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Corporate Governance in Taiwan: A Survey

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Asian economies began focusing on corporate governance regulation reform following the Asian financial crisis of 1997–98. After 2002, Taiwan's government promulgated a series of corporate governance reforms to enhance the quality of governance. In this paper, we first review the regional context of Asian corporate governance issues, namely ownership structure, internal and external mechanisms and several other specific topics. This is then extended to the Taiwanese corporate governance framework. This survey not only seeks to understand the implementation of corporate governance regulations and innovation in Taiwan; it also serves as a reference point for future studies into this and related issues.

Keywords: corporate governance, ownership, internal and external mechanisms
JEL classification: G32, G34

1 Introduction

In theory, professional managers should make investment decisions in the best interests of investors. In practice, however, this does not always happen. Corporate governance is the way in which capital suppliers use a set of mechanisms to induce company decision-makers to maximize a firm's value. It has also been defined as "a set of mechanisms through which outside investors protect themselves against expropriation by the controlling shareholders and managers" (La Porta et al., 2000b). This definition highlights one aspect of the dilemma investors face in many Asian economies (Shleifer and Vishny,

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1997; Denis and McConnell, 2003). Overall, researchers view corporate governance mechanisms as comprising internal and external mechanisms (Gillan, 2006).

Inadequate corporate governance systems were believed to have exacerbated the 1997–98 Asian financial crisis (Rajan and Zingales, 1998), during which many firms were expropriated by their controlling shareholders. Assets were removed from companies and troubled firms in business groups were supported by loan guarantees by other listed group members (Johnson et al., 2000b). Following this crisis, Asian countries were forced to comply with different levels of recommendations regarding corporate governance best practice principles. Taiwan's Securities and Futures Commission (SFC) responded in 2002 by recommending the implementation of independent outside directors and supervisors. Specifically, the boards of publicly listed companies had to include at least two independent directors and at least one independent supervisor. Similar to the U.K.'s 'comply or explain' approach, however, the recommendations were not mandatory. It took the devastating global financial crisis in 2008 to underline the importance of corporate governance and, consequently, businesses started paying much greater attention to the relevant issues. Not surprisingly, the literature on corporate governance in Asia in the wake of financial recession has grown.

This paper focuses on Asian corporate governance and specifically the Taiwanese corporate governance framework. Previous studies such as those conducted by Claessens and Fan (2002), Fan, Wei, and Xu (2011) and Claessens and Yurtoglu (2013) have comprehensively reviewed analyses of selective corporate governance issues in Asia and other emerging markets. However, to date, no systematic review has been undertaken of the corporate governance framework in Taiwan. This paper first reviews the major corporate governance issues in Asia, which mainly focus on ownership structure, internal and external mechanisms and more specific topics. The second part of this paper addresses Taiwanese corporate governance. Taiwan's institutional environment is distinct from those of the U.S. and the U.K. in terms of ownership structure, in that the latter two are dispersed while Taiwan's is concentrated. As in other Asian economies, Taiwanese corporations use pyramids and cross-holdings to increase the controlling influence of shareholders. The characteristics of a concentrated ownership structure in Taiwanese companies give us an opportunity to investigate the corporate governance issues that emerge from this type of ownership. Hence, this paper reviews international and local peer-reviewed studies that investigated

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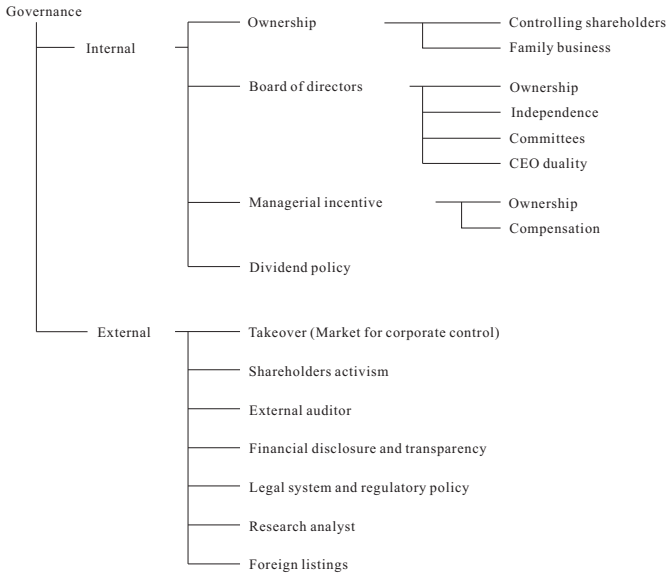


Figure 1: Corporate Governance Research Framework

the Taiwanese corporate governance framework. It also suggests future research areas for scholars who are interested in researching Asian or Taiwanese governance issues.

Figure 1 summarizes the corporate governance research areas that are covered in this study. We split our research areas into two broad categories: internal and external governance mechanisms. Compared to Gillan (2006), who discussed a broader framework of corporate governance, we only include research focus topics in Asia. The internal governance mechanisms we examine are ownership structure, board of directors, managerial incentives, family business and dividend payout policies. The external governance mechanisms we focus on are market for corporate control, shareholder activism, external auditors, financial disclosure and transparency, financial analysts and foreign listings.[1]

The structure of the paper is as follows. Section 2 reviews the internal and external governance mechanisms used by Asian corporations. Section

[1] We separate empirical studies on Taiwanese corporate governance into three groups — ownership structure and internal and external governance mechanisms — instead of the topics used in Figure 1. Certain topics, especially for external governance mechanisms, are rare in research on Taiwanese companies.

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3 incorporates the Taiwanese corporate governance framework, its regulatory requirements and the empirical studies in which it has been examined. Section 4 concludes and summarizes the paper.

2 Corporate Governance Mechanisms in Asia

In Asia, the controlling shareholder in a corporation with concentrated ownership can expropriate the firm's resources away from minority shareholders, and thus decrease or seriously compromise the firm's value. In practice, a number of mechanisms are employed by shareholders or stakeholders to ameliorate the agency problem (Eisenhardt, 1989; Denis, 2001). Signing a contract that binds controlling and minority shareholders is one solution. Controlling shareholders (who usually hold management positions) can sign a contract and show that they will maximize minority shareholders' wealth. However, this is not a complete solution. It is impossible for shareholders to know what actions controlling shareholders are taking. Likewise, controlling shareholders may not know what actions are value-maximizing in every situation. Although minority shareholders cannot implement perfect contracts that force controlling shareholders do everything they want, they can at least instigate less-than-perfect contracts that require controlling shareholders to fulfill some of the shareholders' needs.

An alternative is for minority shareholders to directly monitor controlling shareholders' actions. In reality, however, it is not practical for small investors to monitor agents, for a number of reasons. First, not all shareholders have expert knowledge of the company and industry. Second, they cannot judge whether controlling shareholders' actions are good or bad. Third, monitoring processes are costly activities. The cost of monitoring sometimes outweighs any benefits that shareholders may accrue. Therefore, institutions have arisen endogenously to monitor management, including boards of directors, creditors, large shareholders such as institutional shareholders and blockholders, and competing management teams. Firms can internally or externally implement bonding and monitoring mechanisms voluntarily to mitigate the possibility of expropriation from shareholders or stakeholders.

2.1 Internal governance mechanisms

In theory, internal governance mechanisms should be able to mitigate the agency problem between agents and principals. This section demonstrates

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the corporate governance issues related to these internal governance mechanisms.

2.1.1 Ownership structure

In the U.S. and the U.K., business ownership characteristics are typically highly dispersed. The major agency problem lies between corporation managers and outside shareholders. Managers might expropriate resources from shareholders because they have different incentives and do not want to maximize the shareholders' wealth. In contrast, business ownership elsewhere around the world tends to be more concentrated. This structure shifts the focus to controlling shareholders, who have the opportunity to expropriate wealth from minority shareholders (Grossman and Hart, 1988; Shleifer and Vishny, 1997). More than half of the companies in Asia are controlled by family groups, and they typically use stock pyramids[2] and cross-shareholdings to effectively control firms (Claessens, Djankov, and Lang, 2000; Claessens et al., 2002).[3] Even though family groups are the common ownership structure in Asian corporations, state-owned companies are typically found in Singapore and China. In Japan, the majority of companies are controlled by financial institutions, but this is less common in other Asian economies (Claessens and Fan, 2002).

If a controlling shareholder can increase his cash-flow ownership, it can mitigate the expropriation (entrenchment) problem. In effect, a controlling shareholder needs to pay more if he wants to divert the company's resources somewhere else. Therefore, higher cash-flow ownership can be seen as a commitment that makes the controlling shareholder less likely to expropriate minority shareholders. In this case, minority shareholders adjust the stock price accordingly based on the level of private benefits taken by the controlling shareholder. This in turn influences the wealth of the control-

[2]Almeida and Wolfenzon (2006) define a pyramid as "a structure [through which] the family achieves control of the constituent firms by a chain of ownership relations: the family directly controls a firm, which in turn controls another firm, which might itself control other firms, and so forth."

[3]Claessens, Djankov, and Lang (2000) document ownership patterns for nine East Asian countries and report that the separation of ownership and control was most pronounced in family-controlled and small firms. More than two-thirds of firms were controlled by a single shareholder. Also, the managers of closely held firms were generally family members with significant corporate wealth in East Asia.

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ling shareholder. Higher cash-flow ownership for the controlling shareholder can align the interests of the controlling and minority shareholders, which discourages the entrenchment effect. Thus, firm value should improve in terms of cash-flow rights and a decrease in the divergence between control and cash-flow rights (i.e. excess rights) if the control level for controlling shareholders achieves a certain level.

Regarding Asia, Claessens et al. (1999) and Claessens et al. (2002) investigate the relationship between performance and ownership structure in a sample of listed corporations from nine East Asian countries.[4] They report that cash-flow rights are positively associated with firm value and vice versa for control rights; that is, as the wedge between control and cash-flow rights increases, its effect becomes more pronounced. Lins (2003) investigates how managerial ownership and large non-management blockholder shareholdings affect firm value in 18 emerging markets using a sample of 1433 firms. Similar to Claessens et al. (2002), Lins (2003) finds that the divergence between control and cash-flow rights is negatively related to firm value, but he does not conclude that managerial cash-flow rights affect firm value. Furthermore, large non-management control rights blockholding is positively correlated with firm value. This implies that the external shareholder protection mechanism (i.e. large non-management blockholders) can act as a substitute monitoring mechanism to mitigate managerial agency costs. Both results are significantly more pronounced in countries with less shareholder protection. Jiang, Kim, and Pang (2011) further examine the entrenchment effect on stock performance in 22 East Asian and Western European countries from the perspective of controlling shareholders. The results support the view that divergence between control and cash-flow rights is negatively significantly associated with investment-Q sensitivity.

2.1.2 Board of directors and audit committee

The board has the legal authority to ratify and monitor managerial initiatives, evaluate the performance of senior managers and reward or penalize that performance where it is merited. In other words, the board has the right to hire, fire, compensate the incumbent managers and monitor the effectiveness of management (Fama and Jensen, 1983a; Fama and Jensen, 1983b). Company boards include some of the firm's top managers in addition to

[4]Hong Kong, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan and Thailand.

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directors from outside the firm.[5] The inside directors provide valuable information about the firm's activities while the outside directors provide both strategic input and objectivity in evaluating the senior executives' decisions. The corporate board is a potentially powerful governance mechanism comprising expertise, independence and legal authority.

Following the 1997–98 Asian financial crisis, a raft of corporate governance codes was published by Asian governments. Enhanced board independence is a central tenet of many of these newly formulated codes for best governance practices; the presumption being that independent boards make better decisions and their experience enhances firm performance. In U.S. studies, there have been mixed results regarding outside directors' representation and firm performance.[6] However, the results from other countries have indicated a positive effect between the two variables. For example, Dahya and McConnell (2007) report a significant market reaction of 0.44% when an outside director appointment brought the number of outside directors to the recommended Cadbury Report level of at least 3 in the U.K. They also document a significant improvement in operating performance, whereas Mura (2007) reports a significant positive relationship between the proportion of outside directors on the board and firms' performance (Tobin's Q).

These two studies make a significant effort to overcome endogeneity. In a similar vein, Choi, Park, and Yoo (2007) argue that South Korea offered a natural experimental setting for investigating whether enforced changes to board independence affected firm performance (Tobin's Q). The South Ko-

[5]The term "directors from outside the firm" can also be called "outside directors" in the U.S. literature, which means the same as "non-executive directors" in the U.K. and "independent directors" in many Asian economies.

[6]At least three explanations have been offered for the lack of tangible performance benefits attributable to board independence. First, board composition is endogenous, which can lead to a failure to detect performance benefits in a cross-sectional analysis (e.g. Demsetz and Lehn (1985); Nguyen and Nielsen (2010)). Second, detecting the effects of outside director appointments that significantly improve firm performance may be diminished in the cross-sectional analysis, as such directors are mostly appointed to boards in response to poor past performance (Hermalin and Weisbach, 2003). Finally, historically the proportion of outside directors on U.S. boards is significant due to listing rules, and more recently because of the requirements of the 2002 Sarbanes-Oxley Act. Consequently, the lack of variation in board composition and availability of a suitable sample of listing firms to construct robust samples of control firms creates research design problems. This, in turn, makes it difficult to detect significant performance benefits (Dahya and McConnell, 2007).

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rean government mandated a minimum 25% outside director representation for the boards of listed firms in 1997. Previously, outside representation was uncommon. They find that the proportion of independent outside directors was, as opposed to gray directors, positively correlated with performance, as was foreign institutional ownership. Idiosyncratic domestic factors such as family or Chaebol affiliations led to worse business performance. Abidin, Kamal, and Jusoff (2009) find that the proportion of outside non-executive directors has a positive effect on firm value in Malaysian corporations. Overall, the results show that in countries that have implemented the independent director recommendation, firm performance is enhanced if companies adopt a certain number of independent outside directors on their boards.

In a sample of East Asian companies, Woidtke and Yeh (2013) suggest that an emphasis on audit committee independence alone may not be enough to enhance earnings informativeness. Instead, focusing on both complete independence and the financial or legal expertise of independent directors who are appointed to the audit committee may be a more fruitful way to increase investor confidence in accounting information, especially when ownership is concentrated.

2.1.3 Managerial incentives (Compensation)

Managerial compensation is a way of bonding the incentives between owners and managers. Murphy (1998) divides the managerial compensation package into four basic components: a base salary, an annual bonus, stock options and long-term incentive plans. Base salaries are a key component of executive employment contracts. An annual bonus, also called a short-term incentive plan, is paid annually based on a single year's performance. Typically, under this plan, if firm performance reaches a certain level (i.e. threshold level), then the company pays a certain percentage of the target bonus to managers. However, the annual bonus plan has created some problems resulting in the interests of managers and shareholders not being aligned. First, managers can manipulate the accounting measures because they are highly correlated with stock prices. Accounting profits are backward-looking and short-term, and if managers only focus on accounting profits, they may avoid actions that reduce future profitability while increasing current profitability. Second, managers are usually involved in setting the standards, especially if the standards are a consensus budget. Finally, the incentive zone (threshold-cap) on short-term plans can also induce managerial gaming.

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Stock options are contracts that give the recipient the right to buy a share of stock at a pre-specific strike or exercise price for a pre-specified term through a specified period (option's expiration date). The options cannot be exercised immediately and must be held for a specified number of years, which is called 'vesting'. These options are typically non-tradable and are forfeited if the executive leaves the firm before vesting. Stock options are long-term incentive plans. The value of an option can be calculated using the Black and Scholes (1973) option-pricing model. The option value may be influenced by the difference between the stock's strike and market price, and the volatility of the underlying stock. The more volatile the stock price, the more valuable the option.

The main aim of using stock options as an executive compensation plan is that those who receive stock options are more likely to make decisions that increase share price value because the value of stock options is tied to the share price. This may increase firm performance and align managers and shareholders' interests. There are, however, some problems with the stock option plan. First, executives who hold stock options do not receive cash dividends. Therefore, executives may decide to retain earnings rather than pay a cash dividend to shareholders. Alternatively, they may prefer to repurchase the firm's shares. Second, executives who hold stock options often prefer to invest in risky projects because such projects cause the share price to become more volatile. Finally, when stock price declines sufficiently below the exercise price, then stock options cause executives to lose their incentives. There are additional types of long-term incentive plans such as restricted stock, retirement plans (e.g., supplemental executive retirement plans or SERPs) and long-term incentive plans (LTIPs).

Jensen (1993) suggests that board members (both insiders and outsiders) are encouraged to hold some fraction of their firm's equity. Using a long-term incentive plan such as options or other stock-based compensation could provide the incentive for board members. These long-term incentive plans discourage board members from selling their holdings, and they accumulate in value over time. Hence, board members who hold substantial amounts of a firm's equity gain incentive to improve their job performance.

In the empirical studies, Cheng and Firth (2005) investigate the relationship between executive compensation and some governance and ownership factors in Hong Kong corporations. The results reflect that director (institutional) shareholding is negatively (positively) related to top management (executive and director) pay levels. The proportion of non-executive

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directors does not constrain the top management pay, nor does it enhance the use of bonus or option pay. Kato and Long (2006), Firth, Fung, and Rui (2007) and Conyon and He (2011) find that executive compensation is positively associated with company performance in China. The higher pay-performance package for top executives in Chinese listed firms is encouraged, but is weaker in those firms with higher government ownership. Cao, Pan, and Tian (2011) find that the cash-flow rights of controlling shareholders have a positive effect on the pay-performance relationships of executives, whereas the deviation of cash-flow from control rights has a negative effect on the pay-performance relationship.

Regarding director compensation, Kubo (2005) finds that tying director pay to performance does not improve the performance of Japanese companies. He also notes that directors with high incentive pay packages are less likely to perform better. Abdullah (2006) examines Malaysian firms and finds that directors' remuneration does not affect company performance. However, a higher proportion of independent directors on the board can constrain director compensation.

2.1.4 Business groups and family firms

Business groups are a typical feature of Asian corporations. Typically, Asian business groups are controlled by families. Only a few business groups in select Asian economies belong to other entities. For example, Japanese business groups are often controlled by financial institutions and Chinese business groups are usually state-owned. A business group is an organization where a number of firms are linked through pyramid structures and cross-shareholdings. Khanna and Palepu (1997) point out that when external financing is uncertain and scarce, business groups can allocate resources and capital to firms in the group through internal financial markets, which can lead to economic benefits and better marketplace performance. Chang and Hong (2000) find that shared managerial expertise and product information within a South Korean Chaebol is positively associated with firm performance.

However, the business groups typically combine through complex ownership and control structures. In internal markets, group-affiliated firms may have management and agency problems, thus leading to the misallocation of resources. The value and benefits of a business group and the cost of internal markets depend on institutional factors. The evidence for any benefits

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and costs associated with group affiliation has been inconclusive. Khanna and Palepu (2000) examine business groups operating in India and find that firm performance is negatively linked with the scope of the group (diversification), but positively related to it if group size exceeds a certain level. Claessens, Fan, and Lang (2002) find that group affiliated firms in East Asia do not lead to less market risk. Keister (1998) provides evidence that in the late 1980s, group affiliation in China was positively associated with firm performance and productivity. Chang and Choi (1988) contend that Chaebol-affiliated firms in South Korea perform better than their non-affiliated counterparts. However, this evidence is not supported by later studies, such as Ferris, Kim, and Kitsabunnarat (2003), Joh (2003), Campbell and Keys (2002) and He et al. (2013).

Claessens, Fan, and Lang (2002) examine the cross-country effect for business groups in nine East Asian economies. They find that through group affiliation, the more mature, slow-growing and financially constrained businesses can gain more value. This value gain is especially large for group-affiliated firms with higher excess rights. Byun et al. (2013) examine the effect of business group affiliation on the cost of debt finance. They state that affiliated firms in South Korean Chaebols experience much less public debt than non-affiliated individual firms. However, higher expropriation from controlling shareholders can increase the cost of debt.

Referring to the succession issue, Bennedsen et al. (2014) report an average negative 56% buy-and-hold market-adjusted stock return for emerging market entrepreneurial/family firms (in Hong Kong, Singapore and Taiwan) during a 5-year period in which their controlling owners pass on ownership and control to their successors. Critically, a firm's value destruction is attributable to the difficulties in partitioning and transferring specialized assets across individuals and/or firm boundaries, including intangible assets such as relationships with employees and banks, or assets jointly controlled by family members and/or co-founders.

2.1.5 Dividend policy

Easterbrook (1984) addresses two explanations for the agency costs of dividends. He suggests that dividends may be useful in adjusting the risk taken by managers, and furthermore, that different classes of investors (both shareholders and debt holders) may lessen agency costs for monitoring the managers, keeping firms in the capital market. La Porta et al. (2000a) examine

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the relationship between agency problems and dividend policies around the world. They argue that when reinvestment opportunities are poor, investors in countries with good legal protection mechanisms use their power to extract dividends. They propose two views for agency problems and dividends. First, minority shareholders use their legal powers and force companies to disgorge cash (as dividends). The greater the rights of the minority shareholders, the more cash they can extract from the company. The second views dividends as a substitution for legal investor protection. When a firm wants to raise new capital, it must establish a good reputation in the market; therefore, it may pay dividends to signal its reputation. Such a reputation is valuable in countries with weak legal protection mechanisms.

This model predicts that dividend payout ratios are smaller in countries with good investor protection. Faccio, Lang, and Young (2001) examine the dividend patterns of listed firms in Asia. They find that the dividend rate is positively related to the divergence between controlling shareholders' control and cash-flow rights when companies are 'tightly' affiliated with a business group, but it is negatively related to those of more independent firms. They suggest that dividends may not decrease firms' agency costs. Feng (2011) examines how Chinese family-controlled firms pay cash dividends. This outcome partially support the findings of Faccio, Lang, and Young (2001), in that the dividend payment rate is negatively associated with the divergence between the control and cash-flow rights of family shareholders, especially for high growth firms.

2.2 External governance mechanisms

There are alternative monitoring and bonding mechanisms that may help mitigate agency problems in Asian firms, such as market for corporate control, shareholder activism, external auditors, financial disclosure and transparency, financial analysts and foreign listings.

2.2.1 Takeover activities (Market for corporate control)

Unlike in the U.S. and the U.K., where the market for corporate control is a powerful mechanism for mitigating agency problems, in Asian economies, such a mechanism is weak and disciplinary takeovers are rare. Some mergers may occur due to agency problems, but they do not mitigate agency issues. Bae, Kang, and Kim (2002) address this problem using a sample of

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acquisitions made by South Korean business groups (Chaebols). Their evidence shows that the controlling shareholder benefits from the acquisition, even though the firm's stock price falls on average, because the acquisition enhances the value of other firms in the group.

Given that the internal governance mechanisms are weak, are managers in Asian corporations disciplined for their poor performance? Gibson (2003) tests CEO turnover in five Asian economies: India, South Korea, Malaysia, Taiwan and Thailand. He finds that companies' performance has a significant effect on CEO turnover. CEOs are more likely to lose their jobs if the accounting performance of the firms for which they are responsible is poor, but this relationship is weaker when the firm is part of a business group. Many studies have examined this same issue in different Asian countries and obtained similar results (Campbell and Keys, 2002; Rachpradit, Tang, and Khang, 2012; You and Du, 2012).

2.2.2 Shareholder activism

When minority shareholders hold a significant number of equity stakes for a long period, they may have incentives to monitor how well firms' controlling shareholders are performing. Chung and Kim (1999) and Lins (2003) provide evidence that the ownership of large blockholders is positively related to firm value in some Asian economies.

Another mechanism for improving corporate governance is institutional shareholdings. As Asian corporations increasingly demand higher amounts of capital, institutional investors provide more capital and are motivated to make sure their investment results in higher returns. One role of institutional investors is to provide certification. The firm may invite good reputational institutional investors to participate via investment, which can signal to other minority shareholders the firm's good reputation by sharing the institutional investors' reputation. However, institutional investing does not always improve corporate governance. In rent-seeking and relationship-based transactions, which are typically found in Asian corporations, institutional and minority shareholders cannot force the controlling shareholders to disclose all of their information because such activities harm their own value.

There is some empirical evidence for the role played by institutional shareholders in Asia. In India, Sarkar and Sarkar (2000) believe that performance is positively related to directors, foreigners and lending institutional

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ownership, but not to general institutional ownership. Qi, Wu, and Zhang (2000) contend that firm performance is negatively related to state ownership but positively related to institutional or corporate ownership in Chinese corporations. Fan and Wong (2002) note that firms that function well in Asia can derive profits from rent-seeking, but they are generally the most poorly governed with, at best, opaque protocols and procedures. Khanna and Palepu (2000) examine the relationship between ownership structure and firm performance in India. Their findings show that corporate performance was significantly positively correlated to foreign institutional ownership and significantly negatively correlated to domestic institutional ownership. This implies that foreign institutions are effective monitors but domestic institutions are ineffective monitors in Indian companies.

2.2.3 External auditor

Controlling shareholders can employ high-quality external auditors to mitigate the expropriation problem experienced by minority shareholders. Fan and Wong (2004) examine eight Asian countries and report that firms are more likely to employ Big Four auditors when they face larger agency problems. Gao and Kling (2012) examine the relationship between compliance with mandatory disclosure requirements and external auditors in Chinese publicly listed firms. They find that external auditors' opinions increase compliance with mandatory disclosure requirements. Haw, Ho, and Li (2011) examine how ownership structure and governance mechanisms (country-level legal environments and Big Four auditors) affect earnings management in eight East Asian economies. They provide evidence that Big Four auditors wield strong monitoring power in countries with strong legal institutions, but are less effective in nations with weak legal institutions. Overall, the results show that external auditors can mitigate the expropriation problem and increase the transparency concerning firms' financial information.

2.2.4 Financial disclosure and transparency

Compared to the U.S. and the U.K., publicly listed corporations in Asian economies typically have poorer-quality disclosure and transparency mechanisms. Fan and Wong (2002) document that accounting transparency in seven Asian economies is generally low and is related to agency problems

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and relationship-based transactions. Earnings information is less informative when controlling shareholders hold more voting and excess rights. Bae and Jeong (2002) provide similar evidence in their analysis of South Korean firms.

After the 1997–98 financial crisis, Asian economies followed the global trend of governance reform by implementing the Corporate Governance Best-Practice Principles code, which has been revised in recent years. One of the main principles is to enhance information quality and accounting transparency. Although the code improves the quality of accounting standards, investors do not fully trust the quality of the numbers being reported. Ball, Robin, and Wu (2003) test four Asian countries with common legal traditions: Hong Kong, Malaysia, Singapore and Thailand. Although these four countries have relatively high accounting standards, Ball et al. find that the reported earnings still lack transparency. Therefore, adopting international accounting standards does not automatically lead to improved transparency. Cheung, Rau, and Stouraitis (2010) examine the accounting transparency of 100 major Chinese listed firms from 2004 to 2007 and find that companies' voluntary disclosure transparency is positively related to firm valuation, but not to mandatory disclosure.

2.2.5 Legal system and regulatory policy

A country's legal system is an important facet of corporate governance. When companies' managers act in their own interests, security rights give investors (both shareholders and creditors) the right to extract the returns on their investments from managers. Shareholders may re-elect and replace directors who decide not to pay dividends while creditors have collateral repossession rights that protect them from expropriation.

Legal scholars identify two broad legal traditions: common law, which is derived from English law, and civil law, which originated in Roman law. Within the civil law tradition, legal scholars identify three common families: French, German and Scandinavian. These legal systems, except for the Scandinavian model, have spread around the world primarily through imperialism, outright borrowing and imitation (La Porta et al., 1998).

In Asia, the common law family includes Hong Kong, India, Malaysia, Singapore and Thailand. The German commercial code has wielded an important influence in Japan, South Korea, Taiwan and China. Historically, Taiwan's law originated in China, but it has also been heavily influenced by

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the German code. More recently, the securities law in Taiwan and China has been influenced by the U.S. common law model. However, Indonesia, the Philippines and Vietnam follow the French commercial code. La Porta et al. (1998) and La Porta et al. (2002) argue that the differences in investors' legal rules may explain why firms in different countries have different types of ownership, investor legal protection and quality of legislative or regulatory enforcement.[7] English common law countries are characterized as having the strongest legal protection and best enforcement procedures, whereas French civil law countries are regarded as providing the weakest legal protection and enforcement quality compared to other legal systems.

La Porta et al. (1998) and La Porta et al. (2002) also find that the ownership concentration in large publicly traded companies is negatively related to the quality of enforcement for the legal protection of investors. Johnson, La Porta et al. (2000b) introduce the concept of 'tunneling', which they define as "$\cdots$ the transfer of assets and profits out of firms for the benefit of their controlling shareholders." Their essential contribution is to highlight how courts in civil law countries accommodate tunneling, and they find that tunneling exists in countries with developed and emerging economies alike that have relatively stronger legal enforcement institutions. Johnson et al. (2000a) provide a model in which a sudden loss of investor confidence, in conjunction with the weak enforcement of minority investors' rights, leads to outside investors reassessing managers' propensity to expropriate resources; consequently, they adjust their capital commitment, which results in asset values falling and exchange rate collapse. Bae, Kang, and Kim (2002) investigation of South Korean business groups' acquisitions activity provides evidence supporting the tunneling hypothesis. It seems reasonable to conclude that legal systems rooted in the civil tradition, which provides weak investor protection, do not appear to impose a significant constraint on controlling shareholders. Klapper and Love (2004) test corporate governance issues in 14 emerging economies with different legal systems and find that firm-level governance ranking is poor in countries with weak legal

[7] La Porta et al. (1998) and La Porta et al. (2002) only examine investor protection through company and bankruptcy/reorganization laws. Company laws are concerned with (1) the legal relation between corporate insiders (corporate members, i.e., directors and shareholders) and the corporation itself and (2) the relation between certain outsiders (i.e., creditors) and the corporation. Bankruptcy/reorganization laws include both companies and cases of failure to pay back debt.

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systems. Klapper and Love confirm that a superior governance ranking is positively related to accounting and market performance.

2.2.6 Financial analyst

The main duty of an equity analyst is to determine a firm's true value. Equity analysts can identify the private benefits of control enjoyed by controlling shareholders, which allows them to potentially mitigate the threat of expropriation and improve firms' value. Analysts can also discover information from various sources (especially during acquisitions or from firms needing large amounts of external financing), and their efforts may improve corporate transparency. However, analysts may not have the ability or incentive to do so, especially when information property rights are subject to weak legal protection (Morck, Yeung, and Yu, 2000). Sometimes, analysts may become involved in insider trading before the information is disclosed to the public. Furthermore, it is very costly and time-consuming to undertake a search for true information.

Chang, Khanna, and Palepu (2009) examine analysts' activity in 47 countries, and find that a country's legal system, accounting disclosure quality, stock market size and firm size are influenced by analysts' activities and forecasting performance. They also note that the earnings of affiliated firms in a business group are difficult to forecast. However, after considering countries' institutional factors, this relationship is weaker. Bae, Bailey, and Mao (2006) undertake a case study of South Korean firms and find that increased openness to foreign equity investment improves the information environment. Foreign equity analysts can help resolve agency problems. Chang, Cho, and Shin (2007) test the information asymmetry of South Korean firms by using analysts' forecast errors and dispersion before and after the Asian financial crisis. They find that changes in business environment improve corporate transparency. Chaebol firms have higher information asymmetry than non-Chaebol firms, yet the improvement in transparency for Chaebol firms is no better than that for non-Chaebol firms after the crisis period. Nowland (2008) examines the introduction of voluntary national governance codes in eight East Asian countries. The results show that the introduction of these codes improves analyst forecasts and disclosure quality and decreases analyst forecast errors. However, in contrast, Chang, Khanna, and Palepu (2009) emphasize that business groups in Asia hamper analyst activity and their forecast performance.

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2.2.7 Foreign listings

Another mechanism that may mitigate agency problems is to have access to foreign markets. Firms can either list in a foreign market directly (also called cross-listing), or do so indirectly through an American or global depositary receipt (ADR or GDR). Firms with poor external governance environments that originate from emerging markets decide to cross-list into a better governance environment market to improve the quality of governance and commit to a higher disclosure requirement. This signal facilitates the investors' willingness to invest in and increase shareholders' value.

Miller (1999) states that the ADR issuers from emerging markets have a higher announcement effect than those from more developed markets. Lang, Lins, and Miller (2003) provide evidence that firms from countries or emerging markets that inherited non-English legal systems and cross-listed in the U.S. experience a large improvement in stock market analyst coverage and forecast accuracy. They perform much better than those firms from countries that derived their legal systems from the English model. They also note that this improvement enhances the firms' value. Doidge, Karolyi, and Stulz (2004) believe that foreign companies that cross-list in the U.S. have higher Tobin's Q ratios than those of non-cross-listed firms. This was particularly more pronounced for those firms from countries with poor investors' rights legislation. Khanna, Palepu, and Srinivasan (2009) examine 25 Asia-Pacific and European companies' disclosures and cross-listing in the US market. They use Standard & Poor's transparency and disclosure scores and conclude that these scores have a positive association with the U.S. listing. This means that companies cross-listed in the U.S. market have better quality transparency and disclosure mechanisms.

3 Taiwanese Corporate Governance

Although Taiwan was not seriously affected by the Asian financial crisis in 1997–98, several listed companies experienced financial distress around the same time.[8] Most cases show that the controlling family had the majority of seats on the boards of these companies. Insiders used corporate funds to reinvest company stock or speculate in higher-risk projects (Liu, 2001).

[8]From 1998 to 2001, more than 10 listed companies experienced financial difficulties, for example Tong Lung Metal Industry, Chinese Automobile, Kuoyang Construction, Taiyu Products, Guang-San Construction and Ban Yu Paper.

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Because of these events, Taiwan's securities regulator (Securities and Futures Commission, SFC) believed that greater transparency was needed for enterprises to control risk. Moreover, corporate and securities law seemed insufficient to control the moral hazards faced by owners/managers. Hence, in February 2002, Taiwan Securities and Future Institute (SFI), Taiwan stock exchange (TWSE), GreTai Securities Market (GTSM) and Taiwan Corporate Governance Association (TCGA) recommended the appointment of independent directors and supervisors.[9] This recommendation was influenced by the OECD and Cadbury code of best practice. TSEC and GTSM developed the "Corporate governance best practice principles for TSEC/GTSM listed companies." However, this recommendation was implemented under the "comply or explain" approach, and thus it was not mandatory at that time.

According to the 2012 CLSA CG Watch that emanated from Asia Corporate Governance Association (ACGA), Taiwan — despite having incrementally improved its CG system — dropped from fourth to sixth place as a powerhouse Asian economy in 2012.[10] Other Asian economies improved more quickly than that of Taiwan. The overall CG score fell to 53% in 2012, and the drop was driven by the enforcement category. For example, independent directors and audit committees are still a voluntary requirement, but it is not mandated for all listed companies. Director nominations and election systems have serious problems in that they are unclear and opaque. Also, many Taiwanese listed companies only fulfilled the minimum regulatory requirements rather than voluntarily trying to create a genuinely good corporate governance environment. ACGA analysts stated that they doubted many Taiwanese senior executives believe that good corporate

[9]On March 13, 2002, Taiwan Corporate Governance Association was established in Taiwan by officers of the Securities and Futures Commission, Bureau of Monetary Affairs, TWSE, GTSM, Taiwan Securities Central Depository and Taiwan Futures Exchange; representatives of the Securities and Futures Institute, Corporate Organization Research and Development Association, Taiwan Institute of Economic Research, Chinese National Association of Industry and Commerce; four CPA Associations (National, Taipei, Taiwan and Kaohsiung); and four international accounting firms. The main aim is to promote the internal and external mechanisms of corporate governance in Taiwan (regulatory capacity, professional standards, finance and capital market forces, directors' functions, etc.) and align local and international standards.

[10]Australia, China, Hong Kong, India, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand and Vietnam.

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governance can actually benefit their firms' long-term performance. Large listed companies are willing to improve corporate governance, but they are unaware that Taiwanese companies' practices are now obsolete according to global standards. Institutional investors such as mutual and public pension funds are passive and do not use their shares to actively vote.

3.1 The law and rules regarding Taiwan's corporate governance

The basic corporate governance structure in Taiwan is two-tiered and comprises a board of directors, supervisors and shareholders. It is usually described as a Chinese version of German governance (Yeh and Woidtke, 2005). Unlike German company boards, however, in which supervisors have more power than the board of directors, in Taiwan, both directors and supervisors are parallel and are usually elected by shareholders during the annual shareholders' meeting. Only in special circumstances are board members appointed between annual shareholders' meetings, such as when appointments are made to replace executives who have resigned. The boards of publicly held corporations should have at least five directors and at least three supervisors (TWEC listing rule, article 9). Directors and supervisors are authorized by company law to serve up to three-year terms, but may be eligible for re-election (Company law, articles 195 and 217). In Taiwan, the directors manage the company and the supervisors instigate an independent and objective review of the internal controls, audit functions and financial reporting process provided by directors (similar to statutory auditors or *Kansayaku* in Japan).

Before the corporate governance reform, government regulations required an individual to be a shareholder or shareholder's representative to serve as a director or supervisor (Company Law, article 192). The SFC demands that directors and supervisors hold a portion of the company shares (Securities and Exchange Act, article 26). If the company has a market capitalization that is less than or equal to NT$300 million, the directors (supervisors) should hold at least 15% (1.5%) of the outstanding shareholdings in total. If the directors/supervisors sell more than half of their shareholdings during the term, their directorial or supervisory roles are automatically discharged (Company Law, article 197). Government entities and corporations can act as directors or supervisors by appointing representatives to exercise their rights as such (Company Law, article 27).

Similar to the U.K.'s Cadbury Report "comply and explain" implemen-

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tation strategy, in Taiwan the recommendation for the appointment of independent directors supervisors was not mandatory. According to the recommendation, a company should appoint at least two independent directors and at least one independent supervisor to the firm's board. Companies that were already publicly listed before 2002 have the choice to comply with the recommendation or to not comply but state the reasons.[11] Following compliance, at least one independent member should have an accounting or finance background. To encourage the adoption of the independent director/supervisor system for all listed companies, the businesses that adopted the new rule were permitted a 20% deduction in directors' shareholding requirements. Currently, independent directors and supervisors do not necessarily need to hold the company's shares, and those who do are not discharged automatically if they sell more than half of their holdings (Rules and Review Procedure for Director and Supervisor Share Ownership Ratios at Public Companies, article 2).

From January 2007 onward, it has been compulsory for financial institutions and listed non-financial companies to have a paid-in-capital of more than NT$50 billion (Security and Exchange Act, article 14–2). They have been required to have at least two independent directors, or that at least one-fifth of their directors had to be independent. Starting in March 2011, this rule was expanded to include all listed non-financial companies with paid-in-capital valued at more than NT$10 billion. After 2010, all publicly listed corporations had to establish their own remuneration committee to monitor executives, directors and supervisors' remuneration, incentive options and benefits (Security Exchange Law, article 14–6).

Now, Financial Supervisory Commission (FSC), a new and unified regulatory authority,[12] plans to enhance corporate governance by requiring that all listed companies include independent directors on their boards between 2015 and 2017. The code recommends that all financial institutional companies and non-financial listed companies with more than NT$2 billion paid-in capital should establish audit committees before 2019. Other listed companies can choose to set up an audit committee or include independent

[11] The newly listed companies after February 2002 needed to appoint independent directors according to the requirement of listing rule.

[12] FSC was created on 1 July 2004 to unify several previously separate regulatory authorities which separately supervised different sectors of the finance industry It is responsible for regulating securities markets, banking, and the insurance sector.

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supervisors on their boards. Moreover, the audit committee should consist of at least three independent directors and at least one independent director with an accounting or finance background.

3.2 Empirical research: Overview

Ko et al. (2001), Filatotchev, Lien, and Piesse (2005) and Yeh and Woidtke (2005) describe the three main corporate governance characteristics in Taiwan. First, there are the family-controlled business groups in which a large fraction of control rights are held by founding family members. Consequently, outside shareholders are in the minority. In concentrated ownership economies, controlling shareholders may gain control by using pyramid, cross-shareholding and/or dual class shares (this allows for any deviation from the one-share-one-vote rule). It also creates the divergence between cash flow and control rights (La Porta, Silanes, and Shleifer, 1999; Claessens, Djankov, and Lang, 2000; Claessens et al., 2002; Faccio and Lang, 2002). Taiwanese firms' controlling owners also use pyramid and cross-shareholdings to increase control (Yeh, Lee, and Woidtke, 2001).[13] Family-controlled business groups have many affiliated companies, some of which exist at different levels in the same industry while others are in different industries. This type of industrial organization is closest to South Korea's Chaebols (Liu, 2001).[14] Most family-controlled business groups have affiliated companies and legal entities (such as investment companies) owning their shares.

Second, institutional investors have become much more important in recent years. According to Taiwan Stock Exchange data, from 1993 to 2012, government ownership decreased from 11.62 to 4.09%. The privatization of state-owned companies explains this decline. Domestic financial institutions ownership is about 5% and trust funds ownership is about 1.5%. Foreign trust funds ownership increased significantly from 4.57% in 2002 to 12.86% in 2012 and foreign financial institutions ownership is about 1%. Ownership of corporations or other judicial persons is mainly controlled by

[13]Before 2001, there was no provision in Taiwan's company law prohibiting cross-shareholding between parent and affiliated companies.

[14]The *Chaebol* groups in South Korea function like the Japanese *Keiretsu*, which consist of horizontal diversified firms with a concentrated ownership structure. Most Chaebols are held by founding family members. The South Korean government has strongly supported the growth of Chaebols.

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subordinated or private investment companies associated with family members. This group owned about 22.78% of shares in 2012. Domestic individual ownership decreased from 57.16 to 39.70%, but it is still the largest type of ownership and can be generally categorized into business family ownership and public ownership (i.e. minority shareholders). A third characteristic of Taiwan's corporate governance is the absence of the disciplinary effects of the market for corporate control. Taiwan's company law prohibits mergers between Taiwanese and foreign companies, along with mergers between companies and non-corporate legal entities.

Following the recommendations for corporate governance changes in 2002, scholars began debating how these changes might affect Taiwanese corporations. This paper examines relevant studies in well-respected and peer-reviewed journals. Table 1 summarizes the articles that investigated Taiwanese corporate governance from 2001 to 2013. We separate these papers based on published journal and topic areas.[15]

3.3 Ownership structure in Taiwan

As with most Asian economies, more than half of the listed corporations' ownership in Taiwan is concentrated by the largest entities. In particular, the funding family holds the largest portion of control rights for the business group. Claessens, Djankov, and Lang (2000) and Yeh, Lee, and Woidtke (2001) report that at least 48% of firms are family-controlled when they apply a 20% cutoff for control rights. Yeh, Lee, and Woidtke (2001) remark that the largest shareholders hold 27.43% of control rights, which is higher than the 19.77% reported by Claessens, Djankov, and Lang (2000). Their findings suggest that Taiwanese companies have a higher ownership concentration than was previously reported. They also indicate that when non-family members hold the majority of board seats, corporate performance is superior.

Several studies focus on a range of issues relating to the degree of entrenchment from controlling shareholders, which is measured by the divergence between control and cash-flow rights. Yeh and Woidtke (2005) examine the relationship between the ownership structure of controlling shareholders and company valuation. Their findings show that higher cash-flow

[15] We only included papers published in the Journal of Social Science Citation Index (SSCI), journals with a National Science Council (NSC) finance ranking of B+ and above or the Journal of Taiwan Social Science Citation Index (TSSCI).

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Table 1: Summary of Taiwanese Corporate Governance Studies

Topic	Authors	Year	Journal	Title
Ownership structure	Yeh, Lee and Woidtke	2001	International Review of Finance	Family control and corporate governance: Evidence from Taiwan
	Kao, Chiou and Chen	2004	Corporate Governance: An International Review	The agency problems, firm performance, and monitoring mechanisms: The evidence from collateralized shares in Taiwan
	Sheu and Yang	2005	Corporate Governance: An International Review	The agency problems, insider ownership structure and firm performance: A productivity perspective study in Taiwan's electronics industry
	Yeh	2005	Corporate Governance: An International Review	Do controlling shareholders enhance corporate value?
	Chen, Kao, Tsao and Wu	2007	Corporate Governance: An International Review	Building a corporate governance index from the perspectives of ownership and leadership for firms in Taiwan
	Chiang and Lin	2007	Corporate Governance: An International Review	The relationship between corporate governance and firm productivity: Evidence from Taiwan's manufacturing firms
	Yeh, Shu and Guo	2008	Financial Management	Ownership structure and IPO valuation – Evidence from Taiwan
	Shyu and Lee	2009	Corporate Governance: An International Review	Excess control rights and debt maturity structure in family-controlled firms

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Topic	Authors	Year	Journal	Title
	Chin, Chen, Kleinman and Lee	2009	Journal of Accounting, Auditing and Finance	Corporate ownership structure and innovation: evidence from Taiwan's electronics industry
	Chin, Chen and Hsieh	2009	Journal of Accounting, Auditing and Finance	International diversification, ownership structure, legal origin, and earnings management: Evidence from Taiwan
	Huang and Shiu	2009	Financial Management	Local effects of foreign ownership in the emerging financial market: Evidence from qualified foreign institutional investors in Taiwan
	Hung and Chen	2009	Corporate Governance: An International Review	Minimum shareholding requirements for insiders: Evidence from Taiwanese SMEs
	Chen, Elder and Hung	2010	Corporate Governance: An International Review	The investment opportunity set and earnings management: Evidence from the role of controlling shareholders
	Hua, Lin, Lin and Tsai	2010	Sun Yat-Sen Management Review	The influence of the deviation between cash flow and voting rights on earnings persistence and the market reaction of earnings
	Lin, Liang and Chin	2010	Sun Yat-Sen Management Review	Corporate ownership structure and foreign ownership
	Wong, Chang and Chen	2010	Corporate Governance: An International Review	Does a family-controlled firm perform better in corporate venturing?
	Chen and Kao	2011	Journal of Banking and Finance	Effect of collateral characteristics on bank performance: Evidence from collateralized stocks in Taiwan

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Topic	Authors	Year	Journal	Title
	Lee, Lin and Chang	2011	Pacific-Basin Finance Journal	An Ohlson valuation framework for valuing corporate governance: The case of Taiwan
	Lin and Chuang	2011	Corporate Governance: An International Review	Principal – principal conflicts and IPO pricing in an emerging economy
	Tsai, Young and Hsu	2011	Review of Quantitative Finance and Accounting	Entrenched controlling shareholders and the performance consequences of corporate diversification in Taiwan
	Tsao, Chin and Lu	2011	NTU Management Review	Ownership structure and firm diversification
	Wang and Jang	2011	Review of Securities and Futures Markets	The effect of ownership structure and board characteristics on firm performance: from the perspective of core agency problem
	Liang, Lin and Chin	2012	Review of Quantitative Finance and Accounting	Does foreign institutional ownership motivate firms in an emerging market to increase voluntary disclosure? Evidence from Taiwan
	Wang, Chen and Chang	2012	Review of Securities and Futures Markets	Corporate governance and market liquidity
	Bennedsen, Fan, Jian and Yeh	2014	Journal of Corporate Finance	Family firm successions in Asia
Board of directors and CEO	Solomon, Lin, Norton and Solomon	2003	Corporate Governance: An International Review	Corporate governance in Taiwan: Empirical evidence from Taiwanese company directors

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Topic	Authors	Year	Journal	Title
	Lin and Liu	2004	Asia Pacific Management Review	Firm performance, corporate governance, compensation, and CEO turnover in Taiwan
	Yeh and Woidtke	2005	Journal of Banking & Finance	Commitment or entrenchment? Controlling shareholders and board composition
	Lin and Hu	2007	Corporate Governance: An International Review	A family member or professional management? The choice of a CEO and its impact on performance
	Luan and Tang	2007	Corporate Governance: An International Review	Where is independent director efficacy?
	Young, Tsai and Hsieh	2008	Journal of Business Finance and Accounting	Voluntary appointment of independent directors in Taiwan: motives and consequences
	Wu	2008	Corporate Governance: An International Review	How do board-CEO relationships influence the performance of new product introduction? Moving from single to interdependent explanations
	Chen	2009	Journal of Financial Studies	Growth opportunities, agency conflicts and the effectiveness of busy outside directors
	Huang and Chan	2009	Asia Pacific Journal of Financial Studies	The influence of corporate governance on corporate performance and value after changing the CEO: evidence from Taiwan
	Cheng, Wang and Wang	2010	Journal of Financial Studies	Will corporate governance reduce illegal insider trading?
	Chiou and Jhuang	2010	Sun Yat-Sen Management Review	Association among independent directors (supervisors), corporate information transparency and firm value

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Topic	Authors	Year	Journal	Title
	Huang	2010	Sun Yat-Sen Management Review	The influence of independent directors on effects of announcing investment in Mainland China
	Chen	2011	Review of Securities and Futures Markets	The systems of independent directors and supervisors, multi-stakeholders governance and corporate performance: Evidence from listed companies in Taiwan
	Chen	2011	Corporate Governance: An International Review	Does board independence influence the top management team? Evidence from strategic decisions toward internationalization
	Wang and Chen	2011	Journal of Financial Studies	The relationship between director and supervisor's self-interest behaviour and core agency
	Hsueh and Hsu	2012	Review of Securities and Futures Markets	Influences of ownership and directors and supervisors, enterprise risk, and technology investment on incentive schemes and internal monitor schemes applied to enterprise managers
	Kao, Lu, Huang and Chen	2012	Sun Yat-Sen Management Review	Corporate governance, firm performance, and investment strategy
	Young, Tsai, Chen and Liao	2012	NTU Management Review	Board characteristics and real earnings management
	Chen, Kuo, Chen and Chen	2013	Sun Yat-Sen Management Review	Share collateralization by directors and corporate governance
	Chou, Hamill and Yeh	2013	Working paper series	What influences independent board member appointments when ownership is concentrated?

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Topic	Authors	Year	Journal	Title
	Chou, Chung and Yin	2013	Journal of Banking and Finance	Attendance of board meetings and company performance: Evidence from Taiwan
	Hung, Wang, Li, Chen and Chang	2013	NTU Management Review	The impact of managerial overconfidence on financial distress and moderating effect of family business characteristics
	Ting and Weng	2013	Review of Securities and Futures Market	Can busy independent directors reduce the variability of corporate performance
	Wu	2013	Journal of Financial Studies	Board training and firm performance: Evidence from Taiwan
	Yeh, Shu and Chiang	2014	International Review of Economics & Finance	Affiliation and professionalism: The alternative perspectives in decomposing board structure of financial institutions
	Ting	Forthcoming	Review of securities and Futures Market	CEO power and firm performance: A quantile regression approach
Compensation and dividend	Lin	2005	Corporate Governance: An International Review	Corporate governance, leadership structure and CEO compensation: evidence from Taiwan
	Chiang and He	2010	Corporate Governance: An International Review	Board supervision capability and information transparency
	Sheu, Chung and Liu	2010	Journal of Business, Finance and Accounting	Comprehensive disclosure of compensation and firm value: the case of policy reforms in an emerging market

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Topic	Authors	Year	Journal	Title
	Chan, Tai, Chan and Li	2012	Asia-Pacific Journal of Financial Studies	The effects of executive stock options and stock bonuses on payout policies in Taiwan
	Lin, Hong an dChen	2012	NTU Management Review	The determinants of director compensation of Taiwan listed companies
	Lin, Huang and Chen	2012	Sun Yat-Sen Management Review	Executive compensation, corporate governance and cash dividend policy
	Wu, Huang and Chen	2012	Asia Pacific Journal of Financial Studies	Earnings manipulation, corporate governance and executive stock option grants: evidence from Taiwan
	Kuo, Chang and Yu	2013	Review of Quantitative Finance and Accounting	Effect of mandatory pro forma earnings disclosure on the relation between CEO share bonuses and firm performance
	Jaggi, Chin, Lin and Lee	2006	Review of Quantitative Finance and Accounting	Earnings forecast disclosure regulation and earnings management: Evidence from Taiwan IPO firms
Financial reporting quality, External governance mechanisms	Lin, Chin and Lin	2009	NTU Management Review	Ownership structures, accounting conservatism and firm's credit ratings
	Liao	2010	NTU Management Review	Association between board composition, ownership structure and information disclosure level in the annual report
	Wu, Chiou and Cheng	2011	NTU Management Review	The influences of corporate governance on a CPA's going-concern opinion for financially distressed firms: An empirical study for firms listed in the Taiwan Stock Exchange

Topic	Authors	Year	Journal	Title
	Tsai and Lee	2011	NTU Management Review	The analysis of auditors' opinions in financial distress prediction
	Lee and Chen	2012	Sun Yat-Sen Management Review	Audit partner tenure and perceived audit quality-perception from stock market investors
	Yeh, Shu and Su	2012	Pacific-Basin Finance Journal	Related-party transactions and corporate governance: The evidence from the Taiwan stock market
	Chao and Horng	2013	Review of Quantitative Finance and Accounting	Asset write-offs discretion and accruals management in Taiwan: The role of corporate governance
	Lin and Tai	2013	Asia-Pacific Journal of Financial Studies	Corporate governance and analyst behavior: Evidence from an emerging market
	Kao and Chen	2013	Pacific-Basin Finance Journal	How product market competition affects dividend payments in a weak investor protection economy: evidence from Taiwan
	Shu, Yeh, Chuou and Wang	2013	Review of Securities and Futures Market	Managerial overconfidence, the odds of completing a merger, and post-merger performance
	Tang, Chen and Chang	2013	Pacific-Basin Finance Journal	Insider trading, accrual abuse, and corporate governance in emerging markets
	Yeh, Shu and Chiu	2013	Pacific-Basin Finance Journal	Political connection, corporate governance and preferential bank loans

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rights held by the largest shareholder can increase the firm's valuation, which supports the incentive alignment effect. However, greater divergence between control and cash-flow rights can decrease the firm's valuation, thus supporting the negative entrenchment effect. Yeh, Shu, and Guo (2008) note a negative relationship between deviation of control from cash-flow rights and IPO under pricing. Shyu and Lee (2009) and Wang and Jang (2011) find evidence supporting the contention that the divergence of control and cash-flow rights increases the opportunity for controlling shareholders to expropriate wealth from minority shareholders. Chin et al. (2009) state that innovation is negatively related to the entrenchment effect. They use the number of patents granted by the U.S. Patent and Trademark Office as their preferred innovation measurement. Chin, Chen, and Hsieh (2009) investigate how ownership concentration affects the corporate internationalization on earnings management. As they find that corporate internationalization is positively associated with firms' earnings management activities, aligning the control and cash-flow rights for the largest shareholder could mitigate earnings management activities from highly internationalized firms.

Wong, Chang, and Chen (2010) examine how family control affects corporate venturing announcements. They find that family control has a negative effect on abnormal returns during corporate venture announcements. It also reveals that divergence between control and cash-flow rights by controlling shareholders decreases the abnormal returns of the corporate venture announcements. However, institutional ownership from institutional shareholders could mitigate this problem by reducing the agency costs incurred by family firms. The institutional shareholders provide monitoring power, and hence the results show that firms with higher institutional ownership have higher stock market reaction to corporate venture announcements. Filatotchev, Lien, and Piesse (2005) examine 228 Taiwanese listed firms and also conclude that institutional ownership (especially foreign financial institutions) is closely linked to better performance. Chen, Elder, and Hung (2010) analyze the relationship between controlling shareholders' ownership and earnings management behavior in higher-growth firms and find that because the controlling shareholder has more cash-flow rights, he can decrease abnormal discretionary accruals. However, if the controlling shareholder experiences more divergence between control and cash-flow rights, he is more likely to use the earnings management tool.

Hua et al. (2010) arrive at similar results. Tsai, Young, and Hsu (2011) examine the effect of entrenchment on controlling shareholders' diversifica-

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tion activities. Their findings support the view that while a more entrenched controlling shareholder is more likely to diversify the corporation, the price is that it will function more poorly in the future. Tsao, Chin, and Lu (2011) further classify diversification activities and find that more entrenched controlling shareholders are more likely to diversify their corporations' products. However, if controlling shareholders have higher cash-flow rights or less divergence between control and cash-flow rights, they are more likely to internationalize their business operations.

Wang, Chen, and Chang (2012) examine the effect of governance characteristics on market liquidity. They believe that the divergence of the control and cash-flow rights of controlling shareholders, managerial ownership, the proportion of affiliated directors as distinct from controlling (or family) shareholders, blockholdings, domestic institutional holdings and family holdings are significantly positively related to bid-ask spread, which is negatively related to market liquidity. Overall, the studies noted above support the view that higher divergence between the control and cash-flow rights of controlling shareholders decreases the innovation, firm performance and abnormal returns of the corporate venture announcement and increases earnings management activities, the possibility of diversification, IPO underpricing and bid-ask spread.

Studies focusing on the U.S. support the notion that managerial stock ownership is nonlinearly related to company performance (Morck, Shleifer, and Vishny, 1988; McConnell and Servaes, 1995). In Taiwan, Hung and Chen (2009) also find a similar pattern for insider ownership and firm performance in small- and medium-sized enterprises. Sheu and Yang (2005) examine this effect, but they measure productivity as firm performance. Based on Taiwanese listed electronics companies from 1996 to 2000, the results show that executives' shareholdings are nonlinearly related to productivity. A U-shaped relationship is observed, in which such shareholdings initially compromise and then improve firm performance.

Kao, Chiou, and Chen (2004) investigate board directors' collateralized shares and their relationship to firm value. Boards of directors in Taiwan can put their own shares up as collateral and borrow money from the bank. The money can then be used for investment purposes or to purchase more company shares. This can increase the board of directors' ownership holdings. Studies have shown that collateralized shares are negatively related to firm performance, especially in conglomerate firms. However, certain corporate governance mechanisms such as monitoring by creditors and institutional

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shareholders and dividend policies can mitigate the effects of collateralized shares through the individual board of directors. Chen and Kao (2011) discover that boards of directors are more likely to collateralize their shares to private banks if they need more funds, yet they have weak relationships with their banks or high turnover stock. Huang and Shiu (2009) focus on institutional ownership and their findings support the claim that foreign institutional ownership could enhance firm performance. Lin, Liang, and Chin (2010) conclude that foreign investors are less likely to invest in a company where the controlling shareholder has higher divergence between cash-flow and control rights and more affiliated directors on the board or a larger director-pledged ratio. Liang, Lin, and Chin (2012) examine the effects of foreign institutional ownership and voluntary disclosure on Taiwan. They find that foreign institutional ownership is positively associated with the probability of holding conference calls. Lin and Chuang (2011) note that a higher degree of family ownership, institutional ownership and firms where CEOs have dual roles increase IPO underpricing.

Chen et al. (2007) use managerial holdings and blockholdings combined with CEO duality and board size as components of a governance index, which they use as a proxy for measuring a good corporate governance mechanism. Firms with higher governance index rates have better governance. Their results also support the hypothesis that a higher governance index rate is positively correlated with companies' stock performance. Another study that incorporates the corporate governance index is Lee, Lin, and Chang (2011). They use the Ohlson model to measure corporate governance index in each firm and show that the divergence between controlling shareholders' control and cash-flow rights has a negative effect on firm value. Ownership as vested in large shareholders, directors and supervisors is positively related to firm value. However, ownership based on individual investors and controlling family shareholders has a negative effect on firm value.

Chiang and Lin (2007) analyze how ownership structure and board composition affect firms' productivity. They find that less insider ownership enhances firms' productivity levels, but decrease them when such ownership is high. Moreover, conglomerate, high-tech and family-owned businesses are more productive than their counterparts. CEO duality increases firms' productivity, but collateralized shares held by board of directors decrease it. Institutional shareholdings can mitigate the effect of collateralized shares held by a company board (director pledged ratio). Chen et al. (2013) achieve a similar result by testing the director pledged ratio. Finally, Bennedsen et

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al. (2014) report that specialized assets explain why firm ownership is concentrated and why heirs or close relatives are chosen as successors in most succession events.

3.4 Other internal governance mechanisms

3.4.1 The determinants of board composition

Yeh and Woidtke (2005) examine the determinants of board composition and firm valuation using a sample of 251 firms listed on the Taiwan Stock Exchange in 1998. They argue that controlling shareholders can consolidate their authority by selecting family members or relatives as directors or supervisors to make decisions in their favor. In contrast, controlling shareholders can select board members with professional skills based on their expertise rather than affiliations, or they can select supervisors who are more likely to monitor the board's operation. Yeh and Woidtke's results suggest that poor governance occurs when the board is dominated by members who are too closely affiliated with the controlling family, and vice versa. They conclude that the proportion of directors represented by the controlling family is a reasonable proxy for the quality of corporate governance at the firm level. In valuation terms, firms with stronger board affiliation are valued less by investors. Yeh, Shu, and Chiang (2014) find that the professionalism expected of boards of directors can negate the controlling shareholders' inclination to engage in entrenchment practices. Young et al. (2012) report that boards of directors with greater independence and professionalism mitigate earnings management activities. Chou, Chung, and Yin (2013) analysis of directors' board meeting attendance and firm performance in Taiwanese listed corporations reveals that different types of directors behave differently based on meeting attendance behavior.

3.4.2 Independent directors

According to the Code of Best Practice Principles, publicly listed companies in Taiwan should recruit at least two independent directors and one independent supervisor on their boards. It also recommends that firms appoint professional committees to deal with auditing, remuneration and compensation to improve the quality of management monitoring. Solomon et al. (2003) use a questionnaire survey to evaluate the corporate governance structure during the early stages of the governance reforms process in Taiwan.

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The respondents believe that recruiting outside independent directors could enhance a company's accountability and transparency. However, to date only a few companies have audit and remuneration committees on their boards of directors.

Several studies examine the effects of appointing independent board members on corporate performance. Luan and Tang (2007) and Chen (2011b) report that independent directors do have a positive effect on business performance. Young, Tsai, and Hsieh (2008) also find evidence of this phenomenon after controlling for the endogeneity problem. Chen (2011a) examines how independent directors influence the senior or executive management team, and the results show that the tenure and international experience of these management teams are positively correlated with the number of independent directors on the board. Chou, Hamill, and Yeh (2013) look at what determines independent board members' appointments. They suggest that firms with controlling shareholders with higher cash-flow rights (higher deviation between control and cash-flow rights) are more (less) likely to appoint independent directors or supervisors to the company board. Chou, Chung, and Yin (2013) also find evidence that recruiting independent board members can improve a firm's subsequent business performance. Overall, the evidence shows that the independent director recommendation can improve Taiwanese companies' performance. The results imply that independent directors actually enhance the monitoring quality of the board and may provide better advice to the management team.

Several studies investigate how the characteristics of independent directors influence firm activities. Wu (2008) uses survey data to evaluate the extent to which boards of directors are involved in company decision-making. He asserts that a board of directors should be involved in a company's operations only to a moderate degree. Otherwise, this has the potential to compromise the introduction and marketplace performance of a new product. Huang (2010) examines how the appointment of independent directors in Taiwanese firms influences their mainland China investments. The findings here support the hypothesis that an investment announcement's effect is greater following the appointment of an independent director, especially for firms experiencing severe agency problems. Chiou and Jhuang (2010) explain that the proportion of independent directors could enhance monitoring and further increase corporate information transparency.

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3.4.3 Board activity

Directors who attend board meetings can improve the company's performance, but not if they simply authorize representatives to attend the meetings on their behalf (Chou, Chung, and Yin, 2013). Regarding firms dominated by a family or the largest controlling shareholder, independent directors play an important role during board meetings in that their attendance positively influences firm value. Furthermore, directors' qualifications can have a significantly positive effect on corporate valuation. Hsueh and Hsu (2012) test the issue concerning directors' attendance at board meetings and explain that increasing directors' shareholdings does not automatically improve their willingness to attend meetings. Directors who own more shares are less likely to support internal monitoring mechanisms, such as appointing independent directors to the company board. Ting and Weng (2013) find that a more independent board ensures that a firm's business performance is more consistent. Independent directors exert a high level of monitoring power and make better decisions for the firm. When they have financial, legal, political and related industry backgrounds and the commensurate skills, they can also monitor firms more effectively.

3.4.4 Outside director interlock

Chen (2009) investigates the influence of outside director interlock on corporate performance. The results show that firm performance is positively related to multiple directorships when a company has unhindered growth opportunities and relatively few agency conflicts. Wang and Chen (2011) show that directors and supervisors exhibit more self-interest behavior if they hold less ownership of the firm and the controlling shareholder has fewer cash-flow rights or there is a higher deviation between control and cash-flow rights. Having fewer outside directors or supervisors also increases the risk of directors engaging in matters of self-interest. In an examination of the effect of board training on firm performance, Wu (2013) finds that board training is positively related to some financial performance measures, but not to market-based measures. Directors who attend more financial training courses can enhance a company's return on equity.

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3.4.5 CEO replacement

Some studies address the issue of CEOs and corporate governance. Lin and Liu (2004) find that poorly performing firms prompt higher CEO turnover in Taiwanese manufacturing companies. CEO replacement is an effective strategy that enforces corporate governance. Lin and Hu (2007) examine the selection of CEOs in Taiwan's family-run firms. It is evident that CEOs are chosen from the controlling family if their managerial skills are less developed but they have the potential to engage in wealth expropriation. Likewise, firms with personnel who have better managerial skills and a professional CEO operate much better. Huang and Chan (2009) examine how CEO replacement affects firm performance in Taiwanese listed firms from 1996 to 2002, and their results show that merely changing the CEO does not improve performance. However, this can be the case if and when firms with better governance procedures replace their CEO. Ting (forthcoming) addresses the issue that CEO ownership is non-linearly (inverse U-shape) related to corporate accounting performance. CEO ownership has a negative (positive) effect on business performance when a corporation has better (bad) performance. A CEO's prestige power can salvage the performance of badly functioning corporations and yet harm the performance of well-run corporations. Hung et al. (2013) report that overconfident non-family CEOs and not overconfident family CEOs can overcome situations involving financial distress in their firms. However, if family firms appoint an overconfident family member as CEO, it increases the probability of financial distress.

3.4.6 Compensation

Although the disclosure requirement of executive compensation is mandatory in US corporations, this is not the case in Taiwanese listed firms. Thus, the details of directors and executives' compensation packages are not known. Wu, Huang, and Chen (2012) confirm that senior executives' stock options are positively related to earnings manipulation. This means that simply implementing the stock option scheme so that the interests of executives and shareholders are aligned does not necessarily work. However, certain corporate governance mechanisms, if implemented, can make a difference. Lin (2005) finds that the board of directors' control of a company is negatively related to CEO compensation. The board of directors' power is enhanced

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when members' ownership is increased.

Sheu, Chung, and Liu (2010) examine the accounting and market value when executives and directors' compensation in Taiwanese listed firms has been comprehensively disclosed. They find that firms that voluntarily disclose information on compensation packages are highly valued. Chiang and He (2010) report that proper directors' compensation packages encourage the recipients to work on behalf of shareholders when board independence increases. Lin, Huang, and Chen (2012) examine the relationship between executive compensation and dividend policy. Their empirical findings support the contention that cash dividend payments are positively related to executive compensation, executive ownership and the proportion of independent directors on the board. If a company has a higher deviation between cash-flow and control rights due to the actions of the controlling shareholder, it prefers to increase cash dividend payments to avoid making a bad impression on external investors.

Chan et al. (2012) explore the relationship between executive stock-based compensation and firms' dividend payout policies. Their results show that executives are more likely to pay cash dividends to shareholders if they have more stock bonuses. They are, however, less likely to pay dividends if they have more stock options. Lin, Hong, and Chen (2012) find that director compensation is influenced by industry performance. Institutional shareholdings are positively correlated with director compensation. Shareholders increase compensation to stimulate a director's monitoring power if the company is likely to grow in the future. Kuo, Chang, and Yu (2013) find that the board of directors' decisions about executive compensation packages are influenced by the transparency of earnings disclosure. More transparent earnings disclosure positively affects the management compensation arrangements from the board, which might better align the interests of senior executives and shareholders.

A few studies examine how corporate governance factors influence firm performance or insider trading. Kao et al. (2012) test a corporate governance index with firm performance for Taiwanese listed corporations from 1996 to 2007. The index is constructed by combing several factors such as board composition and ownership structure for controlling shareholders. The evidence indicates that investors can consult the CG index when they are investing, and may obtain an abnormal return. Cheng, Wang, and Wang (2010) assess how corporate governance factors affect illegal insider trading and conclude that companies with weak corporate governance characteristics

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such as less institutional shareholdings and fewer directors' fees are family-run businesses or have higher asymmetric information, which makes them more likely to engage in insider trading activities.

3.5 Financial reporting quality, external governance mechanisms and other issues

3.5.1 Financial reporting quality

Several studies analyze how accountancy and transparency are related to corporate governance. Lin, Chin, and Lin (2009) examine certain corporate governance factors and how they are linked to a firm's accounting conservatism and credit ratings. They find that better corporate governance (i.e. less divergence between cash-flow and control rights, a smaller director pledged ratio and fewer board seats being manipulated by controlling shareholders) can mitigate earnings manipulation activities and enhance firms' credit ratings. Liao (2010) finds evidence that board independence, smaller board size and higher managerial shareholdings are positively related to better voluntary and mandatory financial report disclosure. Yeh, Shu, and Su (2012) find that the quality of corporate governance is negatively correlated with related party transactions, implying that good governance can mitigate firms' use of related party transactions.

Tang, Chen, and Chang (2013) explore how corporate governance affects insider trading and abnormal discretionary accruals. Their findings confirm that good governance can overcome insider trading and suspicious use of earnings management. Similarly, Chao and Horng (2013) arrive at the same conclusion from another perspective regarding the relationship between governance and earnings management tools. They conclude that weak governance firms are more likely to use earnings management tools to embellish accounting information. These two studies contend that good corporate governance can enhance accounting quality and transparency and discourage earnings management. Another study evaluates the disclosure role of including earnings forecasts and the subsequent two years forecasting in the IPO prospectus (Jaggi et al., 2006). This regulation role sets a 20% forecast error threshold and allows a revised provision. The results show that since the regulation was imposed, IPO firms are more likely to report optimistic forecasts, especially when the firm performs better than in the previous year. This regulation increases the possibility of earnings manipulation to meet

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the forecast error threshold, and decreases earnings quality.

3.5.2 External auditor

Some studies provide evidence concerning how external auditors influence company corporate governance. Wu, Chiou, and Cheng (2011) note that director and supervisor ownership and non-controlling largest shareholder ownership are negatively related to CPAs' willingness to issue going-concern opinions for financially endangered corporations. However, director pledged ratio and CEO duality can increase the probability of such opinions being issued. Tsai and Lee (2011) find that CPAs do not meet the ethic requirement and do not issue going-concern opinions on time before financial distress. Also, the Big Four CPA firms only perform relatively better than small CPA firms in predicting financial distress. Lee and Chen (2012) examine the relationship between audit partner tenure and earnings response coefficients. Outside investors agree that external auditor tenure is positively related to a firm's audit quality. However, if the auditor's tenure is more than seven years, the firm's audit quality continues to increase, but under a decreasing rate.

3.5.3 Financial analyst

Lin and Tai (2013) examine financial analyst behavior in scenarios where shareholders' rights are only weakly protected by legislation. Their results show that higher asymmetric information is associated with analysts' recommendations. The buy recommendations made by analysts are more accurate if firms have higher corporate governance. Analysts' purchase recommendations regarding poorly governed businesses are less reliable. In their study on legal protection mechanisms, Chen, Chen, and Wei (2009) indicate that firm-level corporate governance and investor legal protection can be substituted to decrease equity costs.

3.5.4 Other external governance mechanisms and issues

Only a few studies discuss politics in relation to company takeovers. Yeh, Shu, and Chiu (2013) find that political connection (corporate governance) is positively (negatively) correlated with preferential bank loans. Shu et al. (2013) examine how managerial overconfidence affects successful takeover

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probability. The level of an acquirer's (target's) CEO overconfidence is positively (negatively) related to succession. The CEO of an acquirer company is more likely to pay a higher premium during the takeover, thereby increasing its likelihood of success. However, CEO overconfidence is negatively correlated with short-term takeover announcement effect and long-term performance. The implication is that outside investors downgrade the performance of a merger driven by an overconfident CEO.

Finally, Kao and Chen (2013) investigate the substitution effect for product market competition and Taiwanese firms' dividend policies. They claim that as an example of an external governance mechanism, product market competition is a substitution mechanism that is negatively related to dividend payment.

4 Conclusion

The Asian financial crisis of 1997–98 and the more recent global financial crisis of 2008 established the importance of corporate governance as an issue demanding the attention of both private corporations and governments. Members of the international community have proposed different measures to ensure effective corporate governance; specifically, imposing liabilities on managers if they do the wrong thing and protecting shareholders' rights. As in other East Asian economies, Taiwan's governance framework is characterized by family-controlled boards, which encourages the decoupling of control and cash-flow rights to create a controlling minority ownership structure. The current corporate governance trend is for most governments to encourage companies to adopt and implement, to a high standard, best practice principles and relevant legislative provisions. However, the enforcement of corporate governance regulations is inconsistent or weak in Asian economies.

More than half of the publicly listed firms and most of the privately owned firms are family-controlled or managed. Although many studies examine the causes and consequences of a business being family owned, their findings are far from conclusive. Although Asian economies share some similar corporate governance settings and characteristics, their varied historical, cultural and institutional environments and policies may result in very different consequences. Likewise, compared with the widely dispersed corporations that dominate the U.S. and U.K. economies and the many corporate governance-related issues and frameworks that have been investi-

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gated in those environments, concentrated ownership and dominant controlling shareholders in Asian firms require further analysis. For example, what are the determinants of the concentrated ownership structure in Asian economies? What are the results of interactions between ownership structure and corporate investment and financing policies in Asian corporations? It must also be acknowledged that corporate governance has positive and negative outcomes. What factors influence the decisions made by business groups regarding this? It is worth investigating family business succession and its fallout.

Regarding external governance, although institutional ownership (especially the foreign-owned kind in emerging markets) applies to many large publicly listed corporations in Asian economies, the role of corporate governance is not clear. Institutional investors have deliberately been assigned little or no role in corporate governance, as their activism is considered a risk to a company's fiduciary obligations. In some countries, however, institutional investors are being encouraged to play more active roles. What is the right balance in this regard? Under which conditions are institutional investors most productive?

Given the different regulatory requirements and accounting policies in financial institutions, corporate governance issues related to financial institutions are less likely to be investigated. The role of corporate governance in banks is not clearly set out in Asia's emerging markets. More research is needed here, in part on the role of banks in business groups. Although research has been conducted on state ownership, the corporate governance of banks in emerging markets requires more attention.

Finally, there are two additional issues that should be investigated in Taiwan. The Protection Fund and Securities and Futures Investors Protection Center (SFIPC) was established in 2002 to promote shareholder activism. However, our knowledge of its current status is still far from satisfactory. The effects of this policy on corporate decision-making, information disclosure and financing costs must be examined. Corporate governance regulations are changing in Taiwan. For example, the government has promulgated legislation for all publicly listed corporations to have independent directors on their boards between 2015 and 2017. What influences do independent directors have on company boards' functions, corporate investment, financing and dividend policies? Taiwan is a major economy that deserves further analysis because it shares similar corporate governance characteristics with South Korea, Hong Kong and Singapore. A better understanding of Tai-

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wan's corporate governance system should enable us to compare it to other Asian economies.

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台灣公司治理研究之調查

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在1997年亞洲金融風暴後, 亞洲經濟體開始專注在公司治理法規的改革; 而在台灣, 2002年以後政府亦頒布一系列的公司治理改革的措施, 藉以提高治理品質。本文首先回顧亞洲公司治理的研究, 包含: 股權結構、內部和外部機制以及幾個特定議題, 並依此爲基礎, 延伸到分析台灣公司治理的架構與相關研究。本文旨在瞭解台灣公司治理環境、法規改革與目前研究成果, 並且提出未來研究議題, 作爲讀者參考。

關鍵詞: 公司治理, 股權結構, 內部治理機制, 外部治理機制
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