

# BOARD CHARACTERISTICS OF LISTED COMPANIES IN THE US AND CHINA

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**Abstract:** This paper examines the characteristics of the board of directors that has impact on board effectiveness in connection with the board as the central governance mechanism of internal control in corporate governance in the US and China. The purpose is to find suggestions on dealing with a classic board dilemma—a paradoxical combination of “individual competence and collective impotence”—that bewilders the monitoring role of the board of directors in listed companies, especially in China. The implication behind this purpose is for Chinese policy makers to improve the efficiency of the board of directors’ monitoring role in corporate governance in corporate China. To serve this objective, board size, board composition, board leadership, independent director and board committee are identified as the characteristics of the board of directors that are essential in effectuating the function of the board of directors as effective monitor.

The examination is carried out by way of an economic analysis of law in the form of combining comparative study method with data analysis method. The former is a functional comparative enquiry on relevant laws and regulations in the targeted jurisdictions. The latter is a real-world data investigation on board practice, conducted mainly on Chinese listed companies in Chinese securities markets in the period of 2002-2011. Data on Chinese listed companies are collected from CSMAR and CCER databases.

The findings of the paper show that difference exists on board characteristic between two countries and the classic board dilemma does not disappear. In the US, corporate board is prototypically the unitary board in the form of the monitoring board model characterized by the dominance of independent directors who are composed of the majority or supermajority of the board. The structural adjustment of the board avoids the open problem of the CEO duality, which can easily defeat the majority-independent board or supermajority-independent board, even though lead independent director has been introduced. In China, corporate board is archetypally the hybrid board in the form of the advisory board model characterized by the dominance of inside directors who are composed of the absolute majority of the board. The introduction of independent directors into the boardrooms of Chinese listed companies has been claimed to improve the board’s monitoring role. Technically, this claim has not been supported from the statistical evidence from data on the structural adjustment of the boards of Chinese listed companies from 2002 to 2011.

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