Literature Review of Outside Directors Selection

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ABSTRACT

After experiencing the Asian financial crisis, the follow-up corporate scandals and financial defaults revealed in Taiwan enterprises. Related authority and investors were aware that corporate governance is a key to achieve sound capital market. The ideal mechanism takes an independent third party, namely the outside director, to play the primary role to intensify the internal monitoring process and to develop functions of supervision and consultation. Most domestic researches on outside directors discussed the correlation between outside directors and corporate performance. However, only few researches put their focus on the determinants of outside directors selection. We've found substantial over-seas researches, which stressed on the following perspectives: 1) ingratiation 2) demo-graphic similarity 3) advice and information and, 4) control behavior etc. In this article, we try to include the above-mentioned theories to further discuss on outside directors selection. Apart from using theory on interpersonal behavior perspective, organizational control theory, and similarity-attraction, we also take resource-based theory and re-source dependency theory of selection as part of our research basis. In short, we adopt a research structure derived from five key theories to discuss the outside directors selection. The five theories are as the following: 1) ingratiation of In-terpersonal Behavior Perspective, 2) monitoring and control behavior of Organizational Control Theory, 3) personal and business Similarity-attraction Theory, 4) complemen-tarily of Resource-based Theory, and 5) advice and information, functional background and social capital of Resource Dependency Theory.

Keywords: outside directors; similarity-attraction paradigm; resource-based theory; resource dependency theory

Table of Contents

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