Competing Logics: The Appointment of Independent Directors in Taiwan, 2002-2005

By

Dr Weiting Zheng

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All interested are welcome
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Abstract

We examine how two types’ of local embeddedness - political connectedness and family ownership - influence firms’ response to foreign investors’ demand for better corporate governance practices in emerging economies, focusing on firms’ appointment of independent directors in Taiwan between 2002 and 2005. We argue that connected firms may resist governance reform as political ties provide access to resources that may reduce firms’ reliance on foreign capital; on the other hand, connected firms may be more likely to incorporate governance reforms because connected politicians have incentives to request their firms to respond to reform policies of the state, in order to signal compliance to foreign investors. In addition, we propose strong resistance from family-owned firms in response to foreign investors’ requests. Results provide support for the compliance effect of political ties and the resistance effect of family ownership.