

Essays on Corporate Governance by Dr. Sorasart sukcharoensin

ABSTRACT

This study draws upon prior research on outside directors and firm performance and examines whether independent outside directors matter. The first essay investigates whether the effect of the board independence on firm performance is contingent on the ownership structure of the firm. Using two-stage least square estimation technique to cope with endogeneity problems, the results suggest that there are different impacts of board composition on firm performance under different levels of shareholdings. In particular, there is a lower impact of the board composition on firm performance for firms with high ownership structures.

The second essay examines the relationship between audit committee independence, alternative corporate governance mechanisms, and firm performance. The results from simultaneous regression indicate that independent structure of the board and audit committee does not enhance firm performance. In contrast, better firm performance leads to more independent audit committee. Further, this study provides evidence that audit committee independence promotes the use of debt in a contracting process by certifying information conveying to the lenders.

The third essay studies the stock price effect from the announcement of corporate director changes. In general, there is no significant stock price effect for the appointment of corporate directors, while the stock market reacts negatively when firms release the news of independent outside director departures to the public. Further analyses reveal that additions of independent outside directors to the firms are value enhancing when firms having management-dominated boards or do not voluntarily improve the minimum number of independent outside director requirement.