed in this study is thirteen, and the minimum number of independent directors observed is two. Notably, two companies had lower than the mandatory number of independent directors. Nam and Lum (2005) suggest that fewer than three members is likely to have negative implications for the level of corporate governance exhibited by such companies.

Theme 21 Effective monitoring by the board

Question 20 was developed to address effective monitoring by the board. Respondents indicated that the main functions of the board are to review financial reports, ROA and return on investment (ROI) in the board meeting. Moreover, the board and top management meet often to discuss and give management sufficient counsel on company strategy. These results were shown in Table 5.29. Limpaphayom and Connelly (2004) predicted that this practice reflects good corporate governance within companies.

Theme 22 Shareholders Rights

Respondents indicated that all shareholders of the same class were treated equally. Adequate information about companies was disclosed. All shareholders have the same voting rights and rights to dividend. These results are reported in Table 5.37 (Question 28). These findings confirm earlier results addressing this same issue.

Theme 23 Audit committee structure

Most respondent companies have a minimum of three audit committee members and they have more than two non-executive directors on the audit committee. These results are shown in Table 5.31 and 5.32 (Question 21 and 22) and they provide consistent confirmation of questions 21 and 22.

Theme 24 Independence of audit committee

Questions 22, 24 and 25 were designed to examine the independence of the audit committee. Most respondents have three non-executives on the audit committee. At least one member is an accounting and finance specialist. However, some respondents are also audit committee members outside their employer organisation, suggesting that conflict of interest may be a continuing problem for corporate regulators to be concerned about. These results were reported in Tables 5.32 and 5.34.

Theme 25 Information disclosure

Question 26 was developed to address information disclosure by listed companies in Thailand. Respondents indicated that companies disclose all major corporate information in their annual report and the main company web site. These results appear in Table 5.35.

6.5.5 Proposition 5

It was expected that three groups in this study CEOs, audit committee members (independent directors), and executive directors would exhibit differences in their preferences for measures to strengthen corporate governance in Thailand. Proposition 5 was generated from this expectation.

***Proposition 5**: There will be significant differences in measures of responses from different groups for strengthening corporate governance in Thailand*

Table 6.15 Matching of questions to proposition 5 and variables

Proposition 5		**Theme**	**Questions**	**Table**	**Variables**
5	There will be significant differences in measures of responses from different groups for strengthening corporate governance in Thailand.	26	37	5.8	Respondent background
		27	38,39	5.9,5.10	Independence of response
		28	41,	5.45	Incentive for investment
		29	45	5.49	Benefits of corporate governance
		30	46	5.51	Rules to improve corporate governance
		31	47	5.52	Enhancement corporate governance
		32	48	5.53	Performance of independent directors
		33	49	5.54	Impact of the implementation of corporate governance

Theme 26 Respondents' background

Most respondents in this study have backgrounds as business executives, financiers and accountants. These results are presented in Table 5.8 (Question 37). The educational background of board members in business, accounting, and finance implies that they have a good understanding of corporate reporting and decision-making. Other respondents had backgrounds in engineering, and five respondents were doctors or economists.

Theme 27 Independence of response

Questions 38 and 39 were designed to examine independence and investigated how many boards directors serve on, and for how long they have served. Most have been serving as board members for 1-10 years (74%). Moreover, many had served (64%) on more than one board. These results appear in Tables 5.9, and 5.10.

Theme 28 Incentive for investment

The results presented in Table 5.45 (Question 41) show that most respondents believe that a strong corporate governance regime would be an incentive for foreign investment in Thailand. The NCGC (2005) stated that corporate governance can ensure transparency and stakeholders would not be likely to take a risk with an organisation without a good corporate governance structure.

Theme 29 Benefits of corporate governance

Respondents agree that corporate credibility and the number of long-term investors increased when corporate governance improved. However, respondents disagreed that corporate governance reduced political or regulatory intervention. These results are reported in Table 5.49 (Question 45). This is a important outcome as it suggests that regulatory costs would remain high whether corporate governance is poor or good.

Theme 30 Rules to improve corporate governance

These results are shown in Table 5.51 (Question 46) where respondents indicated that the SET should adopt more stringent listing standards to improve corporate governance. These results were supported by interview data (Section 6.4). Shareholders and regulatory authorities are demanding higher standards of corporate governance and that the interests of minority investors be adequately protected in Thailand to help to improve corporate governance.

Theme 31 Enhancement of corporate governance

Respondents believed that the enhancement of corporate governance in Thailand requires the disclosure of the selection and appointment process of new directors to the board. Independent directors should be independent of both management and substantial shareholders. Moreover, the Chairman of the board should be an independent director. These results are shown in Table 5.52 (Question 47).

Theme 32 Performance of independent directors

Question 48 indicated that most respondents believed independent directors perform very well and have a better knowledge of the business than before the financial crisis, they participate in board discussion and are aware of fiduciary duties to all shareholders. These results are shown in Table 5.53.

Theme 33 Impact of the implementation of corporate governance

Respondents believe that the greatest impact of the implementation of corporate governance in Thailand was in improved transparency and disclosure, support from top managers and appointment of truly independent directors. These results are supported by interview data (Section 6.4). These results are reported in Table 5.4 (Question 49).

6.6 Summary

Since the financial crisis in 1997, Thai companies have recognised the need for change and have greatly improved their corporate governance procedure. Examples of the transformation of Thai companies include the implementation and improvement of important corporate governance principles. The regulatory reaction to the financial crisis seems to be an important factor pushing Thai companies to improve corporate governance of their organisations. The next chapter will provide conclusions, limitations, and future research issues.

Chapter 7

Conclusions, Limitations and Future Research

7.1 Introduction

The literature review was presented in Chapters 2 and 3. The research propositions relating to the objectives of this study were posed in Chapter 4, and the research methodologies for the collection of data and the characteristics of the sample group were also described in Chapter 4. The data have been examined using different statistical techniques according to the nature of the data. In Chapter 5, the results of the questionnaires data analysis were presented. In Chapter 6, a report of the results of testing the five propositions and analysis of data from the Stock Exchange of Thailand Information Products (SETINFO) was presented. Interview data were also evaluated in Chapter 6. In Chapter 7, an overview of the research questions, conclusions about propositions, implications, limitations and suggestions for future research are provided.

7.2 An overview of the research questions

In 1997, the Asian financial crisis occurred. This crisis led to the collapse of many companies and to the introduction of corporate governance structures in countries like Thailand. As a result, interest in corporate governance increased in Thailand. Government, business, institutional investors, professional advisers, consultants and academics have all taken a closer interest in issues like corporate ownership structure, board structure and composition, directors' and officers' legal duties and chief executive officer's remuneration. Good corporate governance in listed companies is likely to increase confidence and trust in the Thai capital market.

One of the most important characteristics of the corporate sector in Thailand is the feature of family control over business operations. At the time of the 1997 financial crisis, Thai public companies were characterised by their large family ownership with family members and related-party shareholders as the controlling shareholders. Lack of transparency and the lack of solid information regarding financial transactions as a result of this structural feature may have been critical factors contributing to the Thai financial crisis (Alba, Claessens and Djankov, 1998).

7.3 Conclusions about propositions

In Chapter 6, the results of propositions were reported. In this section, conclusions about propositions are presented.

7.3.1 Relationship of corporate governance and the Thai financial crisis: ownership structure and regulation of rules in listed companies in Thailand

It was expected that when a company was in a reactionary economy, it would learn to improve corporate governance. Proposition 1 examined the relationship between corporate governance and each of the following variables: the Thai financial crisis; ownership structure; and, regulation in listed companies in Thailand. The results from interviewees (77%) confirmed that after the Thai financial crisis corporate governance in Thailand improved.

The regulation and rules governing listed companies in Thailand were improved by the Stock Exchange of Thailand (SET) and the Thai Securities and Exchange Commission (SEC). The major changes and reform efforts have been in the area of process especially in enforcement and disclosure. New and updated rules, new and revised laws, and increased regulatory oversight have been the outcome of the push for increased corporate governance.

7.3.2 Relationship between western models and variables of corporate governance in Thailand

Thailand has adopted a guideline for corporate governance of listed companies. The standards of corporate governance are based on Organisation for Economic Co-operation and Development (OECD) Principles (2004). The OECD Principles focus on corporate governance issues related to the separation of ownership and control. The scope of the OECD Principles can be divided into six areas: ensuring the basis for an effective corporate governance framework; rights of shareholders; equitable treatment of shareholders; role of stakeholders; disclosure and transparency; and responsibilities of the board. Proposition 2 stated that differences from western models of corporate governance mechanisms in listed companies in Thailand would be significant.

As shown in Sections 5.18 and 6.4 the results of this study are inconclusive with most respondents (mean scores = 2.94) selecting ‘unsure’ as their answer when they compare the improvement of the standard of corporate governance in Thailand relative to the western models of the USA, the UK and Australia. However, the results in this study confirmed (mean scores = 3.56) that the standard of corporate governance in Thailand is regarded as high among Asian countries.

Variables of corporate governance in Thailand were compared with the OECD Principles. This study indicates that shareholders are generally accorded equal rights (mean scores = 4.64). However, some respondents did not believe that shareholders had equality in the election of members of the board of directors (mean scores = 3.30). These results were supported by interview data as discussed in Section 6.4. Interviewees believe that the major shareholders elect members of the board. This study confirmed that all listed companies in Thailand utilise the one-share-one-vote rule (95% of respondents). It also confirmed that before the shareholders’ meeting, companies will send details of directors to be elected to all shareholders (85% of respondents) (Section 5.14).

Transparency of information and adequacy of disclosure for shareholders were considered in Section 5.13. The study indicated that shareholders obtain relevant information about the company on a timely and regular basis (mean scores = 4.63). Also, companies’ disclosed adequate information in their annual financial report and on their web sites, although some companies have limited information on their web-sites in English.

The results supported the view (Section 5.9 and 5.15) that the responsibilities of the board of directors should ensure the integrity of the company's financial report (mean scores = 4.73), proper disclosure and active communication with shareholders and stakeholders (mean scores = 4.63). Respondents believe that the board of directors should effectively oversee potential conflicts of interest including related-party transactions so as to ensure the effectiveness of various corporate governance practices (mean scores = 4.52). This study also indicated that the company board of directors is active in selecting, better qualified, truly independent directors (mean scores = 4.62) and separating the Chief Executive Officer (CEO) from the board chairman position (mean scores = 4.58). Furthermore, the respondents believe that the board should make timely provision of relevant information to the directors (mean scores = 4.63), provide education and adopt codes of conduct for directors (mean scores = 4.40), and that directors should have the strongest voice in selecting independent directors (52% of respondents), have the strongest voice in removing a poorly performing CEO, and in selecting a new CEO (87% of respondents).

7.3.3 Relationship of information disclosure and the implementation of corporate governance in Thailand

It was expected that information disclosure and transparency would be improved with the implementation and the success of corporate governance. Proposition 3 stated that there would be significant improvement in information disclosure in financial reports of Thai companies resulting from the implementation of corporate governance.

As shown in Section 5.13 and 5.14, adequate corporate information was disclosed in the annual report and on the web-site but there was limited information in English (51% of respondents). This study also confirmed that information about companies is sent to shareholders on a timely basis (mean scores = 4.63). Moreover, it confirmed that the details of directors to be elected were sent to shareholders before the shareholders' meeting.

The SET has promoted more disclosure and transparency in corporate governance. It has suggested disclosure-based criteria for new company listings focusing on reliable, accurate and complete information about the company's financial and non-financial performance. Accounting and auditing standards are expected to be more transparent and in line with international best practice. The SET has a policy of not accepting financial statements that do not comply with Generally Accepted Accounting Principles (GAAP). Furthermore, the SET has formed a 'Committee on Financial Disclosure' comprising accounting professionals and experts to consider the accuracy and transparency of financial information of listed companies (Hongcharu, 2002).

7.3.4 Performance measurement in corporate governance in Thailand

In the current study, it was expected that use of the variables, return on assets (ROA), return on equity (ROE), and Tobin's Q for corporate governance performance measurement was appropriate as these have been deemed to be appropriate for use in the western context. It was of interest to understand whether these same variables are useful in the Thai context. Proposition 4 stated that Western style variables for corporate governance measurement would be relevant for use in the Thai context. Performance was measured in this study using return on assets (ROA), return on equity (ROE), and Tobin's Q.

The results show (Section 6.2) that after the financial crisis (1997) the averages for all accounting profit ratios (ROA and ROE) deteriorated. An upward trend commenced in 2000, and then stalled in 2004 (Table 6.1 and 6.2). Similarly, with Tobin's Q an improvement in corporate governance performance after the crisis (2001-2005) was noted. These results suggest that after the financial crisis, listed companies improved their corporate governance performance. These results are shown in Table 6.3.

Another variable of performance measurement is reported in Sections 5.8-5.12. This study indicated that the most common size of the board of directors is no more than twelve board members (mean scores = 10.67). The minimum requirements of the SET rules about the number of independent directors were mostly complied with: audit committees structures required a minimum of three audit committee members on the board of directors, and more than two non-executive directors serve on the audit committee. To be independent an audit committee must have three non-executives on the audit committee. At least one member must be an accounting and finance specialist. The main function of the board is to review financial reports, ROA and ROI and give a management sufficient counsel on company strategy.

In addition, the results in this study show all shareholders of the same class were treated equally (mean scores = 4.64) (Table 5.37). Also, information about the company was disclosed in its annual report and on the main company web site. These results are shown in Table 5.35 and 5.36.

7.3.5 Strengthen corporate governance from different groups in Thailand

There were three different groups in this study, CEOs; executive directors; and outside/independent directors (audit committee). Proposition 5 stated that there would be significant differences in responses from different groups for strengthening corporate governance in Thailand. The results confirm that, on average, the measures suggested by the different groups were similar. These results were supported by survey and interview data as discussed in Section 6.4.

The results in this study (Sections 5.15, 5.16) indicate that strengthening of the corporate governance regime is likely to provide an incentive for foreign investment in Thailand (87% of respondents). Also, corporate credibility (91% of respondents) and the number of long-term investors is likely to increase (54% 0f respondents) if corporate governance improves.

Respondents believe that the SET rules to improve corporate governance should introduce more stringent listing standards as a mechanism to improve corporate governance (mean scores = 4.17). These results were supported in Section 5.18 and 6.4. Shareholders and regulatory authorities are demanding higher standards of corporate governance (mean scores = 3.95). It appears that the interests of minority investors continue to need to be adequately protected to ensure good corporate governance (mean scores = 3.92).

Sections 5.19 and 5.20 indicate a belief that corporate governance would be improved with transparency of the selection and appointment process of new directors to the board (mean scores = 4.72). Respondents believe that independent directors should be independent of both management and substantial shareholders (mean scores = 4.58), and that the chairman of the board should be an independent director (mean scores = 4.35). This study also indicates that the performance of independent directors is likely to be better if they have better knowledge of the business, participate in board discussion (mean scores = 4.68), and are aware of their fiduciary duties to all shareholders (mean scores = 4.64). Finally, the greatest impact of the implementation of corporate governance in Thailand is seems to be through improvements in transparency and disclosure (mean scores = 4.75), support from top management and appointment of truly independent directors (mean scores = 4.68). These results were reported in Sections 5.21 and 6.4.

7.4 An overview of corporate governance implementation in Thailand

Corporate governance in Thailand is currently at a crossroads. Much of the relevant literature claims huge benefits from the implementation of corporate governance. Thus, corporate governance has received substantial interest from Thai companies and regulators and is of concern to both the public sector and the private sector.

The international corporate governance system assumes a separation of ownership and control, a questionable assumption in the Thai context. Since the Asian financial crisis, all listed companies, especially family-owned businesses, have made generally poor information disclosure about related-parties transactions. This could be improved as part of the move to promote and enhance corporate governance. Family owners should be more interested in working with outside shareholders to maximise firm value.

Consideration should be given to the use of outside directors, a tool normally used in western cultures. The purpose is that outside directors can help monitor management and family owners. However, Thai people are non-confrontational and group-orientated. Many boards become so-called “rubber stamp” boards, not because directors are unaware or uninterested in their roles and duties but because they are being considerate and respectful of the owner’s decisions (Limpaphayom et al. 2004). Further, there is a limited number of individuals qualified to serve as outside directors and fewer still that can be considered truly independent. The use of outside board members can be a very powerful tool under a corporate governance system that recognises institutional and cultural differences.

Cultural attitude is important to identify the root cause for legal tardiness in Asian countries where legal practices are considered a foreign element that is not part of Asian culture. Actual implementation of legal processes is mostly avoided and settlement outside the court is more popular. Corruption is another factor that does not ensure justice for those who need or warrant it. However, corruption has a long history in Thai culture, stretching over many centuries. The Thai aversion to confrontation inherent in any adversarial legal system means that parties prefer amicable settlement rather than litigation.

After the Asian financial crisis, the influence of institutional investors and of investor activists has grown steadily. Institutional investors are taking a more active role and exercising their voting rights more frequently. The results show that all respondent companies provided adequate and timely information.

The roles and effectiveness of the board of directors of Thai listed companies have responded to the drive by regulators to develop more independent boards. The results in this study show that all companies have independent directors on their boards, with a large majority of respondent companies having three or more independent directors on the board. This is partly a result of the SET requirement that all listed firms must have an audit committee consisting of at least three independent directors. The results also show that Thai boards are active, engaged, and take their responsibilities very seriously.

Every Thai listed company is now required by the SET to have an audit committee. In a move to further improve corporate governance the SET should go ahead and mandate the creation of nomination, compensation, and other board committees to further encourage the board to exercise its monitoring role over the performance of senior managers.

The attitudes of directors need to improve concerning the awareness of the role of other stakeholders in the company. Independent directors are expected to take a leading role in preventing controlling owners abusing their power and pursuing their private interests. They are also seen to have a role to play, but are not seen as a major monitoring force. In future reforms the true independence of independent directors should be encouraged so that they can serve and protect the interests of a broader group of stakeholders.

Agency problems or conflicts of interest arise when a person, as a public sector employee or official, is influenced by personal considerations (Boadi, 2000). In Thailand family businesses, conflicts of interest can be difficult and damaging. This can be a real source of conflict where members of the family perceive one of the family members to have acted in their own interest, rather than for the benefit of the family business and the family as a whole. Perception is everything in conflicts of interest, even if there is a good intention (The Nation, 2005c).

After the financial crisis the Thai Constitution was amended to include provisions to prevent conflicts of interest between elected officials and big business, including an unprecedented bar on politicians holding shares in companies. Such provisions were seen as necessary to avoid repetition of the corruption in previous governments that greatly contributed to Thailand's 1997 financial collapse. However, in a significant oversight the Thai Constitution does not bar family members of politicians from owning shares in companies that do business with the government (Shawn, 2003).

Stakeholder theory is that companies are so large and their impact on society so pervasive that they should discharge accountability to many more sectors than solely their shareholders (Solomon and Solomon, 2004). If corporate governance in Thailand is to improve, outside directors and professional societies will be expected to play the leading roles, supplemented by efforts of financial supervisory agencies and the judiciary. Better governance would also result from improved internal corporate governance mechanisms and enhanced accounting, disclosure, and auditing standards (Limpaphayom and Connelly 2004).

As a summary, in this study corporate governance in Thailand is regarded as improving, and outside directors and professional organisations are identified as playing leading roles. Better governance has resulted from improved internal corporate governance mechanisms and enhanced accounting, disclosure, and auditing standards.

One useful framework of corporate governance reform is the structure, process, and strategy of the corporate governance system. The structure of the governance system is important. The structure outlines the rules: disclosure standards, laws and regulations, and the organisations charged with enforcement have a major influence on the effectiveness of any governance regime. In Thailand, the structure required to build good corporate governance practices is largely in place.

The major changes and reform efforts have come in the area of process, especially in enforcement and disclosure. New and updated rules, new and revised laws, and increased regulatory oversight have been at the forefront of the push for increased corporate governance. Process-related activities like monitoring, supervising, enforcing, and higher awareness have increased. In addition, corporate governance practices are now in the spotlight throughout the financial and investment markets.

The SET has issued codes of best practice and a set of corporate governance principles to serve as a guide for listed companies. Companies are now required to disclose their compliance or non-compliance in their annual report. Active training programs such as the director training programs organised by the Thai Institute of Directors (IOD) are bringing principles of good corporate governance to a wider audience.

The SET and SEC have also actively encouraged firms to improve their own corporate governance practices through a variety of activities. The "Board of the Year" awards, sponsored by the SET and the IOD, recognise excellence in boardroom performance. The 'Thai Rating and Information Service' (TRIS), Thailand's first rating agency, has been chosen by the SET to give corporate governance ratings for companies. Companies receiving a satisfactory rating are eligible for reduced fees and other preferential treatment. In the end, respondents confirmed that the roles of the regulators need to be realistic and clearly defined. The magnitude of the task needs to fit the ability to execute the work. This is the critical part of the overall corporate governance strategy in defining the structure of the system.

7.5 Implications

This study provides a useful framework for companies attempting to improve or implement good corporate governance structures and processes. The findings include that the adoption of corporate governance principles has strengthened the roles of all directors and stakeholders.

The results indicate that Thai companies affected by the financial crisis needed to learn good corporate governance. Improved corporate governance potentially provides benefits to the company such as increased number of long-term investors, increased credibility and improved access to new capital.

Finally, improvements to corporate governance could be initiated by many organisations, including the SET, SEC, IOD, government and organisations such as, the Asset Management Association, the Securities Brokerage Association, the Association of Individual Investors, and educational institutions or universities. These organisations could help to improve corporate governance by strengthening rules and laws. They need to monitor enterprise management; further improve accounting practices and disclosure of information; improve enforcement of corporate governance regulations; encourage minority investors to monitor and discipline executives and protect minority investors; improve the framework for corporate governance and encourage public discussion on the issue; and, analyse data to monitor firms' performance.

Overall, this research study suggests that the Asian financial crisis forced companies to improve corporate governance. Therefore, variables in this study such as the roles of the board of directors, audit committee, shareholder rights, and disclosure and transparency could be monitored and controlled by regulation to achieve a satisfactory standard or benchmark for corporate governance when compared with western models. These results would benefit all Thai companies.

7.6 Limitations and suggestions for future research

Some limitations should be noted when interpreting the results of this study. The limitations, however, present opportunities for future study.

7.6.1 Sample coverage

The scope of the study is limited by it's the population which included only public companies listed on the SET operating in the Bangkok region. This limitation may restrict the generalisability of the findings to only the private sector. The findings of this study may have been different if a broader range of companies had been selected. In addition, the results of this study may have been different if the sample had included the government sector and non-listed companies. Therefore, there is a need to find ways to increase the coverage of similar surveys so as to obtain a more comprehensive picture of corporate governance in Thailand.

7.6.2 Data

The annual report data were collected from public sources (SETINFO) to support the analysis of performance and corporate governance. Data collected included the ROA, ROE, market value of equity, firm debt, and book value of total assets during the period 1996 to 2005. The market value of equity, firm debt and book value of total asset data were unavailable for the period 1996 to 2000. This limited the analysis of Tobin's Q to a five-year period.

7.6.3 Response rate

Although a 22 % (101 of 453) overall response rate is acceptable for survey research, it raised difficulties for the conduct of statistical testing. The discussions concerning corporate governance in this study mainly relied on description as the means to communicate the survey results. The results may have been different if the response rate had been higher. In addition, the implications of this study may have been enhanced if the number of interviewees was able to be expanded.

7.6.4 Framework

The framework only provides the ideas on how the financial crisis affected the implementation of corporate governance and variables affecting the implementation of corporate governance. Indeed, the crisis could affect the regulations and rules of corporate governance, and other variables, such as roles of boards of directors, audit committees, shareholder rights, information disclosure and transparency. These variables may affect the implementation of corporate governance and regulation in Thailand. Hence, an extension of the study to investigate the effective monitoring of management by the independent directors and the characters of independent directors so that truly independent directors are selected is likely to improve the implementation of corporate governance in Thailand.

7.6.5 Recommendations and suggestions for future research

The enhancement of corporate governance in Thailand should be encouraged by the Thai government to promote corporate governance in both the public and private sectors. However, most of the corporate governance initiatives should continue to be made by the SEC and the SET which directly govern and monitor publicly listed companies. The SET, the Asset Management Association, the Securities Brokerage Association, the Association of Individual Investors, and educational institutions or universities should play a stronger role to help individual investors learn more about stock market investment and how to assess corporate governance practices of listed companies. The Thai Institute of Directors (IOD) should provide good training for directors to learn more about components enhancing corporate governance such as financial statements, and risk assessments. Their programme should be expanded to the public sector and non-listed companies as a means to promote and improve corporate governance in Thailand. Future researchers can also extend the investigation to examine the effective monitoring of management by the independent directors, and the characteristics of independent directors to determine whether they are truly independent as this has been shown to improve corporate governance in Thailand. Finally, stakeholders could pay more attention to this issue and to reward companies which exhibit good corporate governance. The financial crisis has pushed most Thai corporations to conduct their business in a more ethical and responsible manner.

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APPENDICES

Appendix A

English questionnaire material

Victoria University
PO Box 14428
Melbourne City
MC 8001 Australia

Telephone:
(03) 9919 4333
Facsimile:
(03) 9919 4901

Footscray Park Campus
School of Accounting and Finance
Ballarat Road
Footscray

VICTORIA UNIVERSITY OF TECHNOLOGY

Securing Your Future

12 October 2005

Dear Chief Executive Officer,

I am working towards a Doctor of Philosophy degree through the School of Accounting and Finance at Victoria University, Melbourne. The research project being undertaken seeks to assess the relevance of factors that determine corporate governance in Thailand and assess the impact of corporate governance on ownership structure, board structure and composition, directors' and officers' legal duties and chief executive officers' pay in listed companies in Thailand. The questionnaire is based on western models.

The research project will be consider significant differences for strengthening corporate governance in Thailand. Could you please complete the first set of questionnaires? Would you kindly send the second set questionnaires to Executive directors and the third set questionnaires to independent directors to complete?

The results will be used only in an aggregated form and therefore your anonymity and the confidentiality of your responses are assured. The completed questionnaires will be securely stored and available only to the supervisors and myself. Your reply can be returned to my collection base in the prepaid envelope supplied.

Thank you in anticipation of your co-operation.

Yours faithfully,

Chatrudee Jongsureyapart
Ph.D. candidate

Victoria University
PO Box 14428
Melbourne City
MC 8001 Australia

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You are invited to participate in this project. While your co-operation in completing the questionnaire is valued, your participation is voluntary. The results will be used only in an aggregated form and therefore your anonymity and the confidentiality of your responses are assured. The completed questionnaires will be securely stored and available only to the supervisors and myself. The only people to have access to the questionnaires will be to my supervisors and myself.

The results will be contained in the thesis that will be available at the Victoria University of Technology library. It is also hoped that aspects of the results will be published in aggregate in various professional and academic journals.

Your participation would be appreciated and I look forward to receiving your completed questionnaire by 20 November 2005. Your reply can be returned to my collection base in 69/2 Mu 11,Asia 1 Road, Amphur Muang, Chiang Rai, Thailand 57000 in the prepaid envelope supplied.

Should you have any queries regarding the project or questionnaire, please feel free to contact me on 001-613-9815 3233 or e-mail:chatrudee.jongsureyapart@research.vu.edu.au or my senior supervisor, Associate Professor Victoria Wise on e-mail: Victoria.wise@vu.edu.au or Professor Robert Clift on e-mail: Bob.clift@vu.edu.au. If you have any queries or complaints about the way you have been treated, you may contact the Secretary, University Human Research Ethics Committee, Victoria University of Technology, PO Box 14428 MCMC, Melbourne, 8001 (telephone no: 03-96884710).

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Footscray Park Campus
School of Accounting and Finance
Ballarat Road
Footscray

12 October 2005

Dear Independent Director,

I am working towards a Doctor of Philosophy degree through the School of Accounting and Finance at Victoria University of Technology, Melbourne. The research project being undertaken seeks to assess the relevance of factors that determine corporate governance in Thailand and assess the impact of corporate governance on ownership structure, board structure and composition, directors' and officers' legal duties and chief executive officers' pay in listed companies in Thailand. The questionnaire is based on western models. To ensure the validity of results a reply to the attached questionnaire would be greatly appreciated.

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Thank you in anticipation of your co-operation.

Yours faithfully,

Chatrudee Jongsureyapart

Questionnaire

Title: Factors that Determine Corporate Governance in Thailand

Thailand, like most economies based on private enterprise, has had serious company failures from the Asian financial crisis of 1997. Corporate governance is the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all stakeholders in a socially responsible way in all areas of their business activity. Good corporate governance in listed companies is likely to increase confidence and trust in the Thai capital market.

It is proposed in this research to discover the nature and extent of corporate governance in listed companies in Thailand. This includes a consideration of theoretical underpinning for amendments made to the western models of corporate governance that have been implemented by Thai listed companies, and of the effect of corporate governance principles on financial information, including financial reports, used by stakeholders in Thai listed companies.

It is the intention to use a questionnaire to collect information about the firm, shareholders' rights and disclosure, questions measuring the effectiveness of the board of directors, audit committee, and the role of stakeholders. The questionnaire contains forty-nine questions and should take approximately thirty minutes to complete.

Your answer in this questionnaire will be treated in the strictest confidence and no information gained from this survey will be identified with any particular person or organisation.

<u>Part A</u>

Section 1: Demographics

1.What is your gender?

a) Male ☐
b) Female ☐

2.In which age group do you belong?

a) 20-30 ☐
b) 31-40 ☐
c) 41-50 ☐
d) 51-60 ☐
e) More than 60 years old ☐

3.What is the highest education qualification you have achieved?

- a) Less than a Degree ☐
- b) Degree ☐
- c) Master's Degree ☐
- d) Doctorate ☐

4.Where did you achieve the highest level of education?

- a) In Thailand ☐
- b) Overseas, please specify the country____________________ ☐

Section 2: Company Characteristics

5. Please classify your company according to the following industry groups?
If appropriate tick (✓) more than one classification

- a) Agro & Food Industry ☐
- b) Consumer products ☐
- c) Financial ☐
- d) Industrials ☐
- e) Property & Construction ☐
- f) Resources ☐
- g) Services ☐
- h) Technology ☐
- i) Other (please put in detail)__________________ ☐

6. Please indicate the number of employees in your company:

- a) Less than 500 ☐
- b) 501-1,000 ☐
- c) 1,001-1,500 ☐
- d) 1,501-2,000 ☐
- e) More than 2,000 ☐

7. Please indicate for your company the total of

	Net Assets	Market Capitalisation	Net Profit
a) Less than 100 million baht	( )	( )	( )
b) 101-500 million baht	( )	( )	( )
c) 501-1,000 million baht	( )	( )	( )
d) 1,001-5,000 million baht	( )	( )	( )
e) 5,001-10,000 million baht	( )	( )	( )
f) 10,001-50,000 million baht	( )	( )	( )
g) More than 50,000 million baht	( )	( )	( )

8. Please indicate whether your company is

	Yes	No
a) Single company	( )	( )
b) Holding company family-based business group	( )	( )
c) Subsidiary of a family-based business group	( )	( )
d) Partially owned, and controlled by the government	( )	( )
e) Partially owned, but not controlled by the government	( )	( )
f) Partially owned, and controlled by foreigners	( )	( )
g) Partially owned, but not controlled by foreign investors	( )	( )

If your company is not a family-based business group please go to question 10

9. Please circle on a scale from 1-5 the extent to which you agree with the following statements

	Strongly Disagree				Strongly Agree
a) Family members share a common vision about the company	1	2	3	4	5
b) Family members are committed to jointly agreed goals of the company	1	2	3	4	5
c) Family members agree about the long-term development objectives of the company	1	2	3	4	5
d) Owners' family negotiate joint expectations fairly with the top management	1	2	3	4	5

Section 3: CEO

10. Who makes the most important decisions about the operation of your company?
    - a) Board of Directors ☐
    - b) CEO ☐
    - c) Shareholders ☐

11. Please circle on a scale from 1-5 the extent to which you agree with the following statements

	Strongly Disagree				Strongly Agree
a) CEO has a great deal of power	1	2	3	4	5
b) CEO does not participate much in making fundamental decisions pertaining to the company	1	2	3	4	5
c) The Board of Directors makes all the fundamental decisions	1	2	3	4	5
d) The Board of Directors acts only as a formal decision-making body	1	2	3	4	5

Section 4: Board of Directors

12. How many directors does your board have in total? _______________

13. How many independent directors does your board have? _______________

14. How many executive directors does your board have? _______________

15. Please indicate whether your board has any of the following people?

	Yes	No
a) Accountant/Lawyer	( )	( )
b) Representative of a financial institution	( )	( )
c) Representative of a customer company	( )	( )
d) Representative of a labor union	( )	( )
e) Representative or member of controlling shareholder's family	( )	( )
g) Representative of a supplier	( )	( )
h) Government appointee-member of parliament	( )	( )
i) Government appointee-public service	( )	( )
j) Government appointee-other	( )	( )

16. How many board meetings were held last financial year?
   - a) Less than 4 ☐
   - b) 4 - 8 ☐
   - c) 9 - 12 ☐
   - d) If more than 12, please state how many_____________

17. On average, how many hours did board meetings last?
   - a) Less than 1 hour ☐
   - b) 1-2 hours ☐
   - c) 2-3 hours ☐
   - d) More than 3 hours ☐

18. On average, how many directors attended board meetings?
   - a) 90-100% ☐
   - b) 80-89% ☐
   - c) 70-79% ☐
   - d) 60-69% ☐

19. In your company

	Yes	No
a) do all directors hold a Thai Institute of Directors (IOD) certificate?	( )	( )
b) is education or training for directors relating to corporate governance provided?	( )	( )
c) are the Chairman and CEO the same person?	( )	( )

20. Please circle on a scale from 1-5 the extent to which you agree with the following statements

	Strongly Disagree				Strongly Agree
a) Financial reports prepared by top management are reviewed in board meetings	1	2	3	4	5
b) Criteria such as return on assets and return on invested capital are regularly reviewed in board meetings	1	2	3	4	5
c) Cash flows are regularly discussed in board meetings	1	2	3	4	5
d) Return on investment of large individual investments are regularly monitored by the Board	1	2	3	4	5
e) The Board closely monitors top management's strategic decision making	1	2	3	4	5
f) The Board formally evaluates performance of top management in regularly held feed-back meeting	1	2	3	4	5
g) The Board usually defers to the CEO's judgment on final strategic decisions	1	2	3	4	5
h) The Board is actively involved in shaping company strategy	1	2	3	4	5
i) The Board and top management meet often to discuss the company's future strategic choices	1	2	3	4	5
j) Board members give top management sufficient counsel on company strategy	1	2	3	4	5
k) Directors provide advice and counsel to top management in discussions outside board meetings	1	2	3	4	5

Section 5:Audit Committee

21. How many members are on the audit committee?
    - a) 3 ☐
    - b) 4 ☐
    - c) If more than 4, please state how many __________

22. How many non-executive directors are on the audit committee?
    - a) None ☐
    - b) 1 ☐
    - c) 2 ☐
    - d) If more than 2, please state how many_______________

23. How many meetings of the audit committee were held in the last financial year?
    - a) Less than 4 ☐
    - b) 4 - 8 ☐
    - c) 9 -12 ☐
    - d) If more than 12, please state how many___________

24. Please indicate yes or no to the following statements

	Yes	No
a) Are you the chairman of the audit committee?	( )	( )
b) Are you the chairman of the board of directors?	( )	( )
c) Are you the CEO of this organisation?	( )	( )
d) Did you work as an employee or an executive in this company in the last 5 years?	( )	( )
e) Does the audit committee have at least one member who is qualified in accounting or finance?	( )	( )

25. Are you a member of the audit committee of a company outside this organisation?
    - a) Yes ☐
    - b) No ☐
    - c) If yes, how many __________

Section 6: Disclosure and Transparency

26. Does your company disclose the following information?

	Yes	Web Site	Annual Report	No
a) Semi-annual financial statements	○	○	○	○
b) Quarterly financial statements	○	○	○	○
c) Consolidated financial statements	○	○	○	○
d) Major share ownership and voting rights	○	○	○	○
e) Self-dealing (related-party) transactions	○	○	○	○
f) Name of members of the board	○	○	○	○
g) Directors selling or buying of shares in the company	○	○	○	○
h) Resume/background of directors	○	○	○	○
i) Remuneration of directors	○	○	○	○
j) Fees paid to external auditors, advisors, and other related parties	○	○	○	○
k) Major contingent liabilities such as cross-guarantees of debt repayment	○	○	○	○
l) Policies on risk management and the company's objectives	○	○	○	○
m) Significant changes in ownership	○	○	○	○
n) Material issues regarding employees and other stakeholders	○	○	○	○
o) Governance structures and policies (corporate governance rules and vision)	○	○	○	○
p) The extent to which corporate governance practices conform to established standards	○	○	○	○

27. If your company has a web site, is it?

	Yes	No
a) Available in local language	( )	( )
b) Available in English	( )	( )
c) Available with limited information in English	( )	( )

Section 7: Shareholder Rights

28. Please circle on a scale from 1-5 the extent to which you agree with the following statements

	Strongly Disagree				Strongly Agree
a) Shareholders have secure methods of ownership registration	1	2	3	4	5
b) Shareholders obtain relevant information about the company on a timely and regular basis	1	2	3	4	5
c) Shareholders elect members of the board	1	2	3	4	5
d) Shareholders share in the profits of the company	1	2	3	4	5
e) All shareholders of the same class are treated equally	1	2	3	4	5
f) Within any class, all shareholders have the same voting rights	1	2	3	4	5
g) Within any class, all shareholders have the same right to dividend	1	2	3	4	5
h) Process and procedures for general shareholder meetings allow for equitable treatment of all shareholders	1	2	3	4	5
i) Members of the board and managers should be required to disclose any material interests in transactions or matters affecting the shareholders	1	2	3	4	5
j) Shareholders are provided with adequate information on the agenda items of the shareholders' meeting	1	2	3	4	5
k) Adequate opportunity is given for asking questions and placing issues at shareholders' meetings	1	2	3	4	5
l) It is not difficult to discover how much equity ownership the major shareholders control (including the equity shares of companies they control)	1	2	3	4	5

29. Does your company have

	Yes	No
a) the one-share one-vote rule	( )	( )
b) a remuneration committee	( )	( )
c) a nomination committee	( )	( )
d) details of directors to be elected, disclosed, before the shareholders' meeting	( )	( )

30. How long was the latest annual shareholders' meeting?
   a) Less than 30 minutes ☐
   b) More than 30 minutes and less than 1 hour ☐
   c) 1-2 hours ☐
   d) More than 2 hours ☐

31. Would it be possible for the director candidates proposed by the management of your firm to fail to be elected at the shareholders' meeting?
   a) Sometimes ☐
   b) Rarely ☐
   c) Unthinkable ☐

Section 8: Effectiveness of the board of directors

32. Who has the strongest voice in the selection of independent directors?
    - a) Board of directors ☐
    - b) CEOs ☐
    - c) Shareholders ☐

33. Who has the strongest voice in removing a poorly performing CEO and selecting a new CEO? (More than one may be chosen)
    - a) The Board of directors ☐
    - b) Shareholders ☐
    - c) Other______________ ☐

34. Please circle on a scale of 1-5 the extent to which you agree that your board is active in and makes a contribution to the following tasks?

	Strongly Disagree				Strongly Agree
a) Actively involved in formulating long-term strategies	1	2	3	4	5
b) Plays an important role in selecting, monitoring, and replacing the CEO	1	2	3	4	5
c) Seriously reviews key executive and director remuneration	1	2	3	4	5
d) Effectively oversees potential conflicts of interest including related-party transactions	1	2	3	4	5
e) Ensures the integrity of the firm's financial reporting	1	2	3	4	5
f) Ensures proper disclosure and actively communicates with shareholders and stakeholders	1	2	3	4	5
g) Ensures the effectiveness of various corporate governance practice	1	2	3	4	5

35. What do you think about the usefulness of the following tasks for the purpose of enhancing the effectiveness of company boards?

	Not useful				Useful
a) Selecting more, better qualified, truly independent directors	1	2	3	4	5
b) Separating the CEO from the board chairman position	1	2	3	4	5
c) Timely provision of relevant information to the directors	1	2	3	4	5
d) Providing education programs and adopting codes of conduct for directors	1	2	3	4	5
e) Formal annual evaluation of the board and directors	1	2	3	4	5
f) Formal evaluation of the CEO by the board	1	2	3	4	5
g) Giving independent directors better compensation and making it directly linked to firm performance	1	2	3	4	5
h) Better disclosure of board activity	1	2	3	4	5

Part B

Section 1: General

36. Are you an independent director?
    - a) Yes ☐
    - b) No ☐

37. What is your professional background?
    - a) Business Executive ☐
    - b) Banker / Financier ☐
    - c) Academic ☐
    - d) Accountant ☐
    - e) Lawyer ☐
    - f) Other_____________ ☐

38. How many corporate boards of directors do you currently serve on?____________

39. How long have you been serving as a board member for this organisation?
    ____

40. In your opinion, to what extent has the standard of business ethics and corporate governance in Thailand improved over the last five years?
    - a) Improved considerably ☐
    - b) Improved a little ☐
    - c) Remained largely unchanged ☐
    - d) Deteriorated slightly ☐
    - e) Deteriorated a lot ☐
    - f) Unsure ☐

41. Is Thailand's corporate governance regime an incentive for investment in Thailand?
    - a) Yes ☐
    - b) No ☐
    - c) Unsure ☐

42.Who should initiate improvements in corporate governance?
(More than one may be chosen)

a) The Stock Exchange of Thailand (SET) ☐
b) Thai Securities and Exchange Commission (SEC) ☐
c) Corporate Governance Center (CGC) ☐
d) Federation of Accounting Professions ☐
e) Thai Government regulation board ☐
f) National Corporate Governance Committee ☐
g) Institute of Internal Auditors Thailand (IIAT) ☐
h) Thai Institute of Directors (IOD) ☐
i) Civil (minority shareholder) activists ☐
j) Professional societies such as accounting and audit ☐
k) The judiciary ☐
l) Outside directors ☐

43.Which of the following tasks do you think is most effective for better corporate governance in your company? (More than one may be chosen)

a) Making the internal corporate governance mechanisms (such as shareholder participation and the role of the board) work better ☐
b) Enhancing the standards of accounting, audit and disclosure ☐
c) Conducting and publicising corporate governance ratings ☐
d) Reducing ownership concentration ☐

44. Please indicate the level of corporate governance in your company for each the following statements

	Much Better	About the same	Much Worse
a) Corporate governance in your company compared with other listed companies	( )	( )	( )
b) Compare your company's current corporate governance practices with those of five years ago	( )	( )	( )

45. In your opinion, what are the benefits to companies if corporate governance is improved? (More than one may be chosen)

a) Improved access to new capital ☐
b) Increased number of long-term investors ☐
c) Increased share liquidity ☐
d) Reduced share price volatility ☐
e) Reduced political or regulatory intervention ☐
f) Reduced cost of capital ☐
g) Increased credibility ☐
h) Increased price/earnings ratio ☐
i) Increased share value ☐
j) Other – please specify_______________________

46. Please circle on a scale from 1-5 the extent to which you agree with the following statements about corporate governance in Thailand

	Strongly Disagree				Strongly Agree
a) The standard of corporate governance in Thailand is comparable to that of the USA, UK or Australia	1	2	3	4	5
b) The standard of corporate governance in Thailand is high among Asian countries	1	2	3	4	5
c) The majority of listed companies in Thailand are taking measures to strengthen corporate governance	1	2	3	4	5
d) Most listed companies in Thailand could be doing more to strengthen corporate governance	1	2	3	4	5
e) Shareholders and regulatory authorities are demanding higher standards of corporate governance	1	2	3	4	5
f) Minority investors in family-controlled listed companies are equitably treated by controlling family shareholders	1	2	3	4	5
g) The Stock Exchange of Thailand should adopt more stringent listing standards	1	2	3	4	5
h) The interests of minority investors are adequately protected in Thailand	1	2	3	4	5

47. Please circle on a scale from 1-5 the extent to which you agree with introducing the following enhancements in corporate governance for Thailand

	Strongly Disagree				Strongly Agree
a) Independent directors should make up at least one-half of the board	1	2	3	4	5
b) Independent directors should be independent of both management and substantial shareholders	1	2	3	4	5
c) The Chairman of the board should be an independent director	1	2	3	4	5
d) The board should appoint a lead independent director when the Chairman is not an independent director	1	2	3	4	5
e) The selection and appointment process of new directors to the board should be disclosed	1	2	3	4	5
f) The remuneration committee should comprise entirely directors who are independent from management and substantial shareholders	1	2	3	4	5
g) Companies should disclose more information about the remuneration policy for executive directors	1	2	3	4	5
h) Companies should disclose the exact remuneration of each director	1	2	3	4	5
i) The audit committee should comprise entirely independent directors	1	2	3	4	5
j) Companies should place a limit on the number of non-executive directorships in listed companies that can be held by a person	1	2	3	4	5
k) There should be a legal limit on the number of non-executive directorships in listed companies that can be held by one person	1	2	3	4	5
l) Companies should adopt a code of conduct/ethics for all directors, officers and employees	1	2	3	4	5
m) The Code of Corporate Governance should contain different guidelines for companies of different sizes (e.g., market capitalisation, revenue etc.)	1	2	3	4	5

Section 2: Independent directors

48. Do you think that the following tasks will contribute to the better performance of independent directors?

	Not at all				Very well
a) Better attendance rate at board meetings	1	2	3	4	5
b) Better preparation for, and more active participation in, board discussion	1	2	3	4	5
c) Better knowledge of the business of the firm	1	2	3	4	5
d) Better awareness of fiduciary duties to all shareholders	1	2	3	4	5
e) Willingness to speak for minority shareholders	1	2	3	4	5

Section 3: Impact of the implementation of corporate governance in Thailand

49. Please indicate the level of importance of each the following statements

	Not important				Critically important
a) Knowledge of data requirements and collection processes	1	2	3	4	5
b) Top management support	1	2	3	4	5
c) Transparency and disclosure	1	2	3	4	5
d) Checks and balances	1	2	3	4	5
e) High cost of corporate governance ratings	1	2	3	4	5
f) Concentrated ownership	1	2	3	4	5
g) Protection of shareholders' rights	1	2	3	4	5
h) True independent directors	1	2	3	4	5
i) Employee involvement	1	2	3	4	5
j) Social responsibility	1	2	3	4	5
k) Business ethics	1	2	3	4	5

In order to follow up issues raised in this investigation and to improve the quality of my data, I hope to interview some of the respondents to this questionnaire, probably in December 2005. The interview will take approximately thirty minutes to complete. Each interview will last approximately one hour and will be audio taped. If you are willing to be interviewed, would you please fill in the form below.

Company name: ____
Your name: ____
Telephone number: ____

****

Thank you very much for your participation

Appendix B

Thai questionnaire material

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เรื่อง ขอความอนุเคราะห์ในการตอบแบบสอบถาม

เรียน ท่านกรรมการผู้จัดการ

ด้วยดิฉัน นางฉัตรฤดี จองสุรียภาส นักศึกษา ภาควิชาการบัญชี Victoria University ประเทศออสเตรเลีย กำลังจัดทำวิจัยเพื่อเป็นส่วนหนึ่งของการทำวิทยานิพนธ์ระดับปริญญาเอก ในหัวข้อเรื่อง “Factors that Determine Corporate Governance in Thailand” โดยมีจุดมุ่งหมายเพื่อศึกษาผลกระทบของการกำกับดูแลกิจการที่มีต่อการจัดโครงสร้างของเจ้าของกิจการ โครงสร้างและตำแหน่งของกรรมการบริหาร ตลอดจนผลกระทบที่มีต่อหน้าที่ของกรรมการผู้จัดการ ผู้บริหาร และเจ้าหน้าที่ ของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย

ดิฉันใคร่ขอความอนุเคราะห์จากท่านในฐานะ กรรมการผู้จัดการ (CEO) ได้โปรดกรุณากรอกแบบสอบถามจำนวน 1 ชุด และได้โปรดมอบแบบสอบถามให้แก่ กรรมการบริหาร (Executive Directors) จำนวน 1 ชุด และกรรมการอิสระ (Independent Directors) อีกจำนวน 1 ชุด

คำตอบจากแบบสอบถามดังกล่าว จะถือเป็นความลับและจะไม่มีผลกระทบต่อผู้ตอบแบบสอบถามและองค์กรของท่านแต่อย่างใด อนึ่งแบบสอบถามที่กรอกข้อมูลแล้วเสร็จนั้น สามารถส่งคืนได้ทางไปรษณีย์โดยขอความกรุณาบรรจุในซองจดหมาย ตามที่แนบในแบบสอบถามแต่ละชุด

จึงเรียนมาเพื่อโปรดพิจารณาอนุเคราะห์ จักเป็นพระคุณอย่างสูง

ขอแสดงความนับถือ

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เรียน ท่านกรรมการผู้จัดการ

ดิฉันนางฉัตรฤดี จองสุรียภาส เป็นนักศึกษาระดับปริญญาเอก ภาควิชาการบัญชี Victoria University ประเทศออสเตรเลีย ขณะนี้ดิฉันกำลังศึกษาทำวิจัยในหัวข้อเรื่อง ปัจจัยที่มีผลต่อการกำกับดูแลกิจการ ในประเทศไทย (Factors that determine corporate governance in Thailand) โดยมีจุดมุ่งหมายเพื่อประเมินปัจจัยที่มีผลต่อการกำหนดการจัดทำการกำกับดูแลกิจการ (Corporate Governance) ในประเทศไทย ตลอดจนประเมินผลกระทบของการกำกับดูแลกิจการที่มีต่อโครงสร้างของเจ้าของกิจการโครงสร้างและตำแหน่งของกรรมการบริหาร และหน้าที่ของกรรมการผู้จัดการ ผู้บริหาร และ พนักงานของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย ซึ่งการจัดทำแบบสอบถามในครั้งนี้ได้ประยุกต์ตัวแบบการกำกับดูแลกิจการจากทฤษฎีของประเทศตะวันตก

ดิฉันใคร่ขอความกรุณาจากท่านเข้าร่วมโครงการวิจัยในครั้งนี้ การตอบแบบสอบถามของท่านจะเป็นประโยชน์และมีคุณค่าต่อการศึกษาเป็นอย่างมาก คำตอบของท่านจะถูกเก็บเป็นความลับ ซึ่งมีเพียงดิฉันและอาจารย์ที่ปรึกษาเท่านั้นที่สามารถทราบข้อมูลของท่าน และไม่มีการเปิดเผยข้อมูลใด ๆ ที่อ้างอิงถึงตัวท่านหรือองค์การของท่านผลการศึกษาจะรายงานไว้ในวิทยานิพนธ์ในภาพรวม ณ ห้องสมุด Victoria University และคาดว่าผลการศึกษาจะได้รับการตีพิมพ์ในวารสารเชิงวิชาการ

ดิฉันใคร่ขอความกรุณาให้ท่านช่วยส่งแบบสอบถามกลับคืนในซองจดหมายที่แนบมานี้ ภายในวันที่ 20 พฤศจิกายน 2548 หากท่านมีข้อสงสัยหรือคำถามใดๆหรือต้องการแบบสอบถามฉบับภาษาอังกฤษ กรุณาติดต่อดิฉันได้ที่เบอร์โทรศัพท์ 001-613-9815 3233 หรือที่เบอร์อีเมล์ chatrudee.jongsureyapart@researh.vu.edu.au หรือ ติดต่ออาจารย์ที่ปรึกษาของดิฉัน Associate Professor Victoria Wise ที่เบอร์อีเมล์ Victoria.wise@vu.edu.au หรือ Professor Robert Clift ที่เบอร์อีเมล์ Bob.clift@vu.edu.au หรือ the Secretary, University Human Research Ethics

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การเก็บข้อมูลของโครงการวิจัยในครั้งนี้ ประกอบด้วยการตอบแบบสอบถามและการสัมภาษณ์ส่วนบุคคลซึ่งการสัมภาษณ์จะขึ้นอยู่กับความสมัครใจของท่านและจะเริ่มดำเนินการในเดือน ธันวาคม พ.ศ. 2548 ถ้าหากท่านอนุญาตให้ทำการสัมภาษณ์ในช่วงเวลาดังกล่าว กรุณาช่วยระบุชื่อบุคคลที่จะให้สัมภาษณ์ด้านล่างนี้

ชื่อบริษัท...

ชื่อ.. นามสกุล ....

เบอร์โทรศัพท์ติดต่อ..................................เบอร์อีเมล์ติดต่อ.....................................

ดิฉันขอกราบขอบพระคุณท่านเป็นอย่างสูงมา ณ โอกาสนี้ด้วย

ด้วยความเคารพเป็นอย่างสูง

นางฉัตรฤดี จองสุรียภาส
นักศึกษาปริญญาเอก

University

12 ตุลา

เรียน ท่านกรรมการอิสระ

ดิฉันนางฉัตรฤดี จองสุรียภาส เป็นนักศึกษาระดับปริญญาเอก ภาควิชาการบัญชี Victoria University ประเทศออสเตรเลีย ขณะนี้ดิฉันกำลังศึกษาทำวิจัยในหัวข้อเรื่อง ปัจจัยที่มีผลต่อการกำกับดูแลกิจการ ในประเทศไทย (Factors that determine corporate governance in Thailand) โดยมีจุดมุ่งหมายเพื่อประเมินปัจจัยที่มีผลต่อการกำหนดการจัดทำการกำกับดูแลกิจการ (Corporate Governance) ในประเทศไทย ตลอดจนประเมินผลกระทบของการกำกับดูแลกิจการที่มีต่อโครงสร้างของเจ้าของกิจการโครงสร้างและตำแหน่งของกรรมการบริหาร และหน้าที่ของกรรมการผู้จัดการ ผู้บริหาร และ พนักงานของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย ซึ่งการจัดทำแบบสอบถามในครั้งนี้ได้ประยุกต์ตัวแบบการกำกับดูแลกิจการจากทฤษฎีของประเทศตะวันตก

ดิฉันใคร่ขอความกรุณาจากท่านเข้าร่วมโครงการวิจัยในครั้งนี้ การตอบแบบสอบถามของท่านจะเป็นประโยชน์และมีคุณค่าต่อการศึกษาเป็นอย่างมาก คำตอบของท่านจะถูกเก็บเป็นความลับ ซึ่งมีเพียงดิฉันและอาจารย์ที่ปรึกษาเท่านั้นที่สามารถทราบข้อมูลของท่าน และไม่มีการเปิดเผยข้อมูลใด ๆ ที่อ้างอิงถึงตัวท่านหรือองค์การของท่านผลการศึกษาจะรายงานไว้ในวิทยานิพนธ์ในภาพรวม ณ ห้องสมุด Victoria University และคาดว่าผลการศึกษาจะได้รับการตีพิมพ์ในวารสารเชิงวิชาการ

ดิฉันใคร่ขอความกรุณาให้ท่านช่วยส่งแบบสอบถามกลับคืนในซองจดหมายที่แนบมานี้ ภายในวันที่ 20 พฤศจิกายน 2548 หากท่านมีข้อสงสัยหรือคำถามใดๆหรือต้องการแบบสอบถามฉบับภาษาอังกฤษ กรุณาติดต่อดิฉันได้ที่เบอร์โทรศัพท์ 001-613-9815 3233 หรือที่เบอร์อีเมล์ chatrudee.jongsureyapart@researh.vu.edu.au หรือ ติดต่ออาจารย์ที่ปรึกษาของดิฉัน Associate Professor Victoria Wise ที่เบอร์อีเมล์ Victoria.wise@vu.edu.au หรือ Professor Robert Clift ที่เบอร์อีเมล์ Bob.clift@vu.edu.au หรือ the Secretary, University Human Research Ethics Committee, Victoria University of Technology, PO Box 14428 MCMC, Melbourne, 8001 (telephone no: 03-96884710)

การเก็บข้อมูลของโครงการวิจัยในครั้งนี้ ประกอบด้วยการตอบแบบสอบถามและการสัมภาษณ์ส่วนบุคคลซึ่งการสัมภาษณ์จะขึ้นอยู่กับความสมัครใจของท่านและจะเริ่มดำเนินการในเดือน ธันวาคม พ.ศ. 2548 ถ้าหากท่านอนุญาตให้ทำการสัมภาษณ์ในช่วงเวลาดังกล่าว กรุณาช่วยระบุชื่อบุคคลที่จะให้สัมภาษณ์ด้านล่างนี้

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ชื่อบริษัท..
....
ชื่อ.. นามสกุล
...

เบอร์โทรศัพท์ติดต่อ...................................เบอร์อีเมล์ติดต่อ.........................
....
ดิฉันขอกราบขอบพระคุณท่านเป็นอย่างสูงมา ณ โอกาสนี้ด้วย

ด้วยความเคารพเป็นอย่างสูง

นางฉัตรฤดี จองสุรียภาส
นักศึกษาปริญญาเอก Victoria University

12 ตุลาคม 25

เรียน ท่านกรรมการบริหาร

ดิฉันนางฉัตรฤดี จองสุรียภาส เป็นนักศึกษาระดับปริ ภาควิชาการบัญชี Victoria University ประเทศออสเตรเลีย ข... กำลังศึกษาทำวิจัยในหัวข้อเรื่อง ปัจจัยที่มีผลต่อการกำกับดูแลกิจการ ในประเทศไทย (Factors that determine corporate governance in Thailand) โดยมีจุดมุ่งหมายเพื่อประเมินปัจจัยที่มีผลต่อการกำหนดการจัดทำการกำกับดูแลกิจการ (Corporate Governance) ในประเทศไทย ตลอดจนประเมินผลกระทบของการกำกับดูแลกิจการที่มีต่อโครงสร้างของเจ้าของกิจการโครงสร้างและตำแหน่งของกรรมการบริหาร และหน้าที่ของกรรมการผู้จัดการ ผู้บริหาร และ พนักงานของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย

ซึ่งการจัดทำแบบสอบถามในครั้งนี้ได้ประยุกต์ตัวแบบการกำกับดูแลกิจการจากทฤษฎีของประเทศตะวันตก

ดิฉันใคร่ขอความกรุณาจากท่านเข้าร่วมโครงการวิจัยในครั้งนี้ การตอบแบบสอบถามของท่านจะเป็นประโยชน์และมีคุณค่าต่อการศึกษาเป็นอย่างมาก คำตอบของท่านจะถูกเก็บเป็นความลับ ซึ่งมีเพียงดิฉันและอาจารย์ที่ปรึกษาเท่านั้นที่สามารถทราบข้อมูลของท่าน และไม่มีการเปิดเผยข้อมูลใด ๆ ที่อ้างอิงถึงตัวท่านหรือองค์การของท่านผลการศึกษาจะรายงานไว้ในวิทยานิพนธ์ในภาพรวม ณ ห้องสมุด Victoria University และคาดว่าผลการศึกษาจะได้รับการตีพิมพ์ในวารสารเชิงวิชาการ

ดิฉันใคร่ขอความกรุณาให้ท่านช่วยส่งแบบสอบถามกลับคืนในซองจดหมายที่แนบมานี้ ภายในวันที่ 20 พฤศจิกายน 2548 หากท่านมีข้อสงสัยหรือคำถามใดๆหรือต้องการแบบสอบถามฉบับภาษาอังกฤษ กรุณาติดต่อดิฉันได้ที่เบอร์โทรศัพท์ 001-613-9815 3233 หรือที่เบอร์อีเมล์ chatrudee.jongsureyapart@researh.vu.edu.au หรือ ติดต่ออาจารย์ที่ปรึกษาของดิฉัน Associate Professor Victoria Wise ที่เบอร์อีเมล์ Victoria.wise@vu.edu.au หรือ Professor Robert Clift ที่เบอร์อีเมล์ Bob.clift@vu.edu.au หรือ the Secretary, University Human Research Ethics Committee, Victoria University of Technology, PO Box 14428 MCMC, Melbourne, 8001 (telephone no: 03-96884710)

การเก็บข้อมูลของโครงการวิจัยในครั้งนี้ ประกอบด้วยการตอบแบบสอบถามและการสัมภาษณ์ส่วนบุคคลซึ่งการสัมภาษณ์จะขึ้นอยู่กับความสมัครใจของท่านและจะเริ่มดำเนินการในเดือน ธันวาคม พ.ศ. 2548 ถ้าหากท่านอนุญาตให้ทำการสัมภาษณ์ในช่วงเวลาดังกล่าว กรุณาช่วยระบุชื่อบุคคลที่จะให้สัมภาษณ์ด้านล่างนี้

ชื่อบริษัท..

ชื่อ.. นามสกุล ....

เบอร์โทรศัพท์ติดต่อ..................................เบอร์อีเมล์ติดต่อ....................................

ดิฉันขอกราบขอบพระคุณท่านเป็นอย่างสูงมา ณ โอกาสนี้ด้วย

ด้วยความเคารพเป็นอย่างสูง

นางฉัตรฤดี จองสุรียภาส
นักศึกษาปริญญาเอก Victoria

University

แบบสอบถาม

หัวข้อเรื่องการวิจัย " ปัจจัยที่มีผลต่อการกำกับดูแลกิจการ (corporate governance) ในประเทศไทย"

ปี พ. ศ.2540 ประเทศไทยประสบปัญหาจากวิกฤตเศรษฐกิจ โดยเฉพาะวิกฤตทางการเงิน ซึ่งไม่ต่างไปจากประเทศอื่นๆ ที่มีระบบเศรษฐกิจขึ้นอยู่กับภาคเอกชน การกำกับดูแลกิจการ (corporate governance) เป็นระบบการตรวจสอบและการถ่วงดุล (check and balance) ทั้งภายในและภายนอกองค์กร เพื่อให้มั่นใจได้ว่าบริษัทมีความรับผิดชอบต่อผู้มีส่วนได้เสีย (stakeholders) และต่อสังคมในทุกๆด้าน ดังนั้นการกำกับดูแลกิจการที่ดีของบริษัทจดทะเบียนในตลาดหลักทรัพย์จะเพิ่มความมั่นใจและความไว้วางใจของตลาดทุนในประเทศไทยมากขึ้น

การวิจัยนี้มีจุดมุ่งหมายเพื่อศึกษาลักษณะและขอบเขตของการกำกับดูแลกิจการของบริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทย รวมถึงการนำทฤษฎีการกำกับดูแลกิจการของประเทศตะวันตกมาประยุกต์ใช้ในประเทศไทย ตลอดจนศึกษาถึงผลกระทบของหลักเกณฑ์การกำกับดูแลกิจการที่มีต่อการเปิดเผยข้อมูลทางการเงินและรายงานทางการเงิน โดยผู้ใช้ข้อมูลเป็นผู้มีส่วนได้ส่วนเสียกับบริษัทจดทะเบียน

ในแบบสอบถามนี้ประกอบไปด้วยการเก็บรวบรวมข้อมูลเกี่ยวกับบริษัทฯ สิทธิของผู้ถือหุ้นและการเปิดเผยข้อมูลของบริษัท การวัดประสิทธิภาพของคณะกรรมการบริหาร คณะกรรมการตรวจสอบ และบทบาทของผู้มีส่วนได้ส่วนเสีย แบบสอบถามนี้ประกอบด้วยคำถามทั้งหมด 49 ข้อ โดยจะใช้เวลาในการทำประมาณ 25 นาที

คำตอบของท่านในแบบสอบถามฉบับนี้จะถูกเก็บเป็นความลับและจะไม่มีการเปิดเผยข้อมูลใด ๆ ที่จะอ้างถึงบุคคลหนึ่งบุคคลใดหรือองค์กรหนึ่งองค์กรใดโดยเฉพาะ

ส่วนที่ 1 ข้อมูลทั่วไปเกี่ยวกับผู้ตอบแบบสอบถาม

1. เพศ

□ ชาย □ หญิง

2. อายุ

□ 20-30 ปี □ 31-40 ปี

□ 41-50 ปี □ 51-60 ปี

□ มากกว่า 60 ปี

3. ระดับการศึกษา

□ ต่ำกว่าปริญญาตรี □ ระดับปริญญาตรี

□ ระดับปริญญาโท □ ระดับปริญญาเอก

4. ท่านได้รับการศึกษาสูงสุดจากที่ใด

□ ในประเทศ

□ ในต่างประเทศ (โปรดระบุประเทศ)..............................

ส่วนที่ 2 ลักษณะของบริษัท

5. โปรดระบุกลุ่มประเภทของธุรกิจของบริษัทของท่าน (สามารถระบุได้มากกว่า 1 ข้อ)

□ กลุ่มเกษตรและอุตสาหกรรมอาหาร □ กลุ่มสินค้าอุปโภคบริโภค

□ กลุ่มธุรกิจการเงิน □ กลุ่มวัตถุดิบและสินค้าอุตสาหกรรม

□ กลุ่มอสังหาริมทรัพย์และก่อสร้าง □ กลุ่มทรัพยากร

□ กลุ่มบริการ □ กลุ่มเทคโนโลยี

□ อื่นๆ โปรดระบุ...................................

6. จำนวนพนักงานหรือลูกจ้างในบริษัทของท่าน

□ ต่ำกว่า 500 คน □ 501 - 1,000 คน

□ 1,001 - 1,500 คน □ 1,501 - 2,000 คน

□ มากกว่า 2,000 คน

7.โปรดระบุข้อมูลโดยรวมของบริษัทท่าน

ข้อมูล	สินทรัพย์สุทธิ	กำไรสุทธิ	มูลค่าหลักทรัพย์ตามราคาตลาด
1. ต่ำกว่า 100 ล้านบาท	□	□	□
2. 101 - 500 ล้านบาท	□	□	□
3. 501 - 1,000 ล้านบาท	□	□	□
4. 1,001- 5,000 ล้านบาท	□	□	□
5. 5,001-10,000 ล้านบาท	□	□	□
6. 10,001-50,000 ล้านบาท	□	□	□
7. มากกว่า 50,000 ล้านบาท	□	□	□

8.โปรดระบุลักษณะบริษัทของท่าน

ลักษณะ	ใช่	ไม่ใช่
1. บริษัทเดี่ยว (Single company) (ไม่มีบริษัทในเครือ)	□	□
2. มีบริษัทในกลุ่มธุรกิจครอบครัวเป็นผู้ถือหุ้นรายใหญ่ (Holding)	□	□
3. มีบริษัทในกลุ่มธุรกิจครอบครัวเป็นบริษัทในเครือ (Subsidiary)	□	□
4. มีรัฐบาลเป็นผู้ถือหุ้นบางส่วนและเป็นผู้ควบคุมการบริหารงาน	□	□
5. มีรัฐบาลเป็นผู้ถือหุ้นบางส่วนแต่ไม่ได้ควบคุมการบริหาร	□	□
6. มีชาวต่างชาติเป็นผู้ถือหุ้นบางส่วนและเป็นผู้ควบคุมการบริหาร	□	□
7. มีชาวต่างชาติเป็นผู้ถือหุ้นบางส่วนแต่ไม่ได้ควบคุมการบริหาร	□	□

ถ้าบริษัทของท่านไม่ใช่บริษัทในกลุ่มธุรกิจครอบครัว โปรดข้ามไปทำข้อ 10

9.โปรดระบุคำตอบของท่านโดยการวงกลมหมายเลขตามเกณฑ์ ลำดับ 1 ถึง 5

คำชี้แจง   หมายเลข 1 หมายถึง “ไม่เห็นด้วยอย่างยิ่ง”

หมายเลข 5 หมายถึง “ เห็นด้วยอย่างยิ่ง”

ระดับความคิดเห็น	ไม่เห็นด้วย เห็นด้วย อย่างยิ่ง อย่างยิ่ง
1. สมาชิกในครอบครัวมีส่วนร่วมในการกำหนดวิสัยทัศน์ของบริษัท	1 2 3 4 5
2. สมาชิกในครอบครัวมีส่วนร่วมในการกำหนดเป้าหมายของบริษัท	1 2 3 4 5
3. สมาชิกในครอบครัวมีส่วนร่วมในการกำหนดแผนงานระยะยาวของ บริษัท	1 2 3 4 5
4. ผู้บริหารระดับสูง ได้รับการสนับสนุนจากเจ้าของกิจการในการบริหาร	1 2 3 4 5

ส่วนที่ 3 กรรมการผู้จัดการ (CEO)

10. ในบริษัทของท่าน
บุคคลในตำแหน่งใดเป็นผู้ทำการตัดสินใจที่สำคัญในการบริหารงานของบริษัท

- □ คณะกรรมการ (Board of Directors)
- □ กรรมการผู้จัดการ (CEO)
- □ ผู้ถือหุ้น (Shareholders)

11. โปรดระบุคำตอบของท่านโดยการวงกลมหมายเลขตามเกณฑ์ ลำดับ 1 ถึง 5

คำชี้แจง หมายเลข 1 หมายถึง "ไม่เห็นด้วยอย่างยิ่ง"
หมายเลข 5 หมายถึง " เห็นด้วยอย่างยิ่ง"

ระดับความคิดเห็น	ไม่เห็นด้วย เห็นด้วย อย่างยิ่ง อย่างยิ่ง
1. กรรมการผู้จัดการมีอำนาจมากในการบริหารงาน	1 2 3 4 5
2. กรรมการผู้จัดการไม่มีส่วนร่วมในการตัดสินใจขั้นพื้นฐานของบริษัท	1 2 3 4 5
3. คณะกรรมการเป็นผู้ทำการตัดสินใจขั้นพื้นฐานโดยทั่วไปทั้งหมด	1 2 3 4 5
4. คณะกรรมการทำหน้าที่เฉพาะการตัดสินใจในเรื่องที่สำคัญโดยเฉพาะ	1 2 3 4 5

ส่วนที่ 4 คณะกรรมการ (Board of Directors)

12. คณะกรรมการมีทั้งหมดกี่ท่าน ....

13. คณะกรรมการประกอบด้วยกรรมการอิสระ (Independent directors) กี่ท่าน ....

14. คณะกรรมการประกอบด้วยกรรมการบริหาร (Executive directors) กี่ท่าน ....

15. ในคณะกรรมการของบริษัทประกอบด้วยบุคคลต่าง ๆ ต่อไปนี้หรือไม่

	มี	ไม่มี
1. นักบัญชี / นัก กฎหมาย	□	□
2. ตัวแทนจากสถาบันการเงิน	□	□
3. ตัวแทนจากบริษัทของลูกค้า	□	□
4. ตัวแทนจากสหภาพแรงงาน	□	□
5. ตัวแทนหรือสมาชิกของครอบครัวผู้มีส่วนได้เสียกับบริษัท	□	□
6. ตัวแทนจากผู้จำหน่ายวัตถุดิบ	□	□
7. ตัวแทนจากสมาชิกรัฐสภา	□	□
8. ตัวแทนจากสาธารณชน	□	□
9. ตัวแทนจากหน่วยงานอื่นของรัฐ	□	□

16. ในรอบปีบัญชีที่ผ่านมา มีการจัดประชุมคณะกรรมการกี่ครั้ง

□ น้อยกว่า 4 ครั้ง □ 4-8 ครั้ง

□ 9-12 ครั้ง □ มากกว่า 12 ครั้ง

(โปรดระบุ.)............

17. การประชุมคณะกรรมการครั้งล่าสุดใช้ระยะเวลาโดยเฉลี่ยเท่าใด

□ น้อยกว่า 1 ชั่วโมง □ 1-2 ชั่วโมง

□ 2-3 ชั่วโมง □ มากกว่า 3 ชั่วโมง

18.
การประชุมคณะกรรมการมีจำนวนกรรมการเข้าร่วมประชุมโดยเฉลี่ยคิดเป็
นสัดส่วนประมาณกี่เปอร์เซ็นต์

□ 90-100 % □ 80-89 %

□ 70-79 % □ 60-69 %

19. กรุณาให้ข้อมูลเกี่ยวกับบริษัทของท่าน ดังนี้

ข้อมูล	ใช่	ไม่ใช่
1. กรรมการทั้งหมดมีประกาศนียบัตรรับรองจากสมาคมส่งเสริม สถาบันกรรมการบริษัทไทย (IOD)	□	□
2. บริษัทจัดเตรียมการให้ความรู้และการฝึกอบรมให้คณะกรรมการใน เรื่องการกำกับดูแลกิจการ	□	□
3.ประธานคณะกรรมการ และ กรรมการผู้จัดการ (ประธานเจ้าหน้าที่ บริหาร) เป็นบุคคลคนเดียวกัน	□	□

20. โปรดระบุคำตอบของท่านโดยการวงกลมหมายเลขตามเกณฑ์ ลำดับ 1 - 5

คำชี้แจง หมายเลข 1 หมายถึง “ไม่เห็นด้วยอย่างยิ่ง”

หมายเลข 5 หมายถึง “เห็นด้วยอย่างยิ่ง”

ระดับความคิดเห็น	ไม่เห็นด้วย เห็นด้วย อย่างยิ่ง อย่างยิ่ง
1. รายงานการทางเงินที่ถูกจัดเตรียมโดยผู้บริหารระดับสูงได้รับการ สอบทานในการประชุมคณะกรรมการ	1 2 3 4 5
2. โดยทั่วไป อัตราส่วนทางการเงิน เช่น อัตราผลตอบแทนสินทรัพย์ อัตราผลตอบแทนจากการลงทุน และอื่น ๆ ได้รับการสอบทานอย่าง สม่ำเสมอในการประชุมคณะกรรมการ	1 2 3 4 5
3. ในการประชุมคณะกรรมการมักจะมีการวิเคราะห์งบกระแสเงินสด อย่างสม่ำเสมอ	1 2 3 4 5
4. คณะกรรมการจะทำการติดตามผลตอบแทนจากการลงทุนขนาดใหญ่ อย่างสม่ำเสมอ	1 2 3 4 5
5. คณะกรรมการติดตามผลการตัดสินใจเชิงกลยุทธ์ของผู้บริหารระดับ สูงอย่างใกล้ชิด	1 2 3 4 5
6. คณะกรรมการทำการประเมินผลการปฏิบัติงานของผู้บริหารระดับสูง ในการประชุมอย่างสม่ำเสมอ	1 2 3 4 5
7. คณะกรรมการมักจะผ่อนผันการตัดสินใจของกรรมการผู้จัดการไปสู่ การตัดสินใจเชิงกลยุทธ์	1 2 3 4 5

8. คณะกรรมการมีส่วนในการกำหนดกลยุทธ์ของกิจการ	1 2 3 4 5
9. คณะกรรมการและผู้บริหารระดับสูงมีการร่วมประชุมกันเกี่ยวกับ กลยุทธ์ในอนาคตของกิจการ	1 2 3 4 5
10. คณะกรรมการให้คำปรึกษาแก่ผู้บริหารระดับสูงในเรื่องกลยุทธ์ของ บริษัทอย่างเพียงพอ	1 2 3 4 5
11. กรรมการได้ให้คำแนะนำและคำปรึกษาแก่ผู้บริหารระดับสูงนอก เหนือจากการประชุมคณะกรรมการ	1 2 3 4 5

ส่วนที่ 5 คณะกรรมการตรวจสอบ (Audit committee)

21. คณะกรรมการตรวจสอบมีทั้งหมดกี่ท่าน

□ 3 ท่าน □ 4 ท่าน

□ มากกว่า 4 ท่าน โปรดระบุ ....

22. ในคณะกรรมการตรวจสอบมีกรรมการที่มิได้เป็นกรรมการบริหาร (Non-executive directors) กี่ท่าน

□ ไม่มี □ 1 ท่าน

□ 2 ท่าน □ มากกว่า 2 ท่าน โปรดระบุ ....

23. ในรอบปีบัญชีที่ผ่านมา มีการจัดประชุมคณะกรรมการตรวจสอบกี่ครั้ง

□ น้อยกว่า 4 ครั้ง □ 4-8 ครั้ง

□ 9-12 ครั้ง □ มากกว่า 12 ครั้ง โปรดระบุ

....

24. โปรดระบุข้อมูลของท่าน

ข้อมูล	ใช่	ไม่ใช่
1. ท่านเป็นประธานคณะกรรมการในคณะกรรมการตรวจสอบ	□	□
2. ท่านเป็นประธานกรรมการในคณะกรรมการ	□	□
3. ท่านเป็นกรรมการผู้จัดการ (ประธานเจ้าหน้าที่บริหาร)	□	□
4. ภายใน 5 ปี ที่ผ่านมา ท่านเคยเป็นพนักงานหรือผู้บริหารของบริษัท	□	□
5. ในคณะกรรมการตรวจสอบมีบุคคลอย่างน้อย 1 ท่านที่มีความรู้ทาง ด้านการบัญชีหรือการเงิน	□	□

25. ท่านเป็นกรรมการในคณะกรรมการตรวจสอบภายนอกองค์กรหรือไม่

□ เป็น □ไม่เป็น

□ ถ้าเป็น เป็นกรรมการทั้งหมดกี่แห่ง โปรดระบุ (.............)

ส่วนที่ 6 การเปิดเผยและความโปร่งใส (Disclosure and Transparency)

26. บริษัทท่านเปิดเผยข้อมูลต่อไปนี้หรือไม่ หากมีการเป็นเผยข้อมูล กรุณาระบุแหล่งที่เปิดเผยข้อมูล

ข้อมูล	เปิดเผยข้อมูล		ไม่เปิดเผยข้อมูล
	ในเวปไซต์	ในรายงานประจำปี	
1. รายงานทางการเงินรอบ 6 เดือน	□	□	□
2. รายงานทางการเงิน ทุก 3 เดือน	□	□	□
3. งบการเงินรวม	□	□	□
4. ข้อมูลผู้ถือหุ้นส่วนใหญ่และสิทธิของผู้ถือหุ้น	□	□	□
5. รายการที่เกี่ยวข้องกัน (related-party)	□	□	□
6. รายชื่อคณะกรรมการ	□	□	□
7. รายการซื้อหรือขายหุ้นของกรรมการบริษัท	□	□	□
8. ข้อมูลส่วนตัวและประวัติของกรรมการ	□	□	□
9. ค่าตอบแทนกรรมการ	□	□	□
10. ค่าธรรมเนียมของผู้ตรวจสอบภายนอก ที่ปรึกษา และ ผู้เกี่ยวข้อง	□	□	□

11. หนี้สินที่อาจเกิดขึ้นในอนาคต เช่น การค้ำ ประกันของหนี้สิน	□	□	□
12. นโยบายในเรื่องการจัดการความเสี่ยงและ วัตถุประสงค์ของบริษัท	□	□	□
13. การเปลี่ยนแปลงสภาพการเป็นเจ้าของ บริษัท	□	□	□
14. ประเด็นสำคัญที่เกี่ยวข้องกับพนักงาน และผู้มีส่วนได้เสีย	□	□	□
15. นโยบายและโครงสร้างในการ กำกับดูแลกิจการ	□	□	□
16. ขอบเขตการปฏิบัติในเรื่องมาตรฐาน การกำกับดูแลกิจการของบริษัท	□	□	□

27. ลักษณะของข้อมูลที่เปิดเผยทางอินเตอร์เน็ต (Web-site)

ลักษณะ	มี	ไม่มี
1. ข้อมูลเป็นภาษาไทย	□	□
2. ข้อมูลเป็นภาษาอังกฤษ	□	□
3. ข้อมูลที่เป็นภาษาอังกฤษมีจำกัด	□	□

ส่วนที่ 7 สิทธิของผู้ถือหุ้น (shareholder rights)

28. โปรดระบุคำตอบของท่านโดยการวงกลม หมายเลขตามเกณฑ์ลำดับ 1-5

คำชี้แจง หมายเลข 1 หมายถึง " ไม่เห็นด้วยอย่างยิ่ง"

หมายเลข 5 หมายถึง "เห็นด้วยอย่างยิ่ง"

ระดับความคิดเห็น	ไม่เห็นด้วย เห็นด้วย อย่างยิ่ง อย่างยิ่ง
1. มีวิธีการที่ปลอดภัยในการลงทะเบียนผู้ถือหุ้น	1 2 3 4 5
2. ผู้ถือหุ้นได้รับข้อมูลที่เกี่ยวข้องกับบริษัททันเวลาและสม่ำเสมอ	1 2 3 4 5
3. ผู้ถือหุ้นเป็นผู้คัดเลือกกรรมการบริหาร	1 2 3 4 5
4. ผู้ถือหุ้นได้รับการปันส่วนกำไรของบริษัทตามสัดส่วนการถือหุ้น	1 2 3 4 5
5. ผู้ถือหุ้นได้รับความเสมอภาคและเท่าเทียมกัน	1 2 3 4 5
6.	1 2 3

ผู้ถือหุ้นทุกคนมีสิทธิในการออกเสียงเท่าเทียมกัน	4 5
7. ผู้ถือหุ้นทุกคนมีสิทธิในการได้รับเงินปันผลเท่าเทียมกัน	1 2 3 4 5
8. ผู้ถือหุ้นทุกคนได้รับการปฏิบัติเท่าเทียมกันในทุกกระบวนการ ประชุมผู้ถือหุ้น	1 2 3 4 5
9. กรรมการในคณะกรรมการและผู้บริหารได้เปิดเผยข้อมูล และรายละเอียดรายการที่มีผลกระทบต่อผู้ถือหุ้น	1 2 3 4 5
10. ผู้ถือหุ้นได้รับข้อมูลอย่างเพียงพอในวาระการประชุมของ การประชุมผู้ถือหุ้น	1 2 3 4 5
11. ในการประชุมผู้ถือหุ้น ได้เปิดโอกาสให้ผู้ถือหุ้นซักถามและ แสดงความเห็นอย่างเพียงพอ	1 2 3 4 5
12. มีการเปิดเผยจำนวนหุ้นที่ผู้ถือหุ้นสามารถเข้าไปควบคุมบริษัทได้ (รวมถึงส่วนได้เสียในบริษัท)	1 2 3 4 5

29. บริษัทของท่านมีการเปิดเผยข้อมูลต่อไปนี้หรือไม่

ข้อมูล	มี	ไม่มี

1. ข้อกำหนดในเรื่อง 1 หุ้น 1 เสียง (one-share one-vote rule)	□	□
2. คณะกรรมการกำหนดค่าตอบแทนกรรมการ (remuneration committee)	□	□
3. คณะกรรมการสรรหา (nomination committee)	□	□
4. มีการเปิดเผยรายละเอียดของคณะกรรมการที่ได้รับการคัดเลือกก่อน การประชุมผู้ถือหุ้น	□	□

30. การประชุมผู้ถือหุ้นประจำปีครั้งล่าสุด
ใช้เวลาในการประชุมประมาณเท่าใด

□ น้อยกว่า 30 นาที □ มากกว่า 30 นาทีและน้อยกว่า 1 ชั่วโมง

□ 1-2 ชั่วโมง □ มากกว่า 2 ชั่วโมง

31. มีความเป็นไปได้ว่ากรรมการที่ได้รับการเสนอชื่อจากผู้บริหารบริษัทอาจจะไม่ได้รับการคัดเลือก
จากที่ประชุมผู้ถือหุ้น

□ บางครั้ง □ แทบจะไม่มี

□ ไม่มีความเห็น

ส่วนที่ 8 ประสิทธิภาพของคณะกรรมการ (Effectiveness of the board of directors)

32. ผู้ที่มีอำนาจสูงสุดในการเลือกกรรมการอิสระ (Independent directors) คือผู้ใด

□ คณะกรรมการ □ กรรมการผู้จัดการ

□ ผู้ถือหุ้น

33. ผู้มีอำนาจสูงสุดในการย้ายหรือปลดกรรมการผู้จัดการและคัดเลือกกรรมการผู้จัดการใหม่คือผู้ใด

(สามารถเลือกได้มากกว่า 1 คำตอบ)

□ คณะกรรมการ □ ผู้ถือหุ้น

□ อื่น ๆ ....

34. ท่านเห็นด้วยกับ<u>การทำงาน</u>ต่อไปนี้<u>ของคณะกรรมการ</u>ของบริษัทอย่างไร

คำชี้แจง หมายเลข 1 หมายถึง "ไม่เห็นด้วยอย่างยิ่ง"

หมายเลข 5 หมายถึง "เห็นด้วยอย่างยิ่ง"

ระดับความคิดเห็น	**ไม่เห็นด้วย เห็นด้วย อย่างยิ่ง อย่างยิ่ง**
1. มีส่วนร่วมในการกำหนดกลยุทธ์ระยะยาว	1 2 3 4 5
2. มีบทบาทสำคัญในการเลือก ติดตาม และปรับเปลี่ยน กรรมการผู้จัดการ	1 2 3 4 5

3. ทบทวนการพิจารณาการกำหนดค่าตอบแทนกรรมการอย่างจริงจัง	1 2 3 4 5
4. ตรวจสอบ ความขัดแย้งทางผลประโยชน์ (conflicts of interest) รวมถึงรายการที่เกี่ยวข้องกันอย่างมีประสิทธิผล	1 2 3 4 5
5. รับรองรายงานทางการเงินของบริษัทอย่างเที่ยงตรง	1 2 3 4 5
6. รับรองการเปิดเผยข้อมูลอย่างเหมาะสมและการให้ข้อมูลแก่ ผู้ถือหุ้นและผู้มีส่วนได้ส่วนเสีย	1 2 3 4 5
7. รับรองความมีประสิทธิผลของการกำกับดูแลกิจการ	1 2 3 4 5

35. ท่านคิดว่ากิจกรรมใดต่อไปนี้มีประโยชน์ต่อการ<u>เพิ่มประสิทธิภาพ</u>ของการทำงานของคณะกรรมการ

คำชี้แจง หมายเลข 1 หมายถึง “ไม่มีประโยชน์”

หมายเลข 5 หมายถึง “มีประโยชน์”

กิจกรรม	ไม่มี มี ประโยชน์ ประโยชน์
1. การคัดเลือกคุณสมบัติและความเป็นอิสระของกรรมการ	1 2 3 4 5

2. แยกตำแหน่งกรรมการผู้จัดการกับประธานกรรมการ	1 2 3 4 5
3. การจัดเตรียมข้อมูลอย่างทันเวลาสำหรับกรรมการ	1 2 3 4 5
4. การจัดเตรียมโปรแกรมการให้ความรู้และการยอมรับ จริยธรรมในการปฏิบัติงานของกรรมการ	1 2 3 4 5
5. มีการประเมินคณะกรรมการและกรรมการเป็นประจำทุกปี	1 2 3 4 5
6. คณะกรรมการมีการประเมินผลการบริหารงานของ กรรมการผู้จัดการอย่างเป็นทางการ	1 2 3 4 5
7. ให้ผลตอบแทนแก่กรรมการอิสระโดยพิจารณาจาก ผลการดำเนินงานของบริษัท	1 2 3 4 5
8. เปิดเผยการทำงานของกรรมการอย่างเพียงพอ	1 2 3 4 5

แบบสำรวจความคิดเห็น

ส่วนที่ 1 ข้อมูลทั่วไป

36. ท่านเป็นกรรมการอิสระ (Independent directors) หรือไม่

□ ใช่ □ ไม่ใช่

37. ท่านมีพื้นฐานวิชาชีพด้านใด

□ นักบริหารธุรกิจ □ นักการเงิน, การธนาคาร

□ นักวิชาการ □ นักบัญชี

□ ทนายความ / นักกฎหมาย □ อื่น ๆ ....

38. ท่านเป็นกรรมการในคณะกรรมการทั้งหมดกี่องค์กร

....

39. ท่านเป็นกรรมการในองค์กรนี้มานานเท่าใด ....

40. ในความคิดเห็นของท่าน ในช่วง 5-ปีที่ผ่านมา
มาตรฐานของจริยธรรมทางธุรกิจและการกำกับดูแลกิจการ
ในประเทศไทยได้รับการพัฒนาอย่างไร

□ พัฒนาขึ้นมาก □ พัฒนาขึ้นเล็กน้อย

□ ส่วนใหญ่ไม่เปลี่ยนแปลง □ ลดลงเล็กน้อย

□ ลดลงมาก □ ไม่แน่ใจ

41.
ถ้าการกำกับดูแลกิจการของประเทศไทยดีขึ้นจะเป็นแรงจูงใจให้มีการลงทุนในประเทศไทยมากขึ้นหรือไม่

□ ใช่ □ ไม่ใช่

□ ไม่แน่ใจ

42. ใครควรเป็นผู้ริเริ่มการ<u>ส่งเสริมและปรับปรุง</u>การกำกับดูแลกิจการ

(สามารถเลือกได้มากกว่า 1 ข้อ)

□ ตลาดหลักทรัพย์แห่งประเทศไทย

□ คณะกรรมการกำกับหลักทรัพย์และตลาดหลักทรัพย์

□ ศูนย์กำกับดูแลกิจการ

□ สภาวิชาชีพบัญชี

□ รัฐบาลไทย

□ บรรษัทภิบาลแห่งชาติ

□ สมาคมผู้ตรวจสอบภายในแห่งประเทศไทย

□ สมาคมส่งเสริมสถาบันกรรมการบริษัทไทย

□ ผู้ถือหุ้นส่วนน้อย

□ ผู้เชี่ยวชาญ เช่น นักบัญชี / ผู้ตรวจสอบ

□ สภานิติบัญญัติ

□ กรรมการภายนอก

43.
ท่านคิดว่ากิจกรรมใดต่อไปนี้ที่ทำให้การกำกับดูแลกิจการในบริษัทท่านมี<u>ประสิทธิผล</u>มากขึ้น

(สามารถเลือกได้มากกว่า 1 ข้อ)

□ การปรับปรุงการกำกับดูแลกิจการภายในบริษัทเช่น
การมีส่วนร่วมของผู้ถือหุ้น และ
บทบาทของคณะกรรมการ

□ ปรับปรุงมาตรฐานการบัญชี / ตรวจสอบและการเปิดเผยข้อมูล

□ ส่งเสริมและเผยแพร่การจัดอันดับการกำกับดูแลกิจการ

□ ลด การมุ่งเน้นความเป็นเจ้าของ (Ownership concentration)

44. โปรดระบุ**ระดับมาตรฐาน**ของการกำกับดูแลกิจการของบริษัทท่านดังต่อไปนี้

ดีกว่า **เหมือนกัน** **ไม่ดีกว่า**

1. เปรียบเทียบกับบริษัทอื่นในตลาดหลักทรัพย์ □ □ □

2. เปรียบเทียบกับการกำกับดูแลของบริษัทเมื่อ 5 ปีก่อน □ □ □

45. ในความคิดเห็นของท่าน ถ้าการกำกับดูแลกิจการของบริษัทท่านดีขึ้นจะก่อให้เกิด**ประโยชน์**กับบริษัทอย่างไร

(สามารถเลือกได้มากกว่า 1 ข้อ)

□ สามารถหาแหล่งเงินทุนใหม่ได้ง่ายขึ้น □ จำนวนผู้ลงทุนระยะยาวเพิ่มขึ้น

□ สภาพคล่องเพิ่มขึ้น □ การแปรปรวนของราคาหุ้นลดลง

□ การแทรกแซงทางการเมืองและกฏข้อบังคับต่าง ๆ ลดลง

□ ต้นทุนของการลงทุนลดลง □ ความน่าเชื่อถือ (เครดิต) เพิ่มขึ้น

□ ราคาหุ้นต่อกำไรเพิ่มขึ้น □ มูลค่าหุ้นเพิ่มขึ้น

□ อื่น ๆ ระบุ

....

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46. ท่านเห็นด้วยกับ<u>การกำกับดูแลกิจการในประเทศไทย</u> ดังต่อไปนี้หรือไม่

คำชี้แจง หมายเลข 1 หมายถึง "ไม่เห็นด้วยอย่างยิ่ง"

หมายเลข 5 หมายถึง " เห็นด้วยอย่างยิ่ง"

ระดับความคิดเห็น	**ไม่เห็นด้วย เห็นด้วย อย่างยิ่ง อย่างยิ่ง**
1. มาตรฐานการกำกับดูแลกิจการของประเทศไทยเทียบได้กับ สหรัฐอเมริกา อังกฤษและออสเตรเลีย	1 2 3 4 5
2. มาตรฐานการกำกับดูแลกิจการในประเทศไทยอยู่ในระดับสูง ท่ามกลางประเทศในแถบทวีปเอเชีย	1 2 3 4 5
3. บริษัทจดทะเบียนในตลาดหลักทรัพย์แห่งประเทศไทยมีการวัด มาตรฐานการกำกับดูแลกิจการที่ดี	1 2 3 4 5
4. บริษัทจดทะเบียนในตลาดหลักทรัพย์ส่วนใหญ่สามารถทำ มาตรฐานการกำกับดูแลกิจการที่ดี	1 2 3 4 5
5. ผู้ถือหุ้นและผู้มีอำนาจออกกฎข้อบังคับมีความต้องการให้ มาตรฐานการกำกับดูแลกิจการให้ดีขึ้น	1 2 3 4 5

6. ผู้ถือหุ้นส่วนน้อยในบริษัทจดทะเบียนที่คนในครอบครัวควบคุมมี ความเสมอภาคในการดูแลจากผู้ถือหุ้นที่ควบคุมการทำงานอยู่	1 2 3 4 5
7. ตลาดหลักทรัพย์แห่งประเทศไทยควรเข้มงวดในมาตรฐานของ การทำงานของบริษัทจดทะเบียน	1 2 3 4 5
8. ผลตอบแทนของผู้ลงทุนส่วนน้อยได้รับความคุ้มครองอย่างเพียงพอ	1 2 3 4 5

47.
ท่านเห็นด้วยหรือไม่ใน<u>การยกระดับการกำกับดูแลกิจการ</u>ในประเทศไทยในเรื่องต่อไปนี้

คำชี้แจง หมายเลข 1 หมายถึง "ไม่เห็นด้วยอย่างยิ่ง"

หมายเลข 5 หมายถึง "เห็นด้วยอย่างยิ่ง"

ระดับความคิดเห็น	ไม่เห็นด้วย เห็นด้วย อย่างยิ่ง อย่างยิ่ง
1. กรรมการอิสระ (Independent directors) ควรมีอย่างน้อยครึ่งหนึ่ง ของ คณะกรรมการ(Board of directors)	1 2 3 4 5
2. กรรมการอิสระ (Independent directors) ควรเป็นอิสระจากการ	1 2 3 4 5

บริหารงานและผู้ถือหุ้น	
3. ประธานคณะกรรมการ (Chairman of the board) ควรเป็น กรรมการอิสระ(Independent directors)	1 2 3 4 5
4. กรรมการควรแต่งตั้งผู้นำกรรมการอิสระ ถ้าประธานคณะกรรมการ ไม่ใช่กรรมการอิสระ	1 2 3 4 5
5. กระบวนการแต่งตั้งและคัดเลือกคณะกรรมการใหม่ควรเปิดเผย	1 2 3 4 5
6. คณะกรรมการกำหนดค่าตอบแทน (remuneration committee) ควร ประกอบด้วยกรรมการที่เป็นอิสระจากผู้บริหารและผู้ถือหุ้นส่วนใหญ่	1 2 3 4 5
7. บริษัทควรเปิดเผยข้อมูลเกี่ยวกับนโยบายค่าตอบแทนกรรมการ	1 2 3 4 5
8. บริษัทควรเปิดเผยค่าตอบแทนกรรมการเป็นรายบุคคล	1 2 3 4 5
9. คณะกรรมการตรวจสอบ (audit committee) ควรประกอบด้วย กรรมการอิสระ(Independent directors)	1 2 3 4 5
10. บริษัทควรจำกัดจำนวนวาระการดำรงตำแหน่งของ กรรมการที่มิได้เป็นกรรมการบริหาร(Non-executive directors)	1 2 3 4 5
11. ควรมีข้อบังคับการจำกัดจำนวนวาระการดำรงตำแหน่งของ	1 2 3 4 5

กรรมการที่มิได้เป็นกรรมการบริหาร(Non-executive directors) ในบริษัทจดทะเบียน	
12. บริษัทควรยอมรับมาตรฐานการปฏิบัติงานจริยธรรม ต่อ กรรมการ และ พนักงาน	1 2 3 4 5
13. หลักการกำกับดูแลกิจการควรมีแนวปฏิบัติแตกต่างกัน ในขนาดบริษัทที่แตกต่างกัน เช่น รายได้ มูลค่าลงทุน	1 2 3 4 5

ส่วนที่ 2 กรรมการอิสระ (Independent directors)

48. ท่านคิดว่าข้อความต่อไปนี้ ทำให้ผลการดำเนินงานของกรรมการอิสระมี<u>ประสิทธิภาพ</u>ดีขึ้นหรือไม่

คำชี้แจง หมายเลข 1 หมายถึง "ไม่ดีขึ้น"

หมายเลข 5 หมายถึง " ดีขึ้น"

ประสิทธิภาพการดำเนินงาน	**ไม่ดีขึ้น ดีขึ้น**
1. การเข้าร่วมประชุมกรรมการอย่างสม่ำเสมอ	1 2 3 4 5
2. มีการเตรียมข้อมูลและการแสดงความเห็นในที่ประชุม	1 2 3 4 5
3. มีความรู้ที่ดีเกี่ยวกับธุรกิจของบริษัท	1 2 3

	4 5
4. ทำหน้าที่ดูแลผลประโยชน์ของผู้ถือหุ้นทุกคน	1 2 3 4 5
5. มีการพูดคุยกับผู้ถือหุ้นส่วนน้อย	1 2 3 4 5

ส่วนที่ 3
ปัจจัยที่มีผลต่อการปฏิบัติเรื่องการกำกับดูแลกิจการในประเทศไทย

49.
โปรดระบุระดับความสำคัญของปัจจัยที่มีผลต่อการปฏิบัติเรื่องการกำกับดูแลกิจการดังต่อไปนี้

คำชี้แจง หมายเลข 1 หมายถึง "ไม่สำคัญ"
หมายเลข 5 หมายถึง "สำคัญมาก"

ปัจจัยที่มีผลต่อการกำกับดูแลกิจการ	ไม่สำคัญ สำคัญมาก
1. ข้อมูล ความรู้ และกระบวนการการกำกับดูแลกิจการที่ถูกต้อง	1 2 3 4 5
2. การสนับสนุนจากผู้บริหารระดับสูง	1 2 3 4 5
3. การเปิดเผยข้อมูลและความโปร่งใส	1 2 3 4 5
4. การตรวจสอบและการถ่วงดุล (checks and balances)	1 2 3 4 5
5. การจัดอันดับการกำกับดูแลกิจการมีต้นทุนสูง	1 2 3 4 5
6. การมุ่งเน้นความเป็นเจ้าของ (concentrated ownership)	1 2 3 4 5

7. การปกป้องสิทธิของผู้ถือหุ้น	1 2 3 4 5
8. กรรมการอิสระที่มีความเป็นอิสระที่แท้จริง	1 2 3 4 5
9. นโยบายที่เกี่ยวกับพนักงาน	1 2 3 4 5
10. ความรับผิดชอบต่อสังคม	1 2 3 4 5
11. จริยธรรมทางธุรกิจ	1 2 3 4 5

ขอกราบขอบพระคุณท่านเป็นอย่างสูงที่ได้กรุณาสละเวลาอันมีค่าในการตอบแบบสอบถามฉบับนี้

นางฉัตรฤดี จองสุรียภาส
Ph.D Cadidate
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Appendix C

Interview questions

INTERVIEW QUESTIONS:

Factors that Determine Corporate Governance in Thailand

Topics that I wish to discuss

- What is your view of the present state of corporate governance in Thailand?
- After the Asian financial crisis, do you think that corporate governance has become more influential in public and private sectors?
- The problems in implementing corporate governance
- The benefits of implementing corporate governance
- What is your perception of independence?

- How does the audit committee protect minority shareholders and improve corporate governance?
- Do you think that concentrated ownership is a problem in corporate governance?
- Business ethics and social responsibility are factors to improve corporate governance?
- In the future, who should initiate improvement in corporate governance and what factors to improve corporate governance?