

The Board of Directors and its Role in the Corporate Governance System - Considerations about the Control Model - A Research Note

Abstract

The paper examines the corporate governance mechanism of the control model (or insider control system) by looking at both the motivation for management to deviate from following their principal's wishes and whether the supervising body, the board of directors would correct them. Some opportunistic actions deriving out of the principle-agent relation between owners and management are preventable; others are not and can only be minimized by a strong participation of the owner in the affairs of the company.

Keywords: Supervisory Board Effectiveness, Control Model, Incentives

JEL classification: G32, G34, M12