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# The Coming Revolution in Corporate Governance

By Richard Leblanc and James Gillies

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# The Coming Revolution in Corporate Governance

*Most of the talk about better corporate governance has focused on the independence of directors and the separation of the CEO and chair. Not so, argue these authors, who point out that the most important factor is board process -- how boards work and reach the decisions they do. Improving process will not only improve board governance but will prove that there really is a link between a board of directors and a firm's financial performance.*

By Richard Leblanc and James Gillies

Richard Leblanc is a professor the Schulich School of Business, York University, and a lawyer, management consultant and an advisor on boards of directors and effective corporate governance. Dr. James Gillies is professor emeritus of policy, and founding Dean of the Schulich School of Business, who throughout his career has served on more than 30 public, private and not for profit boards. This article is based on their forthcoming book, *The Coming Revolution in Corporate Governance*.

*"Directors are like parsley on fish decorative but useless."*

-- Irving Olds, former chair, Bethlehem Steel

Writing in the autumn 1994 issue of *The Ivey Business Quarterly*, Donald Thain, Professor Emeritus of The Western Business school (as it was then called), unleashed a scathing attack on the Toronto Stock Exchange Corporate Governance Report. This attack was unique in two respects. First, almost no one commenting on the Report (soon referred to as the *Dey Report* after its chair, Peter Dey) agreed with Thain; most other commentators thought the Report was rather good. And second, Thain's comments were essentially irrelevant as the Report continues to be used as a foundation upon which other reports on governance of Canadian corporations are built. Indeed, the Report itself has been revisited twice - once formally and once informally.

The essence of Thain's criticism of the Dey Report was that its findings and recommendations were not based on any serious research about corporate governance and that it did not take the problems in governance seriously enough. As a result, the recommendations of the Committee, in Thain's view, were based on opinions rather than fact and did not deal with some of the really difficult questions of corporate governance in Canada: Wrote Thain: "For some reason ….the mandate 'to conduct a comprehensive study' was lost, and given the political power of those who control corporations, the deeply entrenched old board culture and the strong resistance to change in the *status quo*, change in corporate governance, no matter how obviously needed, will be difficult and controversial. … As it stands, the TSE report is at best a dubious and controversial beginning point for dialogue."

> it means that regulators, chief executive officers and directors, when they are searching for ways and means of improving corporate governance, are functioning in a knowledge vacuum

As very recent history has shown, Thain was prescient. By any definition, the decade of the nineties has not

been a particularly good period for corporate governance in general and for research or regulatory change in governance in particular. While a number of books on the topic have been published, they, like the Toronto Stock Exchange Report, are based primarily on the experience of the authors and the availability of data concerning boards in annual reports and other public records. Consequently, the regulations that have been developed to govern corporations in the 1990s have been based on very limited knowledge about the factors influencing corporate decision-making.

While Thain is probably correct in his view that there is far too little knowledge about how boards make their decisions to permit the drafting of appropriate regulations to improve corporate governance, and that a great opportunity to start obtaining such information was lost when the Dey commission did not undertake fundamental research in the area, he is probably wrong that the situation will not change. Indeed, in spite of the strong resistance to change and the support for the *status quo*, which is probably as strong now as it was ten years ago, there is a very good chance that some very revolutionary changes in governance will begin to take place in the first decade of this century. As we suggest in this article, it will happen for three reasons: (i) the tremendous fall-out from recent failures in corporate governance in the United States; (ii) recognition that the reforms which were touted as being so significant in the 1990s were relatively innocuous; and (iii) most importantly, by far, path-breaking new research on the factors impacting on board decision-making.

## Recent corporate governance failures:

In the early years of the twenty-first century corporate malfeasance and individual scandals have rocked the capital markets, led to the loss of fortunes by the rich and bankrupted the poor, and destroyed the confidence and faith of investors in many of the institutions that are fundamental to making the capitalistic market system work. During a two-month period (May-June) of 2002, the headlines of major stories in the major business magazines tell the story. A sampling of those headlines is below.

In a chart entitled "A Question of Accountability," the *New York Times* listed examples of major American companies where there were "auditing lapses," "the hiding of loans or losses," "insider trading" and "inflating revenue," (16 June 2002 at BU12). It reads like a Who's Who of North American business - Arthur Andersen, Deloitte & Touche, Ernst & Young, KPMG and Price Waterhouse Coopers, Adelphia Communications, Enron, Kmart, PNC Financial Services Group, Tyco International, WorldCom, ImClone Systems, Computer Associates International, CMS Energy, Dynegy, Edison Schools, Global Crossing, Halliburton, Lucent Technologies, Network Associates, Qwest Communications International, Reliant Resources, Trump Hotels and Casino, Waste Management and Xerox. Canadian examples of corporate failures and scandals include Livent, BreX, YBM Magnex and Philips.

In spite of sweeping generalizations made by the popular press concerning the causes of these and other

**Table 1**
**Headlines of Major Stories in Leading Business Publications, May-June, 2002**

"Special Report: The Crisis in Corporate Governance," *Business Week*, 6 May 2002
"Trouble in the Boardroom," *Fortune*, 13 May 2002 at 113;
"Enron's Demise Has Taken the Shine Off the Boardroom Table," *Financial Times*, 30 May 2002 at 14;
"Tyco Board Is Criticized for Kozlowski Dealings," *Wall Street Journal*, 7 June 2002 at A5;
"The Wickedness of Wall Street," *The Economist*, 8 June 2002 at 11

past corporate failures, relatively little appears to be known about why or how several of these failures occurred, including how and why key decisions were made, or not made, and the manner in which boards acted and why they acted the way they did. Of course, there may very well be multiple, interdependent causes for a given corporate failure, including the irrationality of the markets, the philosophy of maximizing short-term shareholder value and personal greed. But given that a key task of a board of directors is the independent oversight of management and corporate stewardship, one may conclude that at least *some* of these corporate failures may have been caused by the inability of boards to operate effectively, *i.e*., a failure of board process. Indeed, in the aftermath of the failures and scandals associated with many companies, it has been commonplace for the media to attribute many corporate failures to poor corporate governance practices (whatever this may mean). A question often posed is "Where was the board?" In fact, this question was used as the sub-text of the *Dey Report*. It is a particularly relevant one in instances when a company fails, even though the board of directors had a high profile or seemingly qualified directors sitting on it, which in more than a few instances was the case. (For example, the Chairman of Enron's Corp.'s Audit Committee, Robert K. Jaedicke, was a retired accounting professor and past Dean at the Stanford Graduate School of Business.)

> any explanation of how boards make decisions is missing, and yet this may well be the most important factor in determining the effectiveness of the governance of an enterprise

Because of this inference between corporate wrongdoing and corporate governance, the public concern for "corporate accountability" in the U.S. gave way to questions about "corporate responsibility," to charges of "corporate corruption," and finally to regulation of "corporate governance." In July 2002, George W. Bush, delivered a major speech - a speech billed as important as a State of the Union address - on corporate responsibility. In this address, he outlined proposals for imposing strict discipline and punishment on corporate wrongdoers, and reiterated his administration's support for corporate governance reforms. He pledged a strengthening of the Securities and Exchange Commission (SEC) and endorsed the new listing proposals being advanced by the New York Stock Exchange (NYSE). Not to be outdone, in the same month, the United States House of Representatives and the United States Senate overwhelming passed H.R. 3763, widely known as the "Sarbanes-Oxley Act of 2002" which called for broad new regulations - described as the most far-reaching in over 70 years - of issuers of publicly traded securities, corporate directors and independent advisors such as auditors and lawyers. The Act was signed by the President and enacted into law on July 30, 2002. A short time later, the New York Stock Exchange (NYSE) began enacting governance guidelines for its listed companies.

> It is "board effectiveness" not "board structure" that must be analyzed, for it is the effectiveness of the board in the decision-making process that in the final analysis determines corporate performance

Will this legislation be effective? Might the Americans learn from the Canadian experience over the last decade? Unfortunately, given what we know about corporate governance, it is at best debatable that these regulations, as they currently stand, other than increasing the costs of operations of governments and corporations, will do much to improve corporate governance in America.

### The "board structure" approach to corporate governance reform:

When "board structure" is analyzed, it is normal to consider three items:

(i) leadership, e.g., a non executive Chair vs. having the same person occupy the posts of chair and CEO (sometimes referred to as "CEO duality");

(ii) composition, e.g., the number and percentage

of outside directors vs. inside directors; and
(iii) size.

So far as these 3 items are concerned, the 14 TSX governance guidelines include requiring having a chair separate from the CEO, at guideline 12; "unrelated" directors on the board and committees (*i.e.*, addressing independence), at guidelines 2, 3, 4, 9 and 13; and board size at guideline 7.

## What, exactly, is known about "board structure"?

Of necessity, because of lack of information, researchers, regulators and nomination committees have tended to view board effectiveness from the vantage point of the above three dimensions. In other words, boards are seen from the perspective of having a separate chair, a majority of outside directors, and an optimal size (*e.g.*, an 8-11-person board may be considered to be optimal). Directors are classified rather homogeneously as being "unrelated" vs. "related" (Canada), "independent" vs. "non independent" (United States and Australia) or "executive" vs. "non executive" (United Kingdom), depending on how the degree of "independence" is being conceptualized by the regulator drafting the regulation or the committee selecting the director. Needless to say, in the TSX Guidelines and similar guidelines, such as those of the NYSE, the most important question associated with board structure has traditionally been the "independence" of directors. (*e.g.*, "Report of the NYSE Corporate Accountability and Listing Standards Committee" New York: New York Stock Exchange, 2001) at guidelines 1, 2 and 4 6. See also The Australian Stock Exchange Corporate Governance Council, "Principles of Good Corporate Governance and Best Practice Recommendations", Australian Stock Exchange (ASX), March, 2003), at principle 2; and D. Higgs, "Review of the role and effectiveness of non-executive directors", London: Department of Trade and Industry, January 2003) at, inter alia, paragraph 6.19 and chapter 9.)

> If a particular board therefore does not have the full set of required competencies covered off in a balanced way across all of its directors, it will not be effective under the above model, despite the individual competencies of directors

It is always assumed that an "independent" director is somehow or other a better director. That the exchanges should have such guidelines is really quite strange because there is absolutely no evidence linking board structure - and specifically, board as well as director independence - to the financial success of firms. Indeed, so far as the literature on *board independence* is concerned, "Nearly two decades of research find little evidence that board independence enhances board effectiveness. Studies have, however, found a negative effect." (J.D. Westphal, "Second Thoughts On Board Independence: Why do so many demand board independence when it does so little good?" *The Corporate Board*, September/October 2002, pp. 6-10 at p. 6).

> Not astonishingly, therefore, given the fact that boards are groups, the most important factor in board process is the inter-relationship among and between directors, which in turn is largely based on the behavioural characteristics of individual directors

And so far as the literature on *director independence* is concerned, "The most important predictor of director effectiveness is not independence, but strategic experience that matches the company's needs." (Westphal, *ibid.* at p. 8). (Professor Westphal's research involved "[r]esponses to a survey of over 500 outside directors from *Forbes 500* companies..." and "questionnaire data from two different samples of outside directors at large and medium sized U.S. companies collected at two points in time (1996 and 1999)." (Ibid.).) Yet, paradoxically, in spite of the evidence from these studies that independence is not a major factor in corporate performance (see Table 2 on next page), regulators in the United Kingdom, Australia, United States and Canada continue to focus upon it in

| **Table 2**<br><br>**A CRITIQUE OF BOARD STRUCTURE: WHAT HAS THE EMPIRICAL EVIDENCE FOUND?** |
| --- |
| **On the relationship between board size and corporate performance:** |
| "Although a host of theory-driven rationales suggest a relationship between board of directors size and firm performance, the literature provides no consensus about the direction of that relationship." (D.R. Dalton, C.M. Daily, J.L. Johnson & A.E. Ellstrand, "Number of Directors and Financial Performance: A Meta Analysis" (1999) 42:6 Academy of Management Journal, pp. 674-686 at 674) (Emphasis added.) |
| |
| "Board size is another issue for which there is no apparent consensus." … "This article has largely focused on board composition measures primarily because they represent the bulk of the empirical studies that have been conducted in the area of corporate governance." (J.L. Johnson, C.M. Daily & A.E. Ellstrand, "Boards of Directors: A Review and Research Agenda" (1996) 22:3 Journal of Management, pp. 409-438 at 431) (Emphasis added.); |
| **On the relationship between independent governance structure and corporate performance:** |
| "[B]oth researchers and practitioners have focused largely on the conflicts of interest between managers and shareholders and on the conclusion that more independent oversight of management is better than less. Independent governance structures (*e.g.*, outsider-dominated boards, separation of the CEO and board chair positions) are both prescribed in agency theory and sought by shareholder activists. Were independent governance structures clearly of superior benefit to shareholders, we would expect to see these results reflected in the results of scholarly research. Such results, however, are not evident (C.M. Daily, D.R. Dalton & A.A. Cannella, Jr., "Introduction to Special Topic Forum – Corporate Governance: Decades of Dialogue and Data" (2003) 28:3 Academy of Management Review, pp. 371-382 at 374.) (Emphasis added.); |
| |
| "Nearly two decades of research find little evidence that board independence enhances board effectiveness. Studies have, however found a negative effect." (J.D. Westphal, *op. cit.* at p. 6); |
| |
| "The most important predictor of director effectiveness is not independence, but strategic experience that matches the company's needs. … Evidence that director experience is critical to board effectiveness is relatively new. However, evidence that board independence has neutral to negative effects on board effectiveness is not. The first research casting doubt on the value of board independence appeared in the late 1980s. Since then, not only have advocates of governance reform in the U.S. continued to focus on this issue, but the board independence mantra has spread to |

| other countries, including Canada, the U.K. and Germany." (Westphal, *op. cit.* at p. 10); |
| --- |
| |
| **On the separation of chair and CEO:** |
| "We question the need for such a policy [of 'separating the CEO and board chair positions']. This activity becomes even more questionable in light of the failure to consistently link the separate board leadership structure with enhanced firm performance." (C.M. Daily and D.R. Dalton, "CEO and Board Chair Roles Held Jointly or Separately: Much Ado About Nothing?" (1997) 11:3 Academy of Management Executive, pp. 11-20 at 19) (Emphasis added.); |
| |
| "While agency theorists would prescribe boards composed of outside, independent directors and the separation of CEO and board chair positions, neither of these board configurations is associated with firm financial performance (Dalton *et al.*, 1998)." (Introduction to Special Topic Forum – Corporate Governance: Decades of Dialogue and Data" (2003) 28:3 Academy of Management Review, pp. 371-382 at 374.) (Emphasis added.); |
| **On outside directors:** |
| "In summary, research on the potential impact of outside directors' representation on corporate performance yields mixed results." (S.A. Zahra and J.A. Pearce II, "Boards of Directors and Corporate Financial Performance: A Review and Integrative Model" (1989) 15:2 Journal of Management, pp. 291-334 at 316) (Emphasis added.); |
| |
| "Generally, the results suggest that there is no statistical evidence of a relationship between corporate performance and proportion of outside directors on the board… In addition, when the composition of the board is analyzed, there is no convincing evidence that outside directors from the financial industry or from the same line of business enhance the value of the corporation." (B. Amoako-Adu and B.F. Smith, in R.J. Daniels and R. Morck, R., eds., *Corporate Decision-Making in Canada* (Calgary: U. Calgary Press, 1995: 413) (Emphasis added); |

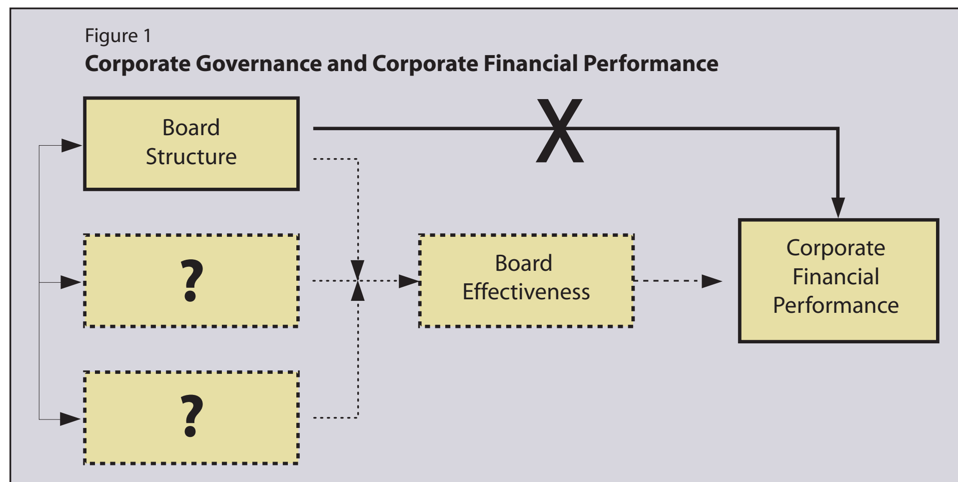
their regulatory efforts.

## What does this mean for boards and individual directors?

Most of the types of reforms and changes that regulatory agencies have enacted, and which corporate governance scholars have called for in the past, have had to do with board structure, *i.e.*, the number of independent directors, the separation of the position of chair and chief executive officer, the size of the board, *et al*. And yet, as Table 2 indicates, the evidence from the research, slim as it is, indicates that these things really make no difference in general board performance. And no one has been able to find a positive relationship between good corporate governance, as currently defined, and corporate financial performance.

Yet nevertheless, of the 194 respondents interviewed in our study of corporate governance, including regulators, shareholders (both institutional and retail) and corporate directors (who constituted the majority of respondents), the vast majority was overwhelmingly of the view that a relationship *does* exist between corporate governance and the financial success of the corporation. In other words, the directors interviewed

believe that better boards make for better companies. Yet researchers, at least with respect to board structure, have not been able to prove this. Regulations regarding board structure, therefore, may not make any difference, as Don Thain originally suggested as long ago as 1994. In other words, if the TSX guidelines work, corporations that comply with them should have an effective board and those that do not, should have an ineffective board. This appears not to be the case, currently, based on (i) recent empirical evidence on board structure and (ii) the findings on which this article is based. In fact, one of the individuals interviewed for this study, who was on the original TSX committee, remarked that, "The TSE guidelines are like describing hockey by describing the rink. You can fit all of the guidelines but have a terrible board."



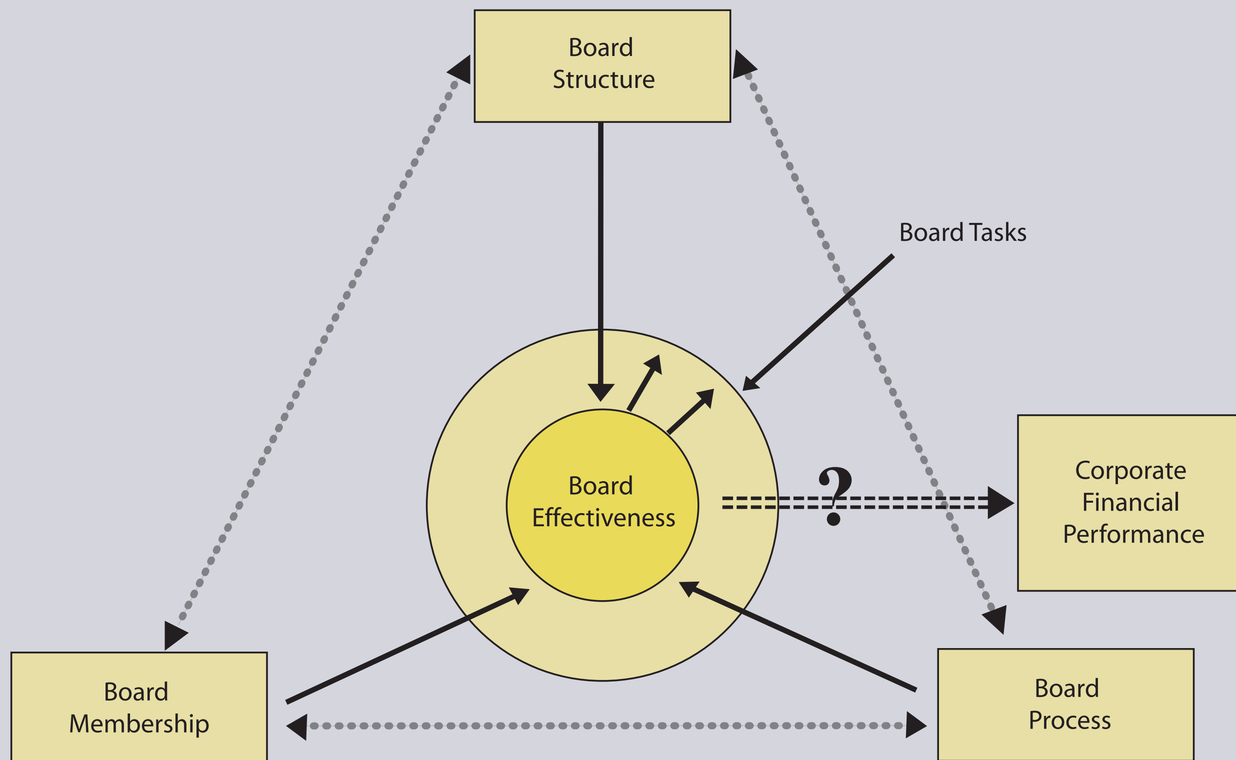

Interestingly, the original 1994 TSE committee on governance reconvened in 2000 and, on July 10, it stated in a news release:

> "The Committee noted that many boards did respond positively to the Report. There is a concern, however, that the response of a number of corporations may have been more structural and more procedural than substantive. The Report contains Guidelines, which propose structures for governance systems that establish boards of directors independent of management… Boards which implement the Guidelines may achieve structural independence, but structuring boards in this way is only part of the answer. Boards must also function independently…"

## Corporate governance and corporate financial performance: A relationship?

If directors are overwhelmingly of the view that better boards make for better companies, it seems entirely reasonable, and quite plausible, that the fact that quantitative studies have been unable to identify a relationship between corporate governance and corporate financial performance does not mean that a relationship does not exist between the two. What the disconnects between what directors think, what researchers can prove, and what regulators regulate, probably mean that the proper type of research on corporate governance has not been done, or, it has been done badly. More significantly, it means that regulators, chief executive officers and directors, when they are searching for ways and means of improving corporate governance, are functioning in a knowledge vacuum; that is, they are making regulations and decisions without any real knowledge about what is going on in boards of directors or, at worst, on the basis of an incorrect understanding of the major factors impacting on corporate governance.

What is truly astonishing, given the enormous amount of work that has been done on corporate governance, is how little has actually been learned about the value of "corporate governance" and what is actually involved in effective governance. The fact is that in spite of all the discussion, writing and analysis, there has not been a great deal of research on "how boards actually work", how they make decisions, or on how directors interact with each other. Remarkably, in spite of all the commissions and reports, there is not much more known now about how boards actually operate - what makes some effective and others not - than there was a half century ago. There are several explanations for this truly strange situation. First, the cynics may be correct, none may exist. Second, there may be so many internal and




external contingencies and intervening and moderating factors causing a corporate failure - a natural disaster, a war, *et al*. - that it may simply be impossible to demonstrate a causal link between board governance and corporate performance. Third, many of the factors involved in corporate governance are incapable of being expressed in forms that can be measured. Fourth, there may exist a time lag between board structure and board failure, which makes any relationship difficult to find. And fifth, there may be, as Professor Westphal suggests, a conspiracy theory because academics and regulators "have chosen board independence as a rallying cry or unifying theme of the governance reform movement, and to change the message now would diminish the focus, unity and credibility of the movement". (Westphal, *op cit*. at p. 10).

None of the above explanations is particularly compelling. A much more likely reason for the relationship not being demonstrated is the fact that in all the research, there is no analysis of how boards perform as boards - how they make decisions - and of the impact of the behavioural characteristics of various directors on the decision-making process. In short, in all of the work that has been done, any explanation of how boards make decisions is missing, and yet this may well be the *most important factor in determining the effectiveness of the governance of an enterprise.*

And so the mystery remains. The current reality of corporate governance knowledge is that, the "what" and "how" of a board of directors its work and its process is still the "unicorn" of corporate governance. No one has demonstrated that there is a relationship between

corporate governance and corporate performance, although everyone knows that there is one. So year after year, in the aftermath of the failures and scandals of major companies, the question is posed "Where was the board?"

## A new model of board effectiveness

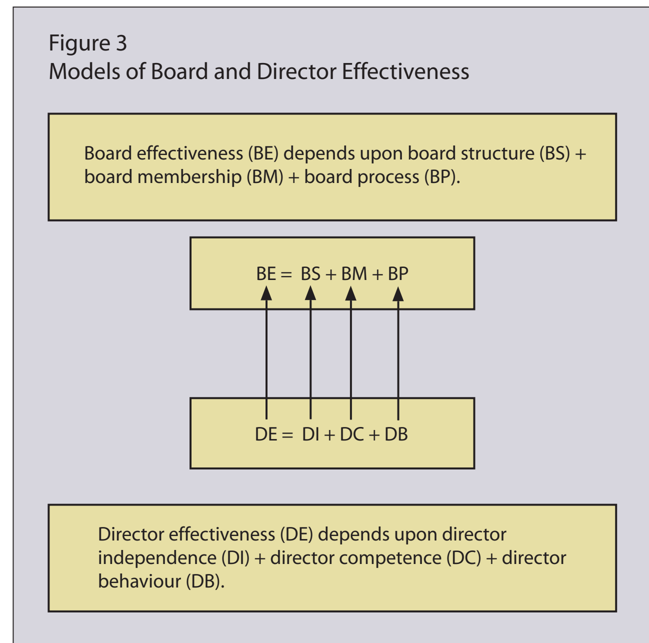
In order to understand the factors necessary to assure that corporate governance is "substantive," for which the original TSX Committee has called, the inner workings of boards of directors must be assessed. It is "board effectiveness" not "board structure" that must be analyzed, for it is the effectiveness of the board in the decision-making process that in the final analysis determines corporate performance.

## The effective board

There is no doubt that an effective board must be built on a foundation of members who are independent. But it must have two additional features. It must be made-up of members with the competencies required by the corporation to fulfill its strategies and to meet its obligations, and the members must be able to work together to come to effective decisions. In other words, for a board of directors to accomplish the tasks assigned to it, it needs to have the *right* board structure, supported by the *right* board membership, and engaged in the *right* board processes. Without such a balance it is difficult, if not impossible, to have the effective interaction between and among fellow board members and management that is essential for overall effective decision making.

> it is the selection of chair that matters most to board process, not the separation (of chair and CEO)

Board membership is defined as how directors come to be recruited onto a board, the balanced competencies of existing members, and the methods that are taken to remove a director from a board (*e.g.*, director tenure or retirement). Board membership includes the full panoply and balancing of all director competencies in matching the strategic needs of the company. If a particular board therefore does not have the full set of required competencies covered off in a balanced way




across all of its directors, it will not be effective under the above model, despite the individual competencies of directors.

Board process is defined as how directors make decisions and the behaviour of the individual directors themselves. The reality is that boards of directors, like most groups, are made up of a diverse group of individuals, all of who behave differently. Some directors do not speak because they fear they will reveal a lack of knowledge about a topic and embarrass themselves in front of their peers. Others remain silent on an issue because they don't want to question the ideas and concepts of accepted expertise, and some simply do not participate in decision-making because of a lack of interest. And then there are directors who act in an exactly opposite fashion - they speak without much knowledge, never worry about embarrassing themselves and are oblivious to the opinions of experts.

Not astonishingly, therefore, given the fact that boards are groups, the most important factor in board process is the inter-relationship among and between directors, which in turn is largely based on the behavioural characteristics of individual directors. What may be

termed "functional director types" include Conductor-Chairs, Change Agents, Consensus-Builders, Counsellors and Challengers. Conversely, "dysfunctional director types" include Caretaker-Chairs, Controllers, Conformists, Cheerleaders and Critics. Interestingly, whether a chair is effective or not, under this classification scheme - *i.e.*, a Conductor-chair or Caretaker-chair - depends on the *competency* and *behaviour* of that chair, irrespective of whether the chair also occupies the post of CEO or not, contrary to conventional wisdom. In other words, it is the *selection* of chair that matters most to board process, not the *separation* (of chair and CEO).

## The effective director

"Board effectiveness" and "director effectiveness," in turn, are interrelated and affect each other. In other words, the effectiveness of individual directors and how they interact with each other has a great deal to do with determining board effectiveness. If it is otherwise, how can we explain boards that have failed, yet supposedly had effective directors on them? How do we know that such directors were "effective"? And if they were, why was the board as a group ineffective?

> The missing link in establishing the relationship between board governance and corporate performance may be an understanding of that activity called board process

It is not possible to have an effective board without effective directors. There are three factors which determine whether or not a director is effective - (i) director independence, (ii) director competencies and (iii) director behaviour. The models of board and director effectiveness and their interaction are presented in Figure 3. When putting a board together, or regulating a board, the first of these three factors largely seems to govern, primarily because so little is known about director competencies and especially director behaviour within boardrooms. But even the first of the three, director independence, is somewhat different when analyzed in terms of board action than it may appear to be from an examination of external information.

## The coming revolution in corporate governance

It may well be that there is a tenuous link between board structure and board performance, since structure is certainly a necessary condition for board effectiveness, but clearly it is far from a sufficient condition to assure that a board operates in an effective fashion. The only possible way to know whether boards operate well is to observe them in action - to see and understand the processes by which they reaches decision. The missing link in establishing the relationship between board governance and corporate performance may be an understanding of that activity called board process.

Indeed, board process may be the single most important factor in determining a board's effectiveness, that is the capacity of a board to make appropriate decisions while overseeing that management operates in the best interests of the corporation and its shareholders. Uncovering "how boards work" has tremendous practical significance. It may mean that chairs, nomination committees and directors, when putting together a board of directors, or adding to an existing board, should greatly decrease their focus on factors such as "structure" and "composition."

This is not to suggest in any way that director independence is unimportant, but only that it should not be seen as a panacea for all corporate governance ills. There are difficulties with the notion of independence itself. It is quite difficult to measure and it is contextual, relevant to a particular director, his or her circumstances and relationship to management or the controlling shareholder. Social relationships, friendships and other forms of conflicts that are not readily detectible can compromise independence. Independence therefore does not always manifest itself within a boardroom, regardless of how a particular director is being characterized outside of the boardroom. In short, competencies and behaviour matter more than does independence.

The news from the regulatory world is not positive. For some reason, despite the evidence to the contrary, regulators, as the *Sarbanes-Oxley* legislation in the United States and both the TSX and now NYSE governance guidelines so clearly demonstrate, are

fixated on regulating structure and form. And chairs of nomination committees seem to still be focused on selecting board members on the basis of their reputation and relationship with existing board members.

But these are obstacles that time and knowledge will overcome.

Is it important that change does take place? The answer is, of course, yes because everyone - stakeholders, the community and the nation -- benefits from well-run corporations and suffers from those that are not. And better corporate governance is clearly the way to improve the operation of enterprises.

It is most important to find the relationship between corporate governance and corporate financial performance. We know that there must be some relationship and all corporations, stakeholders and regulators will benefit from knowing what it is. Unfortunately, finding the answer is going to be difficult, but not insurmountable. Unlike the unicorn, it will probably not be found. I

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