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An empirical inquiry into the relationship between corporate governance and human resource management

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Abstract

Purpose – Based on the tenets of the stakeholder theory, the study investigates the influence of corporate governance best practices on 'hard' and 'soft' human resource management practices in public listed companies in Malaysia.

Design/methodology/approach – Data was collected from public listed companies in the consumer product sector via structured questionnaire. Multiple regression analysis is conducted using SPSS to test the hypotheses.

Findings – The findings suggest that board of directors' independence significantly predicts training and development practices. It is also evidenced that audit committee's effectiveness is significantly related to team-based work.

Research limitations/implications – The study is conducted in a single sector of the economy resulted to a small number of listed companies.

Originality/value – The significant relationship between board of directors' independence and training and development; and audit committee effectiveness and team-based work indicate that training and development and team-based work are ingrained in the companies' HRM practices, more acceptable and the least complicated to implement. Indicating that public listed companies are answerable to various stakeholders, thus, making it difficult to introduce and implement certain HRM practices.

Keywords: Corporate Governance, Human Resource Management

JEL Classification: G34, M50

1. Introduction

It has been argued in previous works that the domain of corporate governance and HRM are intertwined and the role of human resource in the governance of the organizations has received increased attention in the post-Enron era (Hall & Soskice, 2001; Aguilera & Jackson, 2003; Caldwell, Hayes, Karri & Bernal, 2008; Hernández, 2005). The success of the strategic management of human resources involves the design and implementation of a set of policies and practices to ensure that employees share knowledge, skills and abilities that contribute to achieving the objectives of the organization (Huselid, Jackson & Schuler, 1997). According to Lamba and Choudary (2013), good HR practices enhance internal capabilities of an organization to deal with current or future challenges. Apart from that, it also energize people working in the organization to be committed and motivated.

Becker and Huselid (2006) noted that the intangibility of human resources is essential to achieve a sustainable competitive advantage, which depends on whether the leader of a company understands how to integrate people into the achievement of organizational goals. Supangco (2006) mentioned that successful

human resource practices in organizational capacity building help the organization to adapt to changes in a global environment; these practices provide the necessary infrastructure to enable the organization to create value in the market. Considering human capital as part of unique and valuable knowledge of the employees, they will be relevant in generating a sustainable competitive advantage for the organizations. The value of knowledge reflects the power to improve efficiency and effectiveness of the firm, exploiting market opportunities and/or neutralize potential threats, while the unique knowledge helps to differentiate firms from their competitors (Pelayo-Maciel, Calderon- Hernandez & Sema-Gomez, 2012).

Corporate governance is defined as "the system by which companies are directed and controlled" (Cadbury Committee, 1992). In the Malaysian context, the Finance Committee Report (2001) defines corporate governance as, "the process and structure used to direct and manage the business and affairs of the company towards enhancing business prosperity and corporation accountability with the ultimate objective of realizing long term shareholder value, whilst taking into account the interests of other stakeholders."

According to Wan Izyani Adilah (2008), in order to enhance business prosperity, corporate governance cannot be dictated by law since it involves the function of people, teamwork, leadership, enterprise and experience. Meanwhile, enhancing accountability requires rules and regulators; and providing this is the duty of directors to shareholders as prescribed by law. This occurs because the regulation will require greater disclosure of accounting policies to avoid any manipulation of accounting numbers (Dewing & Russell, 2004).

Currently, attention is increasingly focused on more recent debates around the appropriate balance between the exclusive pursuit of shareholder interests and the aims of other stakeholders as the main purpose of a firm. Firms are encouraged to measure and assess whether human resource management (HRM) practices, and indeed the HRM function itself, create or destroy shareholder value. Translating the desire to maximize shareholder value into management practice involves the assessment of the likely impact of any management decision on shareholder value, including decisions related to labour management and HRM. As a result, various links and complementarities have been posited between HRM and corporate governance (Filatotchev & Guest, 2005). Corporate governance role in ensuring good employment practice and effective management of human capital is that this is both an end in itself in ensuring the well-being and satisfaction of employees but also a means to an end of a higher performance (Guest, 2005). On the premise of stakeholders theory, this study is conducted to evaluate the influence of corporate governance best practices on 'hard' and 'soft' human resource management practices in public listed companies in Malaysia

2. Literature Review

2.1 Corporate Governance and HRM

Corporate governance is essentially concerned with issues of ownership and control within the firm (Berle and Means, 1932). It sets the terms and conditions of the legal allocation of property rights among the different stakeholder groups; and this affects their incentives and hence their willingness to cooperate with one another in productive activities. Due to the diffusion of responsibility for production, process improvement and innovation has been shown to significantly improve organizational performance through the cooperation of stakeholders in the productive process and their voluntary contribution of skills, experience and commitment to meet organizational objectives, corporate governance plays a central role in the ability of firms to perform effectively over the long term (Baker, Gibbons and Murphy, 1999; Black and Lynch, 1997; Huselid, 1995; Ichniowski, Shaw and Pennushi, 1995; Konzelmann, 2003).

O'Donovan (2003) described corporate governance from a stakeholder perspective as a system of structuring, operating and controlling a firm with a view to achieve long-term strategic goals to satisfy shareholders, employees, customers, creditors and suppliers, and complying with the legal and regulatory

requirements, apart from meeting environmental and local community needs. Thus, firms pursuing similar strategies are assumed to converge toward similar organisational structures of HRM practices which flow from the need to accommodate those structures.

According to Martin and McGoldrick (2009), little has been written about HR and governance and only a small number of HR articles cite corporate governance in their keywords, though prominent HR theorists have recently called for ways of conceptualizing HRM from a governance perspective (Gospel and Pendelton, 2005; Legge, 2004; Sisson, 2007). The important link between corporate governance and HRM can be referred to the work of Conway et al. (2008) who identify corporate governance as one of the major forces reshaping organisations, with repercussions for the employment relationship. It is also argued that there is lack of systematic evidence on the possible relationships between governance and labour over a large number of companies and/or workplaces (Pendleton and Deakin, 2007). Nevertheless, there have been a number of useful attempts to map out the links between governance and HRM (Boxall and Purcell, 2008), including those writing from an 'employee voice' perspective (Gollan and Wilkinson, 2007).

Konzelmann et al. (2006) stated that the central purpose of HRM is enhancing performance and in turn HRM itself, is affected by the implementation of corporate governance practices. Therefore, the demands of the stakeholder could impact on the HRM practices developed and implemented. Tangthong, Trimetsoontorn, and Rojniruntikul (2014) highlights that HRM practices as a set of distinct yet interrelated activities, functions, and processes aimed at attracting, developing, and maintaining a firm's human resources. Two streams of HRM, the *hard* HRM and *soft* HRM, have been identified to be the result of the extent of corporate governance practices implemented (Martin and McGoldrick, 2009; Konzelmann et al. 2006) 'Hard' and 'Soft' HRM, were terms introduced by (Storey, 1987), *hard* HRM focused on the resources management aspects of HRM, most notably cost control and job design to align them with shorter-term product demand variables, and the *soft* HRM focused on human aspects of HRM, including communication, motivation, engagement, learning and leadership (Martin and Hetrick, 2006). Konzelmann et al. (2006) outline four variables considered as *soft* and *hard* HRM, namely, employee consultation and incentive systems (*soft* HRM) and training and teamwork (*hard* HRM).

However, it is argued here that even as governance structures are in place at the board level, there needs to be a strong link between the board structure and actions, and the implementation of board decisions at the operational level. Since human resources are at the heart of implementing strategies, the human resource management function should play a key role in implementing such strategies. It is argued here that a closer integration among corporate governance and human resource management increases an organization's performance. The experience of HR in the acquisition, development, compensation, and

management of performance of employees can become handy in meeting challenges at the board level (Mendoza et al., 2005). However, certain changes must take place in both HR activities and competency of the HR executive in order for HR to fully take part in board selection, development, and evaluation (Fuller, 1999).

Insight into the interrelationship between systems of governance and systems of employment can also be found in the work of Gospel and Pendleton (2003), who, for example, argue that the incentives and governance structures found in the Anglo-American shareholder-based model force managers during hard times to discard labour and avoid investments that have uncertain returns, such as training. Although the assumption is usually made that the firm's primary objective is profit maximization, Gospel and Pendleton (2003) found that whereas institutional investors may prioritize short term profits, shareholder value and liquidity, family owners are more likely to consider long-term organizational viability, control and private benefits to be the more important objectives.

2.2 Soft HRM Practices-Work Flexibility

Raines (1998) reported that studies conducted in Sweden found that firms with flexible work arrangement were estimated to have 20 per cent higher productivity than those without. Similarly, research on the US steel industry showed that the introduction of more flexible working practices was associated with productivity increases.

Begin (1992) proposed four types of workforce-related flexibility: 1) external numerical; 2) internal numerical; 3) functional; and 4) financial flexibility. External numerical flexibility refers to the freedom to adjust the size of the workforce; internal numerical flexibility on the other hand refers to a firm's ability to adjust the working hours of the existing workforce; functional flexibility refers to the freedom to deploy workers across different task; and financial flexibility refers to the flexibility to adjust employee rewards (Wan, Ong, & Kok, 2000). Bae and Lawler (2000) proposed that these flexibilities, especially functional flexibility, should enable firms to tap into the benefits of multi-skilling, cross utilization and cross training amongst their employees. Furthermore, the introduction of workforce flexibility enables the organizations to ensure operational effectiveness, for example, firms are able to make decisions on material control process and just-in-time (JIT) process effectively and at the same time satisfy customers' demand for differentiated product or services (Youndt et al., 1996). However, the downside to workforce flexibility is the redundancy of workforce as this practice is usually implemented when firms are facing high demands period (Bolwijn & Kumpee, 1990).

From the above mentioned discussions, it is suggested that corporate governance practices are significantly related to soft HRM practices. In accordance to work flexibility, the hypotheses for this research are formulated as follows:

H 1(a) (i): Board of directors' independence is significantly related to work flexibility

H 1(a) (ii): External directors' independence is significantly related to work flexibility

H 1(a) (iii): Firm's disclosure and transparency is significantly related to work flexibility

H 1(a) (iv): Audit committees' effectiveness is significantly related to work flexibility

2.3 Soft HRM Practices-Empowerment

Del Val and Lloyds (2002) defined empowerment as the involvement of employees in the decision-making process, inviting the members of the organizations to think strategically and to be personally responsible for the quality of their tasks; animating, favoring and rewarding employees for behaving in a way more suitable to satisfy the customers and to improve organization's functioning (Vroom & Jago, 1988; Hermel, 1990; Bowen & Lawler, 1992; Bowen & Lawler, 1995). However, empowerment does not exclude an initial supervision to organize, train, and guide employees as well as self-control (Lawler, 1993).

In essence, empowerment is the management style where managers share with the rest of the organizational members their influence in their decision-making process. That is to say, the collaboration in the decision-making process is not limited to those with formal power- with certain characteristics as far as information systems, training, rewards, power sharing, leadership style and organizational culture are concerned (de Val & Lloyds, 2002). According to Guerrero and Barraud- Didier (2004) empowerment encompasses a set of methods based on task enrichment-enlargement of responsibilities, encouragement of initiatives, job rotation and on work organization-project groups, quality circles and self-managed teams. Decentralized organization of work and participative decision-making has been found to contribute towards positive financial performance and productivity (Pfeffer, 1994; Chang & Chen, 2002). Based on the above statements, it is obvious that empowerment is a developmental process that promotes an active approach to problem solving, understanding of work environment and an increased ability to exercise control in work environment. However, such autonomous atmosphere may also lead the employee to believe that his or her job has become harder and therefore, deserve more compensation (Baron & Kreps, 1999).

As corporate governance practices are significantly related to soft HRM practices, the following hypotheses are formulated linking corporate governance and empowerment.

H 1(b) (i): Board of directors' independence is significantly related to empowerment

H 1(b) (ii): External directors' independence is significantly related to empowerment

H 1(b) (iii): Firm's disclosure and transparency is significantly related to empowerment.

H 1(b)(iv): Audit committees' effectiveness is significantly related to empowerment.

2.4 Hard HRM practices - Team-Based Work

Teamwork culture has been widely acknowledged as a way to face today's turbulent environment and to create highly flexible organization highly responsive to ongoing change (Castka, Bamber & Sharp, 2003). Team-

based work is a promising concept which offers autonomy, responsibility, and job enrichment in order to meet the aspirations of the employees and at the same time, team-based work is also believed to enhance performance such as productivity and quality, on the both the team and organizational level (Dooreward, Hootegem, Huys, 2002).

According to Hickey & Cassner-Lotto (1998) as organizations get flatter through restructuring and downsizing, teams have become their favored vehicles to organize and distribute responsibility, authority and information otherwise given only to supervisors and managers. Team members can respond rapidly and flexibly to changing business demand when they have decision-making authority and share information directly. Different practices that characterized successful team-based work systems are committees or task forces. The practices are designed to enable employee involvement in problem solving and decision making. The involvement is supported by the processes such as job design, performance rating, training and communication channels. Team should be able to coordinate production. According to Zwick (2004) employee participation affects organizational outcomes. First, this practice take advantages of the specific knowledge employees have about their own work processes and combines the skills and expertise of a group of workers (Levine & Tyson, 1990; Cooke, 1994). Second, individuals are expected to have a higher identification with their enterprise and the decision taken so that they feel more committed and consequently perform their jobs better (Huselid, 1995; Godard & Delaney, 2002). Third, employees participating at decisions can balance production more effectively and this will eliminate bottlenecks or interruptions of the production process. Finally, autonomous employees may be able to diminish waste, inventories and inefficiencies (Appelbaum et al., 2000). Employee participation is a supported because: first, it contributes to personal growth and job satisfaction; second, participation will protect employees' interest and third, it promotes organizational efficiency because participation might result better decision-making, enhanced motivation, and it promotes management-employee communication (Zwick, 2004).

Based on the above mentioned discussions, it is hypothesized that corporate governance practices are significantly related to hard HRM practices. Therefore, the hypotheses on team-based work for this research are formulated as follows:

H 2(a) (i): Board of directors' independence is significantly related to team-based work.

H 2(a) (ii): External directors' independence is significantly related to team-based work.

H 2(a) (iii): Firm's disclosure and transparency is significantly related to team-based work

H 2(a) (iv): Audit committees' effectiveness is significantly related to team-based work

2.5 Hard HRM practices - Training and Development

The purpose of employee development can be defined as developing human potential to assist organizations and individuals to achieve their

objectives. Employers must develop their employee's knowledge, skills, and emotions/attitude/values in order to realize their full potential. The capacity to learn and become competent and be able to achieve the performance standards expected by the firms can only be fulfilled through integrated development of these three aspects (Gibb & Meginson, 2001).

Employee development typically involves organizations providing training courses, on their own or through external private providers and also with organizations providing or working in partnership with accrediting institutions to offer programs of study and development. These are three primary fields of development within employment "short and sharp courses, extended short course and longer program" (Gibb & Menginson, 2001).

Training is a traditional focus of human capital theory, which suggests that firms invest in skill development when they expect increased employees' productivity to offset such training costs as payment of instructors, purchase of materials and downtime. Previously, training efforts in manufacturing firms traditionally have been limited, informal and unstructured (Majchrzak, 1988). The most predominant method of training has been on-the-job training (OJT), which reflects an orientation towards immediate utilization of a general pool of labour (Wexley & Latham, 1981; Wiggenhorn, 1990). As OJT's advantages-low cost, minimal training time, immediate productivity and concurrent trial period-may be beneficial when only basic skills are required (Snell & Dean, 1992).

The current turbulent business environment requires employees to be equipped with broader and more advanced skills, which implies a need for more formal and comprehensive training where it is expected for firms to conduct more frequent and extended training periods and more structured programs to ensure skill acquisition and transfer. Training would also likely involve greater number of employees and include a broader range of skills. The cost of training would be justified by the long-term expected contribution of skilled employees to the productivity of the firm (Snell & Dean, 1992). Training and development contributes towards development of collective competencies and organizational learning, by acquiring new skills, training to develop them and organizing them for better career planning, coaching and internal mobility (Guerrero & Barraud-Didier, 2004).

From the above mentioned discussions, the hypotheses for this research are formulated. As indicated earlier, corporate governance practices are significantly related to hard HRM practices. Relating corporate governance practices and; training and development, the proposed hypotheses are stated as follows:

H 2(b) (i): Board of directors' independence is significantly related to training and development.

H 2(b)(ii): External directors' independence is significantly related to training and development.

H2(b)(iii): Firm's disclosure and transparency is significantly related to training and development.

H2(b)(iv): Audit committees' effectiveness is significantly related to training and development

3. Methodology

3.1 Sampling and Data Collection

Sample of study was collected from public listed consumer product firms listed in the Bursa Malaysia. The consumer product sector was chosen as the firms listed are more visible and well-known to the public, thus, there is a higher probability that they are much more stringent in the implementation of corporate governance. This study is conducted at the firm level. The survey was distributed to all 132 companies in the consumer product sector and the Human Resource manager was made the respondent. Data was collected via structured questionnaire by using self-addressed stamped envelope. Phone calls were conducted as a follow up to all companies. However, only 35 firms cooperated and answered the survey. Roscoe (1975) suggested a simple rule of thumb for determining appropriate sample size. The recommendation is that sample size is at least 30 and need not be larger than 500.

3.2 Variables

Corporate governance practices: The corporate governance practices utilized for this study is adopted from Sang & Il (2004) survey instrument that covers the elements stipulated by MCCG. The instruments consists of board of directors' independence, external directors' independence, disclosure and transparency and audit committees' effectiveness. For board of director's independence, response were provided in the form of a 5-point Likert scale (1=Strongly Disagree to 5=Strongly Agree). For external directors' independence, response were provided in the form of a 5-point Likert scale (1=Never disagree to 5=Always). For disclosure and transparency, response were provided in the form of a 5-point Likert scale (1=Never disagree to 5=Always). For audit committees' effectiveness, response were provided in the form of a 5-point Likert scale (1=Strongly Disagree to 5=Strongly Agree).

Human resource management (HRM) practices: The HRM practices utilized for this study is adopted from Delery & Doty (1996) survey instrument, following Konzelman et al. (2006) approach of using soft and hard HRM, the study categorized workforce flexibility and empowerment as soft HRM and while hard HRM consists of team-based work and training and development. All the responses in HRM practices were provided in the form of a 5-point Likert scale (1=Never disagree to 5=Always).

3.3 Model Specification

The study intends to test the relationship between corporate governance best practices on 'hard' and 'soft' human resource management practices in public listed companies in Malaysia. Using multiple regression analysis, the models are specified as follows:

Model 1:

$$WFL_i = \beta_0 + \beta_1 BIND + \beta_2 EXD + \beta_3 TRANS + \beta_4 AUDIT + \epsilon_{it}$$

Model 2:

$$EMP_i = \beta_0 + \beta_1 BIND + \beta_2 EXD + \beta_3 TRANS + \beta_4 AUDIT + \epsilon_{it}$$

Model 3:

$$TBW_i = \beta_0 + \beta_1 BIND + \beta_2 EXD + \beta_3 TRANS + \beta_4 AUDIT + \epsilon_{it}$$

Model 4:

$$TND_i = \beta_0 + \beta_1 BIND + \beta_2 EXD + \beta_3 TRANS + \beta_4 AUDIT + \epsilon_{it}$$

Where; β_0 =constant term; WFL=Work Flexibility; EMP=Empowerment; TBW=Team Based Work; TND=Training and Development; BOD=Board of Directors' Independence; EXD=External Directors' Independence; TRANS=Disclosure and Transparency; AUDIT=Audit Committee's Effectiveness; ϵ_{it} =Error Term

4. Data analysis

To investigate hypothesis 1(a) that corporate governance practices is related work flexibility, a multiple regression analysis (Model 1) was conducted using SPSS. The result of the analysis is exhibited in table 1.

Table 1: Corporate Governance and Work Flexibility

Model	Standardized Coefficients	t	Sig.
	Beta		
1 (Constant)		2.151	.040
BIND	.302	1.555	.131
EXD	.027	.143	.887
TRANS	.034	.186	.854
AUDIT	.060	.301	.766

The result indicates that hypothesis H1(a) (i), (ii), (iii) and (iv) should be rejected as the none of the corporate governance practices has any significant impact on work flexibility, as none of the independent variable reach significance ($p < 0.05$).

To investigate hypothesis 1(b) that corporate governance practices is related to empowerment, a multiple regression analysis (Model 2) was conducted using SPSS. The result of the analysis is tabulated in table 2.

Table 2: Corporate Governance and Empowerment

Model	Standardized Coefficients	t	Sig.
	Beta		
1 (Constant)		2.101	.044
BIND	.284	1.538	.135
EXD	-.015	-.083	.934
TRANS	-.147	-.836	.410
AUDIT	.265	1.404	.171

The result indicates that hypothesis H1(b) (i), (ii), (iii) and (iv) should be rejected as none of the corporate governance practices has any significant impact on work flexibility, as none of the independent variable reached significance ($p < 0.05$).

To investigate hypothesis 2(a) that corporate governance practices is related team-based work, a multiple regression analysis (Model 3) was conducted using SPSS. The result of the analysis is exhibited in table 3.

Table 3: Corporate Governance and Team-Based Work

Model	Standardized Coefficients	t	Sig.
	Beta		
1 (Constant)		2.300	.029
BIND	.013	.067	.947
EXD	-.130	-.717	.479
TRANS	.145	.819	.420
AUDIT	.336	1.763	.089

The result indicates that hypothesis H2(a) (i), (ii) and (iii) should be rejected as none of the these corporate governance practices has any significant impact on team-based work. However, hypothesis H2(a)(iv) is accepted as it is significant at 10% level concluding that audit committees' effectiveness is related to team-based work.

To investigate hypothesis 2(b) that corporate governance practices is related training and development, a multiple regression analysis (Model 4) was conducted using SPSS. The result of the analysis is exhibited in table 4.

Table 4: Corporate Governance and Training and Development

Model	Standardized Coefficients	t	Sig.
	Beta		
1 (Constant)		2.384	.024
BIND	.471	2.762	.010
EXD	.244	1.474	.151
TRANS	-.034	-.212	.833
AUDIT	-.040	-.227	.822

The result indicates that hypothesis H 2(b) (i) is accepted as the results showed that sig= .010 ($p < 0.05$), thus providing evidence that Board of Directors' independence is related to the training and development policy implemented in the firms. However, H 2(b) (ii), (iii) and (iv) are rejected as they do not have any significant impact on training and development because none of the three sub-hypotheses reached significance ($p < 0.05$).

5. Conclusion

Studies by Boxall & Purcell (2008), Golan & Wilkinson (2007) and Konzelmann et al. (2006) have established, theoretically and empirically, the notion that corporate governance exerts some form of

influence on the formulation of HRM practice. This is an important factor as studies by Delery and Doty (1996) and Youndt et al. (1996) have empirically provided evidence that where the HRM practices are perfectly aligned with the strategies of the organization, this will positively impact on the organizational performance. However, the non-significance of hypotheses H1(a) (i), (ii), (iii) and (iv); H1(b) (i),(ii), (iii) and (iv); H2(a) (i),(ii), (iii) and H 2(b) (ii), (iii) and (iv), could be attributed to the nature of public-listed companies (PLC) itself, as they are more conspicuous, they are answerable and closely monitored by the authorities and they are accountable to several dominant stakeholders- shareholders, customers, suppliers and the employees. Due to such constraints, PLCs are not able to introduce certain types of HRM practices at it might affect companies' performance. The significant relationship between board of directors' independence and training and development; and audit committee effectiveness and team-based work indicate that training and development and team-based work are ingrained in the companies' HRM practices. Furthermore, training and development and team-based work is also the more conventional type of HRM practices compared to the other HRM practices utilised for the study. Naturally, both practices are more acceptable and the least complicated to implement. This study is conducted based on 35 listed companies in the consumer product of bursa Malaysia. This small sample size is identified as the limitation of the study. The low response rate is suspected due to unwillingness of the companies to reveal their corporate information. It is recommended that further study on the relationship between corporate governance and HRM practices to be conducted by integrating various sector of the economy with a higher number of observations. In addition, it is also interested to understand the relationship involving other stakeholders.

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APPENDIX

SURVEY FOR CORPORATE GOVERNANCE PRACTICES AND HRM PRACTICES

SECTION I: Effectiveness of Board of Directors

Please circle the relevant number based on the rating scale provided.

A. Board Independence

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

1.	The independent directors of your company are truly independent from the CEO or controlling shareholders.	1	2	3	4	5
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2.	The following reasons for independent directors being fully independent from the CEO or controlling shareholders:					
	a. the CEO did not select the board members.	1	2	3	4	5
	b. Independent directors have no concern over personal relationships with other directors.	1	2	3	4	5
	c. Openly objecting to management proposed agenda is not viewed as an act contrary to behavioural norm.	1	2	3	4	5

d. The CEO does not decide the extension or termination of the directorship.	1	2	3	4	5
e. Independent Directors are not concerned of possible repercussion if their views turn out to be wrong in the future.	1	2	3	4	5

B. Independent Directors

1	2	3	4	5
Never	Rarely	Sometimes	Frequently	Always

How prevalent are the following practices?

1.	Independent directors meeting formally or informally without management to discuss corporate matters.	1	2	3	4	5
2.	Independent directors altering or adding the board meeting agenda.	1	2	3	4	5
3.	Independent directors participating actively in board discussions.	1	2	3	4	5
4.	Agenda items disapproved at the board meetings by independent directors.	1	2	3	4	5
5.	Individual directors' positions on board meeting agendas recorded in minutes.	1	2	3	4	5

C. Disclosure and Transparency

1	2	3	4	5
Never	Rarely	Sometimes	Frequently	Always

How good do you think is access to information for independent directors?

1.	Meeting with managers (who are not board members) and workers of the company.	1	2	3	4	5
2.	Access to business records and books of account.	1	2	3	4	5
3.	Enough information in time to be digested before every board meeting.	1	2	3	4	5
4.	Permitted to obtain the services of outside legal, financial and other professional advisors at the company's expense.	1	2	3	4	5

D. Independence/Effectiveness of Your Organization's Audit Committee

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

1.	It has someone with accounting/finance expertise.	1	2	3	4	5
2.	It is chaired by a genuine independent director.	1	2	3	4	5
3.	Minutes are written for each audit committee meeting.	1	2	3	4	5
4.	Each member of the audit committee remuneration is approved separately at shareholders' meeting.	1	2	3	4	5
5.	There are written rules for audit function.	1	2	3	4	5
6.	It autonomously select/recommend the external auditor and conducts a proper review of his work.	1	2	3	4	5
7.	It approves the appointment of internal auditor and supervises him to routinely review risk exposure and accounting procedures.	1	2	3	4	5

SECTION II: Human Resource Practices

Please circle the relevant number based on the rating scale provided.

1	2	3	4	5
Never	Rarely	Sometimes	Frequently	Always

A. Team-based Work

1.	Team members are responsible for work preparation, work support and work control.	1	2	3	4	5
2.	In our firm, coordination and control are based more on shared goals and values rather than rules and regulation.	1	2	3	4	5
3.	Targets to be achieved for production are set by the team members.	1	2	3	4	5

B. Workforce Flexibility

1.	Our firm has the ability to deploy and transfer employees across job boundaries in non-managerial jobs.	1	2	3	4	5
2.	The employees of our firm have the competencies to do several different jobs.	1	2	3	4	5
3.	The firm deploys employees across job boundaries whenever it is necessary.	1	2	3	4	5
4.	Non-managerial employees in this firm willingly take other jobs in the firm.	1	2	3	4	5
5.	The jobs in our firm require employees to do many different things at work, using variety of skills and talents.	1	2	3	4	5

C. Internal Career Opportunities

1.	Individuals in this firm have clear career paths within the organization.	1	2	3	4	5
2.	Individuals in this job have very little future within this organization.	1	2	3	4	5
3.	Their immediate supervisors know employees' career aspirations.	1	2	3	4	5
4.	Employees in this job who desire promotion have more than one potential position they could be promoted to.	1	2	3	4	5

D. Employment Security

1.	Employees can expect to stay in the organization for as long as they wish.	1	2	3	4	5
2.	It is difficult to dismiss an employee in this organization.	1	2	3	4	5
3.	Job security is almost guaranteed to employees in this organization.	1	2	3	4	5
4.	If the firm were facing economic problem, retrenchment of employees would be the last option for the firm.	1	2	3	4	5

E. Employee Participation

1.	Employees are allowed to make many decisions.	1	2	3	4	5
2.	Employees are often asked by their supervisors to participate in decision-making.	1	2	3	4	5
3.	Employees are provided the opportunity to suggest improvement in the way things are done.	1	2	3	4	5
4.	Superiors keep communication open with subordinates in this organization.	1	2	3	4	5

F. Training and Development

1.	Employees in this company normally attend training programs annually.	1	2	3	4	5
2.	There are formal training programs to teach new employees the skills they need to perform the job.	1	2	3	4	5
3.	The company conduct systematic analysis to determine the needs for training programs.	1	2	3	4	5
4.	The company conducts cost-benefit analysis to assess the effectiveness of the training programs.	1	2	3	4	5
5.	The firm evaluates the training programs to determine whether the training objectives are met.	1	2	3	4	5

G. Performance-based Pay

1.	Job performance of an individual is very important in determining the earnings of employees in this organization.	1	2	3	4	5
2.	The range in pay across non-managerial employees is generally wide in our firm even within the same job grade.	1	2	3	4	5
3.	Pay for non-managerial employees are closely tied to individual or group performance.	1	2	3	4	5
4.	Promotion is based primarily on seniority.	1	2	3	4	5

H. Empowerment

1.	The jobs in this firm provide employees with many chances, personal initiative or judgment in carrying out their work.	1	2	3	4	5
2.	Employees in our firm engage extensively in	1	2	3	4	5

	problem-solving and decision-making in matters which involve their jobs and their job condition.					
3.	Employees are permitted to decide on their own how to go about doing their work.	1	2	3	4	5
4.	In our firm, we have minimum status differentials between management and employees to enhance egalitarianism (e.g. common parking/uniform/cafeteria etc.)	1	2	3	4	5

I. Profit Sharing

1.	Individuals in this firm receive bonuses based on the profit of the organization.	1	2	3	4	5
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J. Performance Appraisal

1.	Performance is measured with objective quantifiable results.	1	2	3	4	5
2.	Performance appraisals are based on objective, quantifiable results.	1	2	3	4	5

K. Employee Relations

1.	Union and management work together to make this organization a better place to work in.	1	2	3	4	5
2.	Union and management have respect for each other's goals.	1	2	3	4	5
3.	Management often seeks input from the union before initiating changes.	1	2	3	4	5
4.	Grievances are normally settled promptly in this organization.	1	2	3	4	5