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# **INDEPENDENT DIRECTORS: RUBBER STAMPS OR REAL WATCHDOGS? A CRITICAL ANALYSIS OF INDEPENDENT DIRECTOR EFFECTIVENESS IN CORPORATE GOVERNANCE FRAMEWORKS**

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## **ABSTRACT**

Independent directors play a role in modern corporate governance. They are supposed to be impartial and protect the interests of shareholders. Their job is to keep management in check. A big question remains: do they really do their job or are they just used to make decisions made by executives look legitimate? This paper looks at the difference between what board independence's supposed to be and what it really is. We start by looking at how countries. Like the United States, the United Kingdom, the European Union and some Asian economies. Define director independence. We find that there are differences in how they define it and in the rules and enforcement. We then look at studies on how independent directors work. Do they really improve how well a company does? Do they stop executives from getting much pay or from behaving badly? The evidence is mixed. We also look at why independent directors can't do their job properly. This is because of things like the CEOs influence over who's on the board and because board members often know each other socially. They also may not have the information and may not want to disagree with the CEO. Finally we look at proposed and adopted reforms. These include limits on how long board members can serve checks on their skills and more representation from stakeholders. Our main conclusion is that having directors on paper is not the same, as having them in reality. Real reform needs to go beyond just following rules. It needs to create a culture where independent directors are able motivated and empowered to challenge management. Independent directors must be able to do their job.

Independent directors must be given the power to do their job.

**Keywords:** *Independent Directors, Corporate Governance, Board Effectiveness, Agency Theory, Shareholder Protection, Board Independence*

## **1. Introduction**

Imagine you have a job at a company. Your boss makes decisions that help him a lot, like getting bonuses taking big risks and making deals with his friends. Who makes sure he does not take advantage of his position? This is a problem that corporate governance tries to fix. Companies have managers who run them. The companies are owned by people who have invested their money called shareholders. These managers do not always do what is best for the shareholders they sometimes do what is best for themselves. This is called the agency problem<sup>1</sup>. It is a very old problem in the business world. One solution that people who make rules and investors came up with is to have a director on the board. This person is a board member who does not have any money or personal connections to the people who manage the company. This means they can keep an eye on things without being biased.

The real question is does this solution actually work?

This paper says that while having directors is a good idea it does not always work as well as it should in real life. This is because it is very hard for these directors to be truly independent which is not always clear when you look at a companies report. The paper argues that independent directors are an idea in theory but the reality is often different and that is because true independence is hard to achieve. Corporate governance and the role of directors are important issues and companies and shareholders need to think carefully about how to make sure managers are doing what is best, for the company and its shareholders.

### **Who Watches the Boss?**

Imagine you work at a company where your boss gives himself large bonuses, makes risky decisions that benefit him personally, and signs deals with his friends rather than choosing the best option for the business. Who is there to stop him? This simple but powerful question sits at the very heart of **corporate governance** — the system of rules, practices, and structures that determines how companies are directed and controlled.

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<sup>1</sup> Jensen, M. C. & Meckling, W. H., "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," (1976) 3(4) Journal of Financial Economics 305.

## The Ownership and Management Divide

Modern companies are not run by the people who own them. They are owned by **shareholders** — individuals and institutions who have invested their money in the hope of earning a return. But the day-to-day running of the company is handed over to professional **managers**, such as a Chief Executive Officer or a board of directors. This separation between ownership and control is what makes large companies function efficiently. But it also creates a fundamental tension.

Shareholders want the company to grow, generate profits, and increase in value. Managers, being human, sometimes have different priorities — higher personal salaries, bigger bonuses, reduced personal risk, or business deals that favour their own networks. When managers begin making decisions that serve **their own interests** rather than the interests of the shareholders who appointed them, a serious problem arises.

## The Agency Problem

This tension has a formal name in the world of finance and economics: the **agency problem**, sometimes also called the **principal-agent problem**. It describes the conflict that emerges when one party — the **agent** (the manager) — is hired to act on behalf of another party — the **principal** (the shareholder) — but the two parties do not share the same goals or access to information.

The agency problem is not a new discovery<sup>2</sup>. Economists and business scholars have studied and written about it for decades. It is widely recognised as one of the most persistent and difficult challenges in the corporate world, precisely because it is built into the very structure of how modern companies are organised. As long as ownership and management remain separate, some degree of this conflict will always exist.

## A Proposed Solution: The Independent Director

Over the years, regulators, policymakers, and institutional investors worked together to find practical solutions to the agency problem. One of the most widely adopted solutions has been the introduction of the **independent director**<sup>3</sup> — a member of a company's board who has no financial stake in the company and no personal ties to its management team.

The reasoning behind this solution is straightforward. If the board of directors is supposed to

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<sup>2</sup> Fama, E. F. & Jensen, M. C., "Separation of Ownership and Control," (1983) 26(2) *Journal of Law and Economics* 301.

<sup>3</sup> OECD, *G20/OECD Principles of Corporate Governance* (OECD Publishing, 2015).

oversee management on behalf of shareholders, then at least some of its members must be free from any bias, loyalty, or conflict of interest. An independent director, in theory, can ask difficult questions, challenge risky decisions, scrutinise management's choices, and speak up for shareholders — all without fear of personal consequence.

Today, independent directors are not just a recommendation. In many countries and major stock exchanges, having a minimum number of independent directors on a company's board is a **legal or regulatory requirement**<sup>4</sup>. This shows just how seriously the corporate world takes the idea of independence as a governance tool.

### **The Central Question This Paper Addresses**

But does this solution actually work in practice?

That is the central question this paper sets out to explore. While the concept of independent directors is well-established and widely respected in theory, the evidence from the real world paints a more complicated picture. Being officially classified as "independent" on a company's annual report does not always mean that a director is truly free from influence, bias, or quiet pressure.

True independence is far harder to achieve than it appears on paper. Personal relationships, social networks, the way directors are selected, and the limited information they receive from management can all quietly undermine a director's ability to act independently — even when they genuinely intend to do so.

### **The Argument of This Paper**

This paper argues that **independent directors represent a sound idea in theory, but the practical reality frequently falls short of the ideal**. The gap between formal independence — what is declared in official documents — and genuine independence — how a director actually thinks and behaves in the boardroom — is significant and often overlooked.

Understanding this gap is not just an academic exercise. It has real consequences for shareholders, for companies, and for the wider economy. When governance mechanisms fail to function as intended, the agency problem remains unsolved, and the people whose money is at stake — the shareholders — are left without adequate protection.

This paper examines why that gap exists, what causes it, and what it means for the future of

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<sup>4</sup> Securities and Exchange Board of India, *SEBI (Listing Obligations and Disclosure Requirements) Regulations*, 2018.

corporate governance. It concludes that while independent directors remain a valuable and necessary part of good governance, much more needs to be done to ensure that independence in name becomes independence in practice.

## **2. Background: What Is an Independent Director?**

### **2.1 The Basic Idea**

A board of directors is a group of people chosen by shareholders to watch over a company. Inside this board you usually have:

- Executive directors. They are company employees, like the CEO or CFO who handle tasks.
- -executive directors. They are people from outside who do not work for the company full time.
- directors. These are non-executive directors who do not have any major financial, personal or professional ties, to the company or its management.

The idea is simple: if a director does not owe anything to the management they are more likely to speak up against decisions question risky strategies and protect shareholders from managers who only look out for themselves. The board of directors oversees the company. The board of directors makes sure shareholders are protected.

### **2.2 How Different Countries Define Independence**

There's no one definition of independent that applies everywhere. Different countries have rules:

- United States: The SEC and stock exchanges like NYSE and NASDAQ say that most of the board must be independent. An independent director can't work for the company now or in the past can't have a family member working for the company and can't do a lot of business with the company<sup>5</sup>.
- United Kingdom: The UK Corporate Governance Code says that least half of the board not counting the chairman must be independent. Also if a director serves on the board for 9 years they can't be considered independent anymore<sup>6</sup>.
- India: SEBI's rules say that least a third of the board must be independent directors.

<sup>5</sup> New York Stock Exchange Listed Company Manual, Section 303A – Corporate Governance Standards.

<sup>6</sup> Financial Reporting Council, *UK Corporate Governance Code* (2018).

If the chairman is also the CEO, then at least half of the board must be independent<sup>7</sup>.

- European Union: Rules are different in each country. Most EU countries agree on basic principles. An independent director has no close ties to management major shareholders or the companies auditors.

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These differences are important because a director who is independent in one country may not be in another. This shows that being independent is partly about what the law says, not, about the real situation. The independence rules vary. Independence is checked differently. The rules of independence are different.

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### **3.1 Agency Theory**

**3.1 The main idea behind directors is something called agency theory. This theory says that**

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- Shareholders are the people who own the company and they hire managers to take care of it.
  - These managers might do what is best for them of what is best for the shareholders.
  - That is why we have directors. To keep an eye on the managers and make sure they do not do anything bad.

Think of it like this: if you own a store and you are not there you will hire a security guard to watch over it. You want this guard to look out for you not to listen to the store manager. Independent directors are like these security guards for the shareholders. They are there to watch over the managers and make sure the managers do what is best, for the company and the shareholders<sup>8</sup>.

### **3.2 Stewardship Theory**

The stewardship theory is an idea. It thinks that managers are not always looking out for themselves. A lot of CEOs really want to do what is best for the company. This way of thinking says that much watching over people might actually make it harder for them to make good decisions. This is because it can create a lot of distrust and red tape. Some people who study this think that a board with a lot of people who already work for the

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<sup>7</sup> SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2018, Regulation 17.

<sup>8</sup> Jensen, M. C. & Meckling, W. H., "Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure," (1976) 3(4) Journal of Financial Economics 305.

company can sometimes do better than a board with a lot of people, from outside. The stewardship theory says this is because the people who already work for the company know it well and they trust each other to make quick and smart decisions. The stewardship theory is important to consider when thinking about how companies are run<sup>9</sup>.

### **3.3 Resource Dependence Theory**

The resource dependence theory is another way to look at things. This theory says that directors are important because they can provide the company with resources. These resources include networks, expertise<sup>10</sup> and connections with banks and the government. They also include knowledge of the industry. From this point of view a director who is completely independent and has no connections to the company might not be as valuable as one who has some connections. So when it comes to the kind of board it is not necessarily one that is completely independent. The best board is one that has a balance of being able to monitor the company and provide resources. The resource dependence theory is about finding this balance and making sure that the board has the right mix of skills and connections. This means that the optimal board is one that has directors who can bring things to the table, including resource provision and monitoring ability. The resource dependence theory is important because it helps us understand that directors are valuable, for reasons, including their ability to provide resources.

## **4. What the Evidence Shows: Do They Actually Work?**

### **4.1 The Good News: When Independence Helps**

Many studies show that companies with independent directors on their board have better results.

For example when it comes to how much the CEO gets paid companies with independent directors tend to pay their CEOs less money. Some people, like Core, Holthausen and Larcker did research in 1999<sup>11</sup>. Found that bigger boards with more people from outside the company were more likely to pay their CEOs too much money.

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<sup>9</sup> Davis, J. H., Schoorman, F. D. & Donaldson, L., "Toward a Stewardship Theory of Management," (1997) 22 Academy of Management Review 20.

<sup>10</sup> Pfeffer, J. & Salancik, G. R., *The External Control of Organizations: A Resource Dependence Perspective* (Harper & Row, 1978).

<sup>11</sup> Core, J. E., Holthausen, R. W. & Larcker, D. F., "Corporate Governance, Chief Executive Officer Compensation, and Firm Performance," (1999) 51(3) Journal of Financial Economics 371.

Other people did more research and found that if the people in charge of deciding the CEO pay are really independent then they do not pay the CEO for doing a bad job.

Here are some other ways that independent directors can help:

- CEO pay control is better when there are independent directors.
- Companies with independent directors make better decisions when it comes to buying other companies.

They are more likely to say no to buying another company if it's too expensive. They are also better at stopping the CEO from making deals that're only good for the CEO like buying companies just to make the CEO more powerful.

- Companies with people in charge of checking the finances are more likely to catch and report people who are doing bad things with the company money.

This is one reason why the US government passed the Sarbanes-Oxley Act<sup>12</sup> in 2002 after some big companies like Enron and WorldCom did some things. The law says that the people in charge of checking the finances have to be fully independent.

- Companies with people checking the finances also have better quality financial reports<sup>13</sup> and are less likely to manipulate the numbers to make the company look better.

Independent directors and independent audit committees are very important for companies to have results and to do the right thing. Independent directors can really make a difference, in how a company is run and how honest the company is.

#### **4.2 The Bad News: When Independence Doesn't Help**

The evidence is not completely on one side. Many studies show that independent directors do not always make things better. And sometimes they even make things worse.

- They do not have all the information: Independent directors only visit the company a few times a year for meetings. The CEO is at the company every day. This makes it very hard for independent directors to find problems or ask the questions.
- They know the CEO: Even directors who do not work with the CEO often know

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<sup>12</sup> Sarbanes-Oxley Act, 2002, Pub. L. No. 107-204, 116 Stat. 745.

<sup>13</sup> Klein, A., "Audit Committee, Board of Director Characteristics, and Earnings Management," (2002) 33 Journal of Accounting and Economics 375.

them in ways. They went to the same school or they work for the same charity. These friendships can make it hard for independent directors to be independent.

- They do not always speak up: Some research by Lorsch and MacIver from 1989<sup>14</sup> and other people found that many independent directors think their job is to support the company not to question it. The way the board works often stops people from disagreeing
- They do not always understand the money: Independent directors often do not know a lot about the companies business. During the crisis, in 2008 many bank boards had independent directors who did not understand the complicated money products that their companies were selling.

#### 4.3 High-Profile Failures

Some big companies have had problems in the last few decades. These companies had boards with a lot of directors.

- Enron is an example from 2001. The board had independent members. They said yes to some bad accounting practices. These practices eventually hurt the company badly. The Senate looked into this. Said the board did not do its job properly.
- Then there is Lehman Brothers from 2008<sup>15</sup>. The board had directors. Not many of them knew a lot about finance. None of them questioned the banks increase in risky loans before the bank failed.
- Satyam is another example from 2009. This was a fraud case in India. The company had directors on paper. This did not stop the fraud from happening.
- Wirecard is a recent example from 2020. This German payment company had an audit committee and independent directors. For years nobody noticed that the company was missing billions of euros in cash.

These cases show that just having directors is not enough. What is important is that the directors are actually doing their job and watching what is going on at the company. Formal independence is not the same, as paying attention to what is happening at Enron or Lehman Brothers or Satyam or Wirecard.

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<sup>14</sup> Lorsch, J. W. & MacIver, E., *Pawns or Potentates: The Reality of America's Corporate Boards* (Harvard Business School Press, 1989).

<sup>15</sup> Financial Crisis Inquiry Commission, *The Financial Crisis Inquiry Report* (2011).

## **5. The Real Problems: Why Independent Directors Struggle**

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### **5.1 The Nomination Problem**

Here is a basic problem. Who chooses directors? Usually it is the CEO and current board members. So the people who are supposed to be watched are often the ones who do the watching. Even if there is a nomination committee it is often made up of people who support the CEO. This means independent directors might be picked because they will not cause any problems. Not because they are really independent.

### **5.2 The Busy Director Problem**

Lots of directors are on many boards at the same time. If a director is on five boards they do not have a lot of time for each company. Studies have shown that directors who are on many boards these are called "overboarded" directors are not as good at keeping an eye on things<sup>16</sup>.

When a company is in trouble. The board has to meet a lot, a director who is already very busy might not have enough time to do what they need to do. The board needs to be able to look at problems during a crisis but a director who is, on many boards might not be able to do that.

### **5.3 The Information Asymmetry Problem**

Managers are in charge of the information that goes to the board. They get to choose what to show how to show it and what to keep secret. The independent directors have to rely on the reports that the managers make to figure out how well the managers are doing. This is much like asking a student to grade their own test. If the independent directors do not have staff to help them or people they can ask for advice and if they are not brave enough to ask for the information they need then they will always be at a disadvantage when it comes to information. Managers will always have information, than the independent directors and that is not a good thing.

### **5.4 The Psychological Problem**

People want to belong to a group. This pressure to agree, known as groupthink is an issue in boardrooms. When everyone starts to agree it can be tough for a director

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<sup>16</sup> Ferris, S. P., Jagannathan, M. & Pritchard, A. C., "Too Busy to Mind the Business? Monitoring by Directors with Multiple Board Appointments," (2003) 58 Journal of Finance 1087.

who's truly independent to speak up without seeming like they are causing trouble. Research by Westphal & Bednar<sup>17</sup>, in 2005 showed that directors who question the CEO are often left out socially. They also get invites to future board meetings. Sometimes people even team up to hurt their reputation. Being a watchdog can cost a director their career.

### **5.5 The Tenure Problem**

When people are on a board for a time they can become too friendly with the management team. This means they are not really independent anymore even if they are supposed to be. A director who has worked with a CEO for twelve years will probably not want to fire them or disagree with their decisions. The United Kingdom has a rule that says directors might not be independent, after nine years. But most countries do not have this rule so directors often stay on the board for fifteen or twenty years. Are still called independent directors of the company, which is the board of directors.

### **5.6 The Controlling Shareholder Problem**

In countries, especially across Asia, Latin America, the Middle East and India companies are often controlled by one big family or the government. In these cases the real issue is not if the directors are independent from the management team. The main concern is whether these directors are truly independent from the person or group that has the control over the company. When one shareholder has a lot of power such as owning sixty percent of the shares and choosing the CEO they can much make the board do what they want. Directors who try to challenge the decisions made by this controlling shareholder might find themselves replaced at the meeting where shareholders vote. The controlling shareholder has a lot of influence. That can make it hard for directors to be truly independent. This setup can lead to a situation where the board does not act in the interest of all shareholders. The influence of the controlling shareholder is an issue, in these companies. It can affect how the company is run and the decisions that are made.

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<sup>17</sup> Westphal, J. D. & Bednar, M. K., "Pluralistic Ignorance in Corporate Boards and Firms' Strategic Persistence in Response to Low Firm Performance," (2005) 50(2) Administrative Science Quarterly 262.

## **6. What Can Be Done? Reform Ideas**

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### **6.1 Independent Nomination Processes**

One big change needed is to take the CEOs power in choosing directors. Some ideas include:

- Letting investors like pension funds and mutual funds help pick independent directors.
- Making a committee to choose directors that has no executive directors on it.
- Letting shareholders put their director choices on the companies ballot.

The US made some rules, about this in 2010<sup>18</sup>. They have not made a big difference yet.

### **6.2 Tenure Limits**

Capping how long a director can serve as independent is a way to prevent getting too familiar, with management. The UKs 9-year rule<sup>19</sup> is an example that more countries could follow. Some people think that is not enough. They say all independent directors should only serve for 6-9 years. After that they must leave the board completely not stop being called independent.

### **6.3 Improving Director Quality and Expertise**

Company boards need people in charge who really know what the company does the technology they use and the problems they might face. To make things better here are some ideas:

- We should have a list of skills that each person in charge has so the people who own parts of the company can see if the board really knows what it is doing.
- Some companies need kinds of people in charge like companies that deal with money they should have people who really know about money on the teams that watch for problems.
- The people who are new to being, in charge should get some training so they can learn about the company. What might go wrong this way they can do a better job of helping the company.

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<sup>18</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010.

<sup>19</sup> Financial Reporting Council, *UK Corporate Governance Code* (2018), Provision 10.

#### **6.4 Strengthening Director Independence Definitions**

The meaning of being independent is not about money. It is also about the people you know and the things you do together. For example it should include:

- Personal relationships. Like being friends belonging to the same club or doing charity work together.
- This is important because these relationships can affect the way you make decisions.
- Indirect financial ties. Like a director who works for a law firm that does a lot of work for the company.
- Even if the director does not get paid directly by the company they still have a reason to be nice to the company because their law firm gets paid.
- Alignment. This means that independent directors should not think exactly like the CEO.

If they do they might not question the CEO's ideas even if they are supposed to be independent. The idea of directors is that they should be able to make decisions that are good for the company, not just good, for the CEO or their friends.

#### **6.5 Giving Independent Directors More Resources**

Independent directors really need some help to do their jobs the way. They should get to talk to lawyers and financial experts who are not influenced by the company management. The company should pay for these lawyers and experts. They should not be controlled by the people who run the company. Here are some things that can help independent directors do their job:

- They should be able to get advice from lawyers and financial experts who're independent.
- Independent directors should be able to talk to the external auditors and the internal audit team without anyone from the management being there.
- Independent directors should have the power to ask for reports, on things that worry them about the company.

#### **6.6 Stronger Accountability to Shareholders**

Independent directors should be directly answerable to the shareholders they represent. They are supposed to be working for the shareholders. So here are a few

things that can be done:

- We should have re-election of all independent directors. This is already happening in countries like the United Kingdom.

This way if an independent director is not doing a job the shareholders can remove them quickly.

- We should also make it necessary for independent directors to tell us how they voted on issues.

This means that the shareholders can see which independent directors supported or opposed the management on votes.

- There are "say on pay" votes. These are votes where the shareholders get to decide if they approve of the executive compensation packages.

These "say on pay" votes have been shown to help keep the pay of executives in check in companies where they really matter. Independent directors and the way they work with the shareholders is very important. The independent directors should be answerable, to the shareholders they represent.

## **7. How Different Systems Compare**

### **7.1 The United States: Rules-Heavy but Loophole-Rich**

The United States has some of the detailed rules about being independent in the world. This is because of laws like the Sarbanes-Oxley Act from 2002 and the Dodd-Frank Act from 2010<sup>20</sup>. Companies are still having problems with the way they are run. Some people think the system in the United States is too concerned with following rules and not concerned enough with what matters. In boardrooms people still have a hard time questioning the decisions made by management even though there are strong rules in place. The independence rules in the United States are very detailed. The culture of deference, to management is still a problem.

### **7.2 The United Kingdom: Principles Over Rules**

The United Kingdoms approach is based on the idea that companies can do things their way as long as they explain why. This is often called "comply. Explain<sup>21</sup>". The United

<sup>20</sup> Dodd-Frank Wall Street Reform and Consumer Protection Act, 2010.

<sup>21</sup> Arcot, S. & Bruno, V., "One Size Does Not Fit All, After All: Evidence from Corporate Governance," (2006) London School of Economics Working Paper.

Kingdoms approach gives companies the freedom to make their choices.. It also needs shareholders to pay attention and make sure the boards are doing their job. The United Kingdoms boards are usually more willing to question the people in charge than boards in the United States. This is partly because the people who invest money in companies are more involved, in the United Kingdom. They help keep the boards in check. The United Kingdoms approach relies on this.

### **7.3 Germany: The Two-Tier System**

In Germany they have a way of running companies. They have two boards. One is the management board, also known as the Vorstand. This is the group that actually runs the company. Then they have a supervisory board, which is called the Aufsichtsrat and this group keeps an eye on the company. The supervisory board is made up of people who own shares in the company and also people who work for the company. This system helps to make sure that the CEO does not have much power when it comes to choosing directors. However Germany's two-tier board system, which includes the management board and the supervisory board can also cause problems, between the people who work for the company and the people who own the company. This is because the supervisory board has to balance the interests of labor and the interests of capital which can be very different.

### **7.4 Asia: Family Firms and Controlling Shareholders<sup>22</sup>**

In a lot of countries like India, South Korea, Japan and Southeast Asia the big issue with how companies are run is not about the people in charge and the people who own shares not seeing eye to eye. The real problem is when one group of shareholders has a lot of power than the others. This happens when one family owns a company. In these cases the rules that are supposed to make sure the company is run fairly do not really mean much. Studies of companies in India and other Asian countries have shown that the people who are supposed to be in charge and make sure everything is fair do not really have any power when one family is in control of the company. This is a problem, with firms and East Asian firms.

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<sup>22</sup> Claessens, S., Djankov, S. & Lang, L. H. P., "The Separation of Ownership and Control in East Asian Corporations," (2000) 58 Journal of Financial Economics 81.

## **8. Conclusion**

Independent directors are a good idea. It makes sense to have them. Companies need people who can question the people in charge protect the people who own the company and make sure the people running the company are answerable to the owners. There is a big difference between what should happen and what really happens. As we have seen independent directors face a lot of challenges: they are chosen by the people they are supposed to keep an eye on they do not have time and information to do a thorough job and they feel pressure to agree with everyone else. In places the person who owns the most shares has a lot of control which makes the whole system not very effective. What we have learned from years of research and company scandals is that independent directors can work, but just saying they are independent is not enough. What really matters is that they are truly independent: they need to have the information, enough time, the right skills, the necessary resources and most importantly the courage to question the people in charge when necessary<sup>23</sup>.

To make this happen we need more than better rules. We need a big change in the way the board of directors works. We need to go from a culture where everyone agrees and does what they are told, to a culture where people can question and challenge each other in a way and where everyone is held accountable. The question is. Are directors just going to agree with everything or will they really keep an eye on things. It depends on the kind of people they are the way the board of directors works and the systems they have, in place. Independent directors are important. We need to make sure they can do their job properly so companies are run in a fair and honest way and independent directors can really make a difference.

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<sup>23</sup> OECD, *G20/OECD Principles of Corporate Governance* (OECD Publishing, 2015).

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