

# Preface

Since the writing of the first edition of this book, the corporate world has experienced the implosion of the Internet boom with losses exceeded US\$1 trillion in market values, the fraud-driven collapse of Enron, Worldcom, and Adelphia, a massive investigation on stock option backdating practices engulfing more than 350 corporations including many in the Fortune 500, the collapse of the Thai government triggered by the business dealings of the former prime minister, and ongoing revelations of ethical lapses in such media conglomerates as Hollinger, and technology giants as Siemens. Mismanagement at large corporations like EADS (parent of Airbus), General Motors, DaimlerChrysler, and United Airlines have destroyed billions of dollars in shareholder value. At the same time these corporate disasters were occurring, new legislation, notably the Sarbanes-Oxley Act of 2002, has been introduced, passive institutional investors like mutual funds have become activist, the takeover market, fueled by billions of dollars in private equity, has deepened, and governments worldwide have intensified pressures on corporations to behave better.

At the center of this maelstrom is the corporate director, who sits at the apex of the corporation to monitor the decisions that affect employees, customers, suppliers, shareholders and the community, and continues to be the least understood person in the modern public corporation. This contradiction has resulted from a lack of knowledge among directors on what they should be doing in the boardroom, and how they should fulfill their legal and moral responsibilities; now made more confusing by the plethora of new legal liabilities since the collapse of Enron and the strategic complexities from global competition. The buck stops with the director and so he must understand his responsibilities and the means to discharge them. The increasing

pressures for corporate performance and shareholder value maximization mean that the days of the inactive board, dominated by a company's managers are over.

The sea change in the boardrooms of the largest corporations calls for directors to account for their actions on issues as diverse as economic performance to social responsibility. Since the passage of Sarbanes-Oxley (2002), the courts are less sympathetic to the excuse that directors were ignorant of operational lapses and are now more willing to impose higher penalties for non-compliance and violations. Such international organizations as the World Bank, Organization for Economic Co-operation and Development (OECD), the Asian Development Bank (ADB), and global investors as Fidelity and the California Public Employees Retirement System (CalPERS) have set their sights on influencing the direction of corporate governance standards and practices worldwide.

For corporations based in the emerging economies of the Asia-Pacific, awareness of the trends and practiced in the modern corporate boardroom is crucial to competing globally; they must move quickly to conform and even lead in this important area. Corporations in the advanced economies of the European Union (EU) and the United States are increasingly forced to do business in institutional and cultural contexts that challenge their long-held beliefs about appropriate governance practices. This practice-oriented book is aimed at providing the theoretical foundations for 21st century directors and would-be directors to understand key responsibilities, hone managerial skills and improve knowledge on current best practices in the boardroom. Improving practice will protect directors from the statutory and moral liabilities that come with the job, allowing them to achieve even more in their capacity as leaders of their companies.