The Relationship of Mechanisms of Independent Director and Corporate Performance

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ABSTRACT

Corporate governance was a rather hot managerial topic in the 20th century. If corporate governance was perfectly implemented, it will contribute very well to both the companies and countries. Due to the constant financial crises in recent years, the issue of corporate governance has raised the public attention around the globe again. The direction of the reform of Taiwanese corporate governance should be in the enhancement the intensity of the supervision of the board of directors. The professional ability of the board of directors should be relied on to lead to a breakthrough in the corporate performance. By this means the independent director system is able to take its real effect and makes the level of corporate governance in Taiwan to be aligned with that in the world. This research is mainly focused on exploring the relationship between the independent director system of Taiwanese listed companies and the corporate operation performance. This research is mainly sampled from Taiwanese listed companies with a research period of 2002 through 2006. It's mainly restricted in exploring those companies with built-in independent director systems and reach the conclusion based on the empirical results. First: The Board of directors is positively correlated with the corporate operating performance. Second: The magnitude of director's share holdings is positively correlated with the corporate operating performance. Third: The ratio of the independent directors is positively correlated with the corporate operating performance. Fourth: The company size is positively correlated with the corporate operating performance. We can find out based on the empirical results in this research that the independent director system is actually effective and is instrumental to the corporate operating performance. We hope that the empirical result of this research can be a useful reference for those Taiwanese listed companies who wish to establish an independent director system.

Keywords: independent director; Corporate governance; operation performance

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