

〈Research Article〉

# Audit Function by External Director as Human Resource Management -Comparison between Chinese & British companies by Owner's Shareholding ratio-

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## Abstract

This paper's purpose is to examine whether the audit function by an external non executive director can prevent the owner's illegal transaction or not. Especially, whether the effectiveness of the audit function by an independent non executive director is working or not, in the case whether the owner has a high ratio of stock holding in a company.

By using the controlling rights and cash flow rights method to analysed the owner's influence and balance of moral hazard with the number of independent non executive directors among executive directors, the number of accountants among independent non executive directors, a stock's price volatility etc. .

It's also important to make a comparison between the company which owner has a high ratio of stock holding in company and the company which owner and other several executive directors have almost the same amount of shares in company in China and U.K..And finally, to confirm above results, the interviews were conducted with executive directors in these companies.

My result is that the audit function by external non executive director is effective when the company is not dominated by an autocratic owner, and the owner is not a largest shareholder among individual stockholders. If the owner has a high ratio of stock, the owner is likely to pursue only his profit and put pressure to external directors to do something wrong in the audit process.

Key words: Chinese Company, Independent non executive director, Audit committee,  
Human Resource Management, Cooperate governance

## 1. Introduction

After China joined the WTO in 2001, Chinese private companies grew rapidly. However, at the same time, the number of fraudulent companies increased in China. Especially many private listed

companies have done illegal transactions by owner.

Therefore, the Chinese government wants to improve corporate governance and reduce the number of illegal companies. The Government introduced the law of independent non executive director system in 2001 by the China Securities Regulatory Commission, and company law in 2005. Therefore, listed companies must arrange more than 2 of the independent non executive directors. However, illegal companies were continued to increase after that<sup>1)</sup>.

China has followed the U.S. system of corporate governance as well as that of other countries. The independent non executive director's system was introduced via the 2002 Sarbanes-Oxley Act.

The audit function of independent non executive director is effective in companies in U.K. and other countries too. For instance, the first version of the U.K. Corporate Governance Code was produced in 1992 by the Cadbury Committee. In U.K., prior to the Cadbury Committee, the "Pro Ned UK" was established in 1981 which provide training course for independent non executive directors. The training system of independent non executive director in U.K. is followed all over the world. It has solved many problems, such as the manpower problem of independent non executive directors. Even new independent non executive director who has no experience of an independent non-executive director's role can receive training via the U.K.'s association to provide enough knowledge of the audit process and the functionality of the audit to monitor the influence of the company owner. Therefore, to compare China with companies in U.K. has being meaningful.

Recently, accounting fraud and illegal transaction has increased by owners in U.S.<sup>2)</sup>. Therefore it is doubtful whether the independent non executive directors are not working well as the audit functions or not in U.S.. Even the accounting fraud transaction by owner who caused moral hazard, the independent non executive directors are not suppressing the illicit dealing.

However, compared to U.S. and China, there are fewer companies involved in illegal activities in the U.K. where there are strong laws with strict penalties for any infringements.

Many of the owners in companies in U.K. are not the largest shareholder among individual stock holders. And the executive directors and the owner have an equal share in many companies as there is a law for ratio of stock holding by owner and executive directors in U.K..The owners of company regard the audit function of independent non executive directors who have accountancy qualification in audit committee in U.K.. And the owner and other executive directors always consider that the audit function of an independent non executive director is very important. The independent non executive director who has an accountant qualification is often not a member of audit committee in China, but this is mandatory in U.K..

## 2. Purpose and aim of this paper

In this report, I would discuss whether the audit function of independent non executive directors are working or not when the owner is a major stock holder among individual investors, and tried to control external directors. The owner may be easy to do illegal transactions as nobody can check his audit process. However, if several executive directors have an equal of share stock, the owner is not easy to do illegal transactions as the owner's power and influence is not strong.

It is evident that autocratic management of owner who is a major stock holder's illegal transactions rate is higher than owner who and other executive directors hold equal of share stock in companies. It was analyzed that audit function is working or not by the research of 90 Chinese private listed companies<sup>3)</sup>. And it was clear that the low effectiveness of audit function by independent non executive directors when the owner's influence is too strong. I must emphasize that the owner is a member of the audit committee and independent non executive directors are family of the owner.

Furthermore, the company's organization structure which the owner's power and influence is too strong and independent non executive directors are not able to speak out and challenge the owner's opinion.

Recently, even some British company's owner has the majority of shares involved fraud transaction. For example, Patisserie Valerie's founder had 37% of the stock, and he was a member of audit committee. As provision C.3.1 of the UK Corporate Governance Code provides that listed company's boards should establish at least 3 independent nonexecutive directors in audit committee.

Therefore, I should confirm that the effective of independent non executive director's audit function can be influenced by the owner's ratio of stock holding

At first, I would clarify that owner who has the high ratio of shares tends to pay more attention to the owner's benefit rather than the investors benefits. When the company's revenue is increasing, well managed company issue a divided to its investors. However, if the company which owner is a high rate of shareholding may only increase salary of owner, no divided issued to investors. Therefore I need to clearly the owner's remuneration and divided to the investors are increase or not when the revenue is increase.

It is analyze owner's moral hazard deviation by cash and flow right and control right method. If the owner has high ratio of shares, the owner is a member of audit committee. And the audit function of independent non executive director may owner's friends or family of owner. Eventually in such circumstances an independent non executive director is less able to prevent the owner's illegal transaction. As discussed owner's control and power in a company, it is important to compare with the company which the owner is a largest shareholder among individual stockholders and company which several executive directors hold approximately equal shares.

Therefore, I need to analyze 2 types of stock holding structure in private listed companies and the member of the audit committee. One type of company is where the owner and his family hold majority of the company's stock. The other type of company is that several executive directors have stock shares almost equally. The company which the owner has a dominant majority of share stock, the members of the audit committee may not work well compared with the company where many directors hold almost equally of shares.

### 3. Previous research and this paper's significance

There are many previous reports of an independent non executive director's role in China and other countries. However, most of these reports analyze the sales revenue of a company in China and Japan and other country by independent non executive directors. But there are not many previous reports of the role of the independent non executive director's within the audit function of a fraudulent company with an autocratic owner. For example, Adams and Ferreira(2007), Harris and Reviv(2008) analyzed the theory that the high utility of monitoring function and process of the independent non executive director is possible and practical only when the company provided enough internal information of corporate governance. As Dicson,Bruce(2008) and Nevitt(1996) said that the owner try to contact with government as crony communism people by their benefit in China.

And independent non executive directors may act to beneficially influence company performance but not for family dominated companies (Miyajima,H.and Ogawa,R. and Saito T.(2018); Miyajima H.and Frands J. and Mayer C.(2014)). Human Resource Management is a help to be a well organized company since 1980s (Guest,E.D.(1997)) and HRM is also helping a company's performance to make more profit and increase income (Arthur,M.B.(1994); Huselid,Mark A.(1995).

There are many external directors, auditors and independent non executive directors who belong to a part of the government. And these executive directors and owners by government and they also be easily able to cause an illegal transaction under presure by government. However, as my research<sup>4)</sup> shows, the biggest number of illegal industry's group is where the government involvement is lowest, but the owner's involvement is high. Therefore, it is important to research an owner's power and audit process in audit committee.

Therefore, in this paper, the aim is to discuss the audit function of independent non executive director is working or not where the owner has a dominant share holding by analyzed theory of control rights and cash flow rights. The role of the independent non executive director is working well when the company's owner who is not holding a majority share of the company.

#### 4. My Hypotheses

My hypotheses<sup>1</sup> is that the effectiveness of the audit function by independent non executive director is limited when the owner has high ratio of share holding. And these owners are also members of the audit committee.

My hypotheses<sup>2</sup> is that the owner who is a largest share holder among individual investors .And he always consider his salary rather than investor's dividend and other executive director's salary. If the owner has strong power, then the owner always involved in the audit committees.

The result of my research<sup>5</sup>, the lowest rate of illegal companies' group is that where the owner is not a member of audit committee. An external nonexecutive director is able to influence the audit process and check and control of all the audit transactions.

#### 5. Influence of owner in company and Audit committee

##### 5-1 Stock holding structure in A company by owner's influence

It is important to compare "A" company and "B" company in which I have interviewed independent non executive directors<sup>6</sup>. I had opportunity to interview them to confirm the owner's control power and organization culture. They answered that they always give frank opinions at board of directors, and owner seems to listen to their valuable suggestions and improve or solve problems. But anyone could disagree with the owner in audit committee.

"A" company is in a manufacturing industry. The government has a stock holding of 30% and Shanghai City Government has 25%. There are 4 external auditors are from Shanghai city government institute. A private company has 1.7% share holding and another company has 1.2%, Bank has 1.5% of stock holdings. The individual owner has 11.6% and 2 family members have 9.4% of stock holding and individual share holders have a further 18%.

##### 5-2 Relevance of Sales revenue & allotment & remuneration

It is important to research the "A" company's sales amount and remuneration of owner, other executive directors and the divided for investors. The sales amount was growing since 2011 to 2016 and divided for investors also increased except 2013. The remuneration was decreased for other executive directors at 2013. But the owner's salary increased rapidly on that time.

It is evident that the owner who is largest share holder among individual investors is primarily considering his own benefit. When I researched the remuneration of the owner's salary was huge and had increased sharply, rather than provide the divided to investors and other executive director's salaries

Table1 Sales Revenue, Dividend, Salary of Owner & other director in “A” company

yr	Sale Rev.	Dividend for .investors	Owner’s salary	INED & director’s salary
2011	↑	same	↑	↓
2012	↑	↑	↑	↑
2013	↑	↓	↑	↓
2014	↑	↑	↑	↑
2015	↑	↓	↑	↓
2016	↑	↓	↑	↓

\*INED(Independent non executive directors)

Source : Annual Report, Financial report by A company 2011 to 2016

### 5-3 Audit function of independent non executive directors in “A” company

There are 13 executive directors and 4 independent nonexecutive directors including accountants. There is a law that every listed company must appointed at least one qualified accountant. There are 4 auditors who belong to the Shanghai government which has 25% of the shares. The financial statements for “A” are produced and signed by these auditors. The audit committee’s members included these auditors and an independent no -executive director who has no accountant qualification and the owner. As the auditors from the Shanghai government are friends of the owner have share stock of A company. Therefore, there is a risk that they may have an undue influence and control over the financial transactions of company “A”.

### 5-4 Stock holding structure in “B” company by owner’ s influence

On the other hand, “B” company has dispersed stocks held by ten executive directors. “B” company is in the pharmaceutical manufacturing industry and the clarified government involvement level is medium. “B” company is listed on the Shanghai stock exchange market as well as the Hong Kong stock exchange market in which foreign investors are able to invest. A Private company has stock of 5.3% in “B” company. Another company has stock of 3% and other company has stock of 27% and 17% is held by the Shanghai Municipal Government. A bank from the US and Hong Kong and further investment companies have a stock holding of 23%. A further private share holder has 28%. Seven of “B” company’s executive directors and previous directors have about 8% of shares. The owner, other directors including previous directors have almost the same amount of stock which is about 2%. These individual directors are frequently buying and selling some of the company stock each year.

## 5-5 Relevance of sales revenue and allotment and remuneration in B company

B company is provided for allotment of shares to investors when the B company's sales amount is increasing and at same time, executive directors and owner's remuneration is increasing except 2013 and 2015 to 2016. It is clear that when B company's revenue is increase well, the company consider to provide for allotment of shares to investors rather than other executive director's salary as well as owner. As company's stocks are held by many directors, they understand that individual investors are very important and those share holders must be provided financial information. Especially information of stock holding and allotment of shares to investors as part of the compliance with cooperate governance. This company consider that cooperate governance and monitoring is also very important.

Table2 Sales Rev.& Dividend & Salary of owner & other director in B company

yr	Sales Rev.	Dividend for .inv.	Owner's Salary	INED & director's salary
2011	↑	same	↑	↑
2012	↑	↑	↑	↑
2013	↓	↓	same	same
2014	↑	↑	↑	↑
2015	↑	↑	↓	↓
2016	↑	↑	↓	↓

\*INED(Independent non executive directors)

Source : Annual Report, Financial report by B company 2011 to 2016

## 5-6 Independent non executive directors in Audit Committee of B company

There are 4 independent non executive directors and 7 executive directors. Three of them are members of audit committees and other directors are not members. 4 of the independent non executive directors are a qualified accountant, and they do not belong to any government organization. Being conscious of foreign company investment, the company has to provide many formats of English information such as financial reports, including attendance at board meeting and each committee and etc.

## 6. Influence of owner in British company

### 6-1 Stock holding structure with owner's shareholding rate

Generally the UK legal audit process is so strong that it does prevent fraud. But occasionally, some companies have involved illegal transaction, such as Patisserie Valerie. The Finance Director managed to hide a large overdraft from the report. The illegal audit process could not find by

independent non executive directors and auditors.

The UK legal audit process is very strict and supposed to stop financial irregularities for any companies. And audit function by independent non executive director in audit committed is effectively in many companies in U.K.. Marks & Spencer is as an example of a cooperate governance, well-managed British company that is fully compliant with the legal audit process.

Marks & Spencer was established in 1884 and is one of the largest retailing companies. Marks & Spencer operates over 1,000 stores in the U.K. and over 400 in international markets. I have visited some of the supermarkets and departments and company. M&S has reliable and effective governance through leadership and collaboration. The work of the Board should compliment, enhance and support the work of the Executive. As director said that the Board is the guardian of the M&S brand and its good reputation, and stakeholder relationships is stable and when we do the right thing the right way, these will be protected <sup>7)</sup>.

#### 6-2 Stock holding structure in M&S

The category of shareholder is that 96% is private individual investors and 2.7% is institute and cooperates. Some of executive directors and owner of M&S hold their shares almost equally and total of amount is only 0.99% which annual report of M&S said.

CEO is required to hold stock shares 250% of salary. For other executive directors required to hold stock shares 150% of salary. Similar guidelines of 100% of salary also apply to all directors below Board level<sup>8)</sup>. The current level of shareholding requirement provides an appropriate level. The Audit committee continues to review and amend this accordingly. The investor is less likely to invest in those companies which have proven track records of strong corporate governance.

#### 6-3 Relevance of sales revenue and allotment and remuneration in M&S

Table3 shows Marks & Spencer increased divided to investors except 2017 when sales revenue is decreased, stock share prices down. When sales revenue and stock share prices were down, other directors and independent non executive directors and owner's salary were decreased, but the company still provided for investors.



Table 3 Sales Rev.& Dividend investor & Salary of owner & other director in M&S

yr	Sales Rev.	Dividend for .inv.	Owner's Salary	INED & director's salary
2014	↓	↑	↓	↓
2015	↓	↑	↓	↓
2016	↓	↑	↓	↓
2017	↓	↓	↓	↓
2018	↓	same	↓	↓

\*INED(Independent non executive directors)

Source : Annual Report, Financial report by M&S 2014 to 2018

#### 6-4 Influence of owner in Marks & Spencer's company and audit committee

As there are 4 executive directors including one accountant holder who has a strong financial background and chief executive is also financial expert.

Besides above 4 executive directors, there are 8 independent non executive directors including 3 accountant holders and 3 of them are member of audit committee in company.

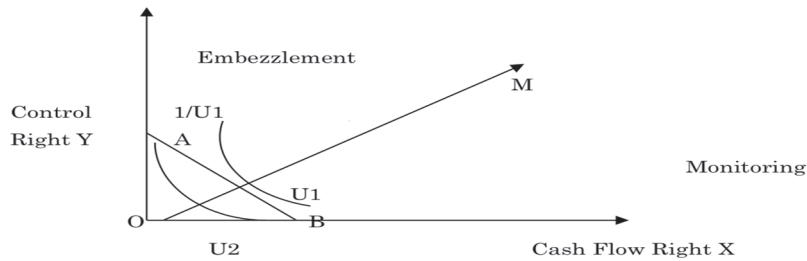
### 7. Analyzed Cash flow rights and Control rights

#### 7-1 Theory of Cash flow rights and Control rights

The relationship between the control rights and cash flow rights is that the controlling power of the owner (Shleifer and Vishny (1997), La Porta, Lopez-de-Silanes and Shleifer (1999), Bebchuk, Kraakman and Trianis (2000), La Porta et al. (2002), Becht, Bolton and Röell (2003)) and the owner's influence within the company when the cash flow rights of ownership refer to the portion of the company's profits to which an owner is entitled. However, if the owner has the dominant majority share holding such as A Company in China, the owner has the power and influence and easy to ignore moral and rules.

Figure1 shows the balance of Control right Y and Cash flow rights X. The ultimate controlling rights Y is owner's control and cash flow rights X is effective by the owner's corporate performance and external director's audit function. The higher cash flow rights in revenue structure is increasing where there is an effective audit function and monitoring function by external directors, owner may not consider only his salary increase, but increase the dividend to share holder. However the higher the ultimate owner's controlling right is mean that the audit process control by external director s audit power is weaker.

Figure 1 Model of balance for control rights and cash flow rights



Source:Classens(2000),La Porta(1999)

The corporate governance and company structure is depends on performance of the owner. If the owner does not hold the majority of shares and this balance of cash flow rights  $X$  is appropriate. External director's to ensure that the audit process function is effective enough as the monitoring is stronger. The monitoring by independent non executive director's, the ultimate of control rights and cash flow rights of owner's must be separate position which is  $M$ . If the owner would chose the best his behavior based on maximization of commitment of control rights  $Y$  and cash flow rights  $X$ , the owner would not be only consider his benefit and not consider others. The following is express  $R_x, R_y$  is control rights and using revenue rights. The utility function is as follows:

$$u(R_x, R_y)$$

In case of the company that posting deficits rose, try to adjust financial report to show better performance, it will express as follows;

$$R_y > 0$$

As resource constraint, increase control rights will make decrease cash flow rights. It will express as follows;

$$\Delta R_x / \Delta R_y < 0$$

$$\max u(R_x, R_y)$$

$$s.t. C_1 R_x - C_2 R_y \geq I$$

$$R_x > 0 \quad R_y > 0$$

$I$  is express a source of owner's investment, The  $C_1, C_2$  is a cost of control right and cash flow rights, the best utility equilibrium point is the between  $A$  and  $B$ . Utility curve  $U$  is contract by the line  $OM$ ,  $O-M$  line is between embezzlement and monitoring. The owner's behavior is the equilibrium point and when the equilibrium point is left side by  $O-M$  line is that mean owner's embezzlement is stronger and the point is rights by  $O-M$  line is weaker. Then effectiveness of monitoring is also stronger. When the cost is control rights  $1$  and cash flow rights  $1$  express  $C_1$  and  $C_2$ . The owner spend the time and cost only for control rights it will express  $I/C_1$  and if the owner is just spend time for

cash flow rights is express I/C2.

Table4 Cash flow rights and Control rights of A and B Companies

	A company	B company
Cash flow rights	21%(11.6+9.4)	8%
Control rights	9.4%	2%
Board Seat ratio	0.014%	0.17%
La porta's deviation	9.4%	1.83%
Moral hazard 1	67.14%	0.25%
Moral hazard2	0.0015%	0.021%
Stock price volatility	1.5 times	1.5 times
Price of dividends p/s	0.04	0.02
Num. of INED/Directors	4/13( 31%)	4/7(57%)
Num.Audit com..INED/ED	1/3	3/0
Acc/INED	1/4	4/4

Source:Annual report of A company and B company 2017

## 7-2 Owner's influence and company's organization

As follow to La Porta calculation, the ultimate owner's cash flow rights is the ultimate owner's total direct shareholding of the company ,indirect shareholding of company+ the ultimate owner's total indirect shareholding of the company. As A company's owner holds 11.6% of stock holding and 2 family members have 9.4% which is among 100% of A company's total of stock, therefore control rights is 21%.The Control rights is  $0\% + \min(11.6\%, 9.4\%) = 11.6\%$ .

The Control rights by the number of a Board of Director and the deviation of the ownership and control management and the deviation of the ownership and control management is as follows;

$$(4/13)(1/13)(4/16)^{1/3} = 0.0144\%$$

$$(9.4\% - 0.0144\%) = 9.4\%$$

The Moral Hazard1 is Amount of capital controlled by per unit of capital owned + indirect share holder is as follows;

$$9.4\% \div 0.014\% = 67.14\%$$

Moral Hazard2 is Board seats ration/Cash flow rights) is as follows;

$$(4/13)(1/13)(4/16)^{1/3} \div 9.4\% = 0.0015\%$$

On the other hand, B company's Cash flow rights is 8%.

The Control rights is  $0\% + \min(2\%, 8\%) = 2\%$

The Control rights by the number of a Board of Director and the deviation of the ownership and control management is as follows;

$$\begin{aligned} & (4/7) \ (3/7) \ (4/11)^{1/3} = 0.17\% \\ & (2\% - 0.17\%) = 1.83\% \end{aligned}$$

The Moral Hazard1 is Amount of capital controlled by per unit of capital owned + indirect share holder is as follows;

$$2\% \div 8\% = 0.25\%$$

The Moral Hazard2 is Board seats ration/Cash flow rights)is as follows;

$$0.17\% \div 8\% = 0.021\%$$

Table5 Cash flow rights and Control rights of M&S and Patisserie Valerie

	M&S	Patisserie Valerie
Cash flow rights	0.99%	37%
Control rights	0.25%	2.2%
Board Seat ratio	0.72%	36.9%
Laporta's deviation	1%	6.5%
Moral hazard 1	0.011%	0.059%
Moral hazard2	0.272%	0.002%
Stock price volatility	1 times	1.4times
Price dividends p/s	18.7	429
Num of INED/Directors	7/4(1.75%)	2/3(0.6%)
Num of Audit committee, NED/ED	3/0	2/1
Acc/INED	2/7	1/2

Source: Annual report of M&S and Patisserie Valerie 2018

### 7-3 Result of Cash flow rights and Control rights

It was clarified that when the owner has high ratio of share in company, control rights is higher point and Moral hazard1 is high by using control rights and cash flow rights. It is also clarified that owner is a member of audit committee at Patisserie Valerie in U.K. and A company in China. It is easy to imagine that the owner who always put pressure to other member in audit committee. There are 2 independent non executive directors including one accountant audit committee in Patisserie

Valerie. And, there is a independent non executive director who is not accountant at audit committee in A company. There is independent non executive director in A company, but owner does not want to him to be a member of audit committee. And owner and auditor who is friend of owner and belong to government is a member of audit committee. Therefore, it was confirm that the independent non executive director's audit function can be influence by the difference of the owner's shares holding rate. If the owner has majority of share, he is easy to control audit process through audit committee.

## 8. Conclusion

The audit function by external directors, independent non executive directors does not working well if the owner has high rate of shares holding among individual of company. My hypotheses1 is that the effectiveness of audit function by independent non executive directors is limited when the owner has high ratio of share holdings is confirmed. When I research for salary of owner who has majority of share stock, the company increase only owner's salary, but external directors could not to stop for these actions.

My hypotheses 2 is that the private listed company in which the owner has majority of share holding always priority attention to his own benefit rather than investor's benefit. And the owner always involved in the audit committees. It is also confirmed my hypotheses 2 that the owner always consider his benefit rather than other directors and shareholder by analyzed is confirm. The independent non executive director's audit function can be influenced by the owner's shares holding ratio. The company which owner holds dominant share stock, owner is a member of audit committee and power is too strong.

I emphasized that the effectiveness of audit function by independent non executive director at audit committee is not working when the owner's autocratic management by analyzed theory of cash flow rights and control rights. If the owner has many shares of stock, audit and monitoring function by external directors is not working.

In addition, the system of independent non executive director may need to be changed by law in China. For example, the member of audit committee must be only independent non executive directors, the owner and their families are excluded. And the leader of audit committee must be a independent non executive director who has accountant qualification.

It is also need to set a limit of share stock by owner. Each companies should make rule for maximum of value of shares, such as U.K.. For example, the owner and his family or relative have hold share stock only less than 5% of total individual share of the company. Of course, it is better that the owner to be holds equal to other directors.

As these case, the external directors, independent non executive directors working well for audit

function by human resource management as well as monitoring to owners moral hazard. That can help to reduce owner's illegal transaction.

It is expected that the audit function by external directors as human resource management in many companies. Therefore independent non executive director system was introduced in many countries as well as auditor system. However if the owner is not help accountants of independent non executive directors to get to perform to the best of their potential, effective of audit function is low. The external directors need more information of audit process for last 5e to 10 years and also information of cooperate governance.

In U.K., there is the third party association of executive directors which independent non executive directors are able to discuss each other and with lawyers when they are confronted with many problems. This could also help that when external directors face some problems, they may get to know how to solve the owner's illegal transaction. However, in China, there is no such third party institution, therefore there is no place to discuss when they face difficulties problems the authoritative owner's illegal transactions.

For further research, I will visit some companies in U.K. and have interviews with external executive directors. I need to visit some companies which several executive directors who have almost same amount of stock holding. And it can be compared to Chinese companies how companies consider cooperate governance and monitoring functions, audit functions by external directors.

And it need to analyzed the type of the company's stock holding style, such as rate of owner and government stock holding and the rate of parent company's stock holding.

This report is worth working to reduce illegal transactions by owners when independent non executive director's audit function is working well.

## Note

- 1) Fraud or accounting illegal companies are 40 listed companies among 1,578 listed companies in 2011, 53 companies in 2012 and 76 companies in 2013, 56 companies in 2014, 71 companies in 2015, 47 companies in 2016 and 82 companies at 2017, 78 companies at 2018 by at Shenzhen Stock exchange site <http://www.szse.cn/> at 31<sup>st</sup> October 2018. For 2018 is only Jan. to Oct. Some companies are to be illegal companies at several times.
- 2) PwC's (2018) Global Economic Crime and Fraud Survey.  
<https://www.pwc.com/us/en/forensic-services/assets/2018-global-economic-fraud-survey.pdf>
- 3) Kashiwagi, R. (2015) The Auditing and Monitoring Functions of Independent Non Executive Directors in Chinese Private Companies: Comparisons between Japan and China including the Role of Training Institutes, Doctoral thesis at J.F. Oberlin University.

- 4) Group1 is 8 of Bankds,11 of Insurance and Brokeage,Broup2 is 8 of Agriculture compnaies,1 of Transport, Group3 is 2 of Electric power,9 of Pharmacy, 4 of New Energy, Group 4 is 9 of Fruit Juice,10 of Tourist, Group5 is 10 of Manufacturing,2 of specific manufacturing,20 of Building companies,op.cit3
- 5) op.cit<sup>4</sup>.
- 6) Interviewed External Directors A company and B company from 10<sup>th</sup> to 24<sup>th</sup> December 2018.
- 7) Marks and Spencer HP <https://www.marksandspencer.com/>, annual report, <https://corporate.marksandspencer.com/annualreport>,Interviewed from 15<sup>th</sup> to16<sup>th</sup> August 2019 at London and 19<sup>th</sup> August at Manchester in U.K.
- 8) The Deloitte Academy: Promoting excellence in the boardroom “Your guide Director’s remuneration in FTSE250 companies”(October 2018)  
<https://www2.deloitte.com/content/dam/Deloitte/uk/Documents/tax/deloitte-uk-tax-your-guide-directors-remuneration-in-ftse-250-companies.pdf>  
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# 人的資源管理からみる外部役員による監査機能 —経営者の株式所有比率による英中企業の比較—

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## 【要旨】

本稿では、社外取締役の監査・監督機能の実効性について、特に、経営者が多くの株式を保有し、独裁的経営を行っている企業において、経営者による不祥事、不正会計などを抑制することができるのかどうかを分析した。

分析方法は、コントロール権、キャッシュフロー権を使い、取締役に占める社外取締役の人数、社外取締役に占める会計士の人数などの基本的情報をベースにモラルハザードが起きやすい状況を分析した。また、経営者和其他の取締役の報酬、個人投資家への配当金の分配金の推移も分析した。経営者の報酬のみが増加している場合、経営者が自分の利益だけを追求しており、社外取締役の受け入れ体制も整備されず、監査・監督機能が発揮できていない場合が多い。一方、経営者と取締役が平等に株式を保有している企業は、企業統治にも力を入れており、経営者が独裁的になりづらく、社外取締役の実効性が高いことが、上記分析結果とヒアリング結果から明らかになった。

取締役がほぼ同じ株式を保有している企業分散型企業が多いイギリスでは、法律上、経営者や取締役の株式保有比率に関して規定があり、また、株式保有数に規定を設けている企業が多い。中国においても株式保有の制限をかけるなど規定を設け、経営者の影響力を減らすことが外部役員の監査・監督機能を発揮することにつながる。

**Key words:** Chinese Company, Independent non executive director, Audit committee,  
Human Resource Management, Cooperate governance