

INSIGHT INTO INTRA-ORGANIZATIONAL ECONOMIC GOVERNANCE: AN ANALYTICAL DISCOURSE

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ABSTRACT

Conventional economic theories epitomize the staple decision making process of an organization and label them almost similar rather identical in most of the cases; as the derivative basics circle around the market dynamics which is co-related to the referral output that is duly generated by a firm to ensure its survival and growth. The notion of similarity in economic decision making of scores of the organizations round the globe is an outcome of the input that is precisely and principally all common [Information and Technology sources, market trends, demand and supply curves, power of purchasing, currency valuation etc] and facilitate the organizational decision making that seems rational and anticipated. Herbert A. Simon, famous renowned Economist, a Noble Laureate clarifies that economic sciences focus upon one primary aspect of Man and that is his power of reasoning and its application on allocation of resources, especially at the time of scarcity (Simon, 1978). Orthodox and Internal nucleus stimulated the decision making flapped around core organizational hierarchy, managerial capabilities, institutional settings and diverse strengths and primal features are sidelined and not considered.

KEYWORDS: Economic Governanance,

INTRODUCTION

The separation of these two spheres of an organization generalize the decision making approach more of in the perspective of Rational choice theory focusing social and economic behavior (Abella, 2008), rationality as an essence impacts microeconomic behavior of human decision making (Allingham, 2002) and the same applies to an organization as a whole reflecting the existential whole of an organization in the form of an in-organic totality. This. Thorstein Veblen emphasized the term of neoclassical economics in contradiction with the marginalist school through replacing the concept of utility with marginal rate of substitution (Veblen, 1900; Colander, 1999; Aspromourgos, 1986).

The prima facia was further developed and established with a new approach turned up as Industrial Organization that advocates and further provides a conceptual framework to rationalize the

structure and margins between a firm and its corresponding market (Archibald, 1987) in a descriptive mode through comprehending the intensity of competitiveness and the firm's size to accommodate itself in an specified indutrail sector and carefully reading the internal organizational structure and related market strategy in a microeconomics mode (Ross, 1990). The intrinsic focus was to harmonized and homogenized the demands for goods and services through an organizing mechanism and look into imperfections and variations that affect satiafactory economic performance of a firm.

Michael Porter disembarked at this very point and conceived the Structure-conduct-Performance Framework through the eye of strategy. He re-framed the strategic network of a firm with the help of which profit searching could be made much easier (Porter, 1979) but his given Framework is conservative in terms to exemplify the ways and means that are adopted by Managers to organize and control their respective organizations. A sharp deviation was resulted because of fundamental flaws (a firm's ability of handling and answering applied management problems outside the core context) in neoclassical economics approach. Barney categorizes the firm's significant prospective means and enability of a firm sustaining above average returns (Barney, 1991). Hodgson disagreement surfaced in his work evolutionary economics which focuses upon studying the proesses that transform the economy for firms with the help of diverse agents and the adaptive efficiency of a firm can be considered as its economic effeciency (Hodgson, 1993) that enables and organization to stand against respective odds and survives on long term basis in ever changing economy.

Oliver E. Williamson suggests that managers would seek to get the most out of their own usefulness and ponder the insinuations of this for Organization conduct in disparity with the profit-maximization. (Williamson, 1975).

Modern theorists have been in a constant flux over the usage of the term 'efficiency' as used by rational choice theory as Modern mainstream economics cannot prevail without taking into consideration the 'subjective realities as compared to the 'objective truth'; the rationality in decision making, it uses a specific and narrower definition of "rationality" simply to mean that an individual acts *as if* balancing costs against benefits to arrive at action that maximizes personal advantage (Friedman, 1953). The clear neglecting and negating of sociological, biological and psychological features around and within the firm reflects the myopic visibility that depicts the narrowness in the context. Bounded rationality cannot encompass the unbounded sources and factors and the discussion regarding the role of firm and market revolves around the 'efficient rationality' or 'rational efficiency'. The Chicago school of Economics focuses upon this very paradigm and captioned that the validity of an economic theory is dependent upon the instinctive demand or its compatibleness with a set of axioms rather than its conformism with pragmatic reflection (Reder, 1987).

If we take into account the normative and positive agency theories then this puzzle gets completed as in order to envelop whole organization keeping external market dynamics and change catalyst in closer view, the normative agency literature pressures the inevitability to contemplate the conceivable inadequacies of driving managers to stomach uneven compensation risk (Holmstrom, 1979 ;

Shavell, 1979; Stiglitz, 1987; Fama, 1992) whereas positive agency literature focusses upon the value of engaging larger totals of managerial compensation and managerial capital at risk by binding it nearer to overall performance of organization. Concrete ground relationships are provided by normative and positive agency literature to intra-organizational researchers and economists a clear picture of the organization as a whole with reference to the closest context of behavior and profitability. Our main aim is to connect these two models of agency theory and patch them together to materialize the painstaking efforts of intra-organizational economists.

REVIEW OF RELATED LITERATURE

Linkages Between Positive and Normative Agency Theories Co-Relating Organization Research

A border line integration of positive and normative theories paves the way towards deep insights and foremost extrapolations as the combination of both the theories fulfills the basic aim and serves the purpose. Positive and normative theories are repeatedly concomitant, predominantly in consultations of public policy. For example, in the model of the perfectly competitive market, a positive theory played a key role in discussions of how antitrust law could achieve the normative goals of welfare economics. More generally, positive theories are said to show us the means to the public policy ends that normative theorists advance. A key discussion has centered on the question of whether the distinction between positive theory and normative theory is viable, a question that is closely related to whether the fact-value or is-ought dichotomy is viable. The problem of Pay for Performance appears as a bone of contention between both the schools and we take into account that if compensation is linked with performance then the deserving employees are more satisfied, especially in large organizations. Laura Langbein captions in her paper (focusing Public Sector Organizations) that the sole objective of PFP is to bring improvement in the performance of Organization as a whole and employees as individuals, presumably of both the employee and the organization, since that, It reshapes the grounds for salary increment, so the pay increase seems related with employee's performance (Langbein, 2009) On the other hand, Lazear and Shaw (2007) note that pay for performance in the private sector seems dependent upon the costs of measuring output as if the costs are higher then PFP is discouraged while the reverse happens when costs slash down. In terms of quantifiable output the PFP seems more viable and motivating in terms of bringing improvements in the performance of an employee and organization as a whole Though, It does not seem easy to measure performance in all circumstances. Actually, in complex tasks, other kind of pay and contracts appear more viable than performance. For instance, in complex jobs, with repeated relations between principal(s) and agent(s), open (ambiguous) contracts (with low powered incentives) are socially optimal. Numerous theorists (Gibbons, 1998; Chen, 2000 (Kreps, 1997; Frey and Oberholzer-Gee, 1997; Hartwig, 2004; Frey, 1993; Nagin et al. 2002) add that in case of unidentified production function and hard to quantify output, piecemeal (unspecified) contracts between employees and managers may be more effectual than comprehensive contracts.

In order to comprehend the incentive-risk relation, it is needed to get a clear idea about cost of incentives as it so happens that cost of incentives to Top Managers exceeds the limited provision in

which it was supposed to be contained. The specific objective is look into the principal-agent relationship keeping the productive tension and related situation under close consideration and focusing the prospective trade off between inducements and risk sharing and initiate to classify eventualities upsetting that trade off extraordinarily. In US, Securities and Exchange Commission in 2007 established a new set of rules for clearness in executive pay, a survey in the year 2003 revealed that CEOs incentives and pay drifted out from stock opportunities and with limited stock allowances as a way to reward good performance/target achievement. (Economist, April 15th 2004). In a sample of U.S. manufacturing companies encompassing 1992-2003, it was found out that for the large number of companies, the genuine facet of company's performance seems fairly impacted by the CEO pay-for-performance, as calculated by total factor productivity (or TFP) method. The said sample reveals a very small segment of companies not affected by the CEO equity related returns. (Laarni Bulan, 2010).

Agency theory coupled with organizational research provides economists a mid-way to be adopted between positivists' view to attach CEO's pay with performance while normativists highlight the managerial risk aversion as an important element, Organization research links both of these concept as we cannot draw a line between the two as the views depicts the behaviorism and present economics is inclining to get behaviorism into its fold. The best possible manner in which we can combine economics with behavioral perspective is to encompass these concept in aggregation and strive to develop a concrete hypothesis that is needed to espound the given phenomenon. It would be a re-birth of neo-classical economic theories as during the very initial phases of developing neo-classical economics, the economists forecasted the need to mingle human behavior as the core functional base for upcoming economic theories and a drive towards natural sciences gave birth to behavioral economics. Organizational researcher has to take this very aspect into its crossfold while linking a firm with closest targeted market. Lets have a view of these three different folds in comparative mode as:

Table - 01

Normative Theory	Positive Theory	Organizational Research
Prescriptive	Descriptive	Combination of both
Value Based Way	Value Free Way	Mid-way
Opinions	Facts	Fact based Opinions

What ought to be	What is	Combination of both
Typically propose a goal at which economies should aim. early welfare economists (the goal of maximizing utility, the problem of interpersonal comparisons of utility to retreat to the less ambitious goal	how the economy actually operates , the basic supply and demand models of microeconomics as well as the macroeconomic theories and the theory of comparative advantage	Theory of comparative advantage keeping micro and macro perspective with maximum utility of resources to curtail operating cost
stakeholders businesses ought to take into account	consequences business face if they do not take stakeholders into account	Stakeholders are taken on board in major policy based decisions
Meaningless Discourse	Meaningful discourse	Situation based discourse
Scientifically Non-Verifiable	Scientifically Verifiable	Combination of both
emphasizes the necessity to reflect the possible <i>drawbacks</i> of compelling managers to stand unnecessary compensation risk	recognizes the worth of placing larger sums of executive compensation and managerial capital at risk by tying it faster to firm performance	Linkage of both in specific circumstances
Subject Conceptual Framework	Objective Conceptual Framework	Objective conceptual framework
importance of managerial risk aversion as affecting the choice of an optimal incentive arrangement	need to establish ways to improve the managerial pay-for-performance relationship	Combination of both

The above table shows that organizational researcher has taken into account, both the relevant schools as it would not be advisable to stick to anyone of these as both present the original and genuine view of an organization. It would be feasible to link both in organization research, especially to get down to the depth of market anomaly in which structural factors and behavioral biases play the key role and decision making seems intricate without comprehending the behavioral aspects of decision maker.

HYPOTHETICAL AGGREGATION

The compensation issue of CEO has taken many turns and established number of hypothesis as to link compensation with performance and link compensation with equity, link compensation with performance and restricted equity etc., The initial agency hypothetical aggregation is to link CEOs compensation with performance goals; a survey in US states the same issue including the responsibility and challenges faced by Board of Directors in setting the compensation package for CEOs as (Dobbins, 2012) Corporate Directors were of the opinion that the biggest challenge in their way in 2012 is to set ample goals for executive performance – and reward themselves highly for progressing to achieve this very goal, as the cutting-edge quarterly assessment by the National Association of Corporate Directors (NACD) in association with Pearl Meyer & Partners, The compensation consultants. More than one third of Board members in the fourth quarter NACD Board Confidence Index (BCI) ranked it as top compensation challenge to align performance goals with shareholders value creation cycle. Nearly 70% of participants stated they are “confident” or “very confident” about how well their current performance goals are aligned with shareholder value creation, and more than 80% – up slightly from the first-quarter index – stated they are “confident” or “very confident” about how well their current programs address the broader challenge of aligning CEO pay with performance.

On the contrary, A Forbes Magazine study reveals that CEOs are least bothered of the firm performance, especially in the case of big banks as the overall bank’s efficiency shows decline but CEOs enjoyed growth without any excessive burden on their shoulders and it is so alarming even demotivating for down the line employees who are not getting much in comparison. The study pinpoints that Here’s a tough pill to swallow for big bank investors: (Touryalai, 2011) According to data from bank analyst Dick Bove bank CEOs are out-earning their employees and shareholders even as shares of their respective companies dropped this year. Bove found that while earnings per share increased about 13% at the 23 financial institutions he follows stock prices dropped more than 30%, and CEO salary was more than 65 times than the average employee salary. Despite earnings per share increasing more than 13 percent at the two dozen banks the securities firm studies, stock prices fell more than 30 percent. CEOs, however, brought in about 65 more times than the average employee salary. Among this year’s worst stock performers are some of the nation’s biggest banks like Bank of America which is down nearly 60% this year, Its CEO Brian Moynihan will earn \$2.26 million in 2011.

Another agency hypothetical aggregation seems CEO succession as a step to be taken without any delay in case of poor performance of the firm. More and More common people are investing their hard earned income in buying stocks of large corporation with an aim to earn something against their

investments, it has given a lead to the CEOs and they are more in the limelight as before and Board of Directors that acts on behalf of shareholders often looks vulnerable in terms to have the in-line succession in case the performance is creeping down. Wen Lei (Lei, 2005) in his noted article pictures out that expectation of Board of Directors and Share holders and shareholders are accelerating and simultaneously the departure of CEOs from known organizations is on the rise in USA and across the globe. As the shareholders are more active then before and the whole chemistry of corporate governance has reshaped so is the world of CEOs. The rise and the fall of these powerful CEOs are "the novel typical phenomena," Booz Allen Hamilton (renowned consultancy firm) conducted a survey in 2002 keeping 2500 large Public corporation under consideration, and their published report shows a sharp increase in succession rate of CEO with 53% between 1995 and 2001 at major corporations, while within the same time span a considerable increase of around 130% recorded in CEO deportation because of firms' poor performance. Securities and Exchange Commission (SECP, 2009) in United States has made it mandatory for companies to disclose their CEO succession process to their shareholders and to take them on board.

In this very concern the selection/replacement of CEOs in case of poor performance is a questionable move depending upon the behavioral exemplification of Board of Directors, Insiders on Board and outsiders on board are two different behavioral chess games against one single option of replacing CEO. Borokhovich, Parrino and Tarpani (Borokhovich, 1996) in their study summarize that an inquiry into the affect of director incentives on the decision of CEO selection is a usual extension of Weisbach's (Weisbach, 1988) study on directors' compensation and CEO turnover. Weisbach discovers a stronger relation between possibility of CEO departure and firm performance at firms keeping Board of Directors comprise of outside members (dominated) as compared to the firm with insider-dominated boards. His findings expose a sharp difference between incentives of outside directors from those of inside directors. Weisbach reasons that outside directors seem more inclined to support the replacement of a poor CEO, as advocated by Fama and Jensen (1983), The core abilities, make them experts in decision controls affect the value of their human capital through the signals come out of the board room . In contrast, the Inside directors, appear vulnerable in challenging the CEOs as the sale the same career boat.

The hypothetical aggregation encircles the agency literature with respect to the change in behavioral aspects of board of directors and CEO succession in case of poor performance and that is the concerned matter of 'corporate governance'. Organization literature truly relates the behavior with the essence of objectivity as 'every organization is a social group which distributes tasks for achieving collective goal' and Leadership plays a pivotal role in goal achievement.

HYPOTHETICAL INTEGRATION

Incentive Plans and Social Context

The driving out an incentive plan for CEO must be symbolic in its social context and substantial in the organizational one, it would incorporate the behavioral and relevant social aspect in a go. While defining managerial performance standards and expectations, there is a strong possibility of having directed managerial attention towards particular objectives of financial and social implication through executive incentives (Jean Mc Guire, 2003). It reflects that an adequate incentive plan can be used as a strong tool to direct the work place behavior of those serving on the top, It is our hypothetical context to look into the concern of corporate social responsibility that advocates the strong presence of a social essence in every decision taken at the top in an organization. It is to be kept in mind that Corporate Social Performance of a Firm leads to Corporate Financial performance of the same; the macroeconomics aspect of positive agency theory provides a link between the roles of successful companies in enriching society. In a Research survey with a sample size of 313 firms reveals that the relationship of CSP was negative with short term CEO pay focus while a positive and extra active mode with CSP was found in long term pay focus (J R Deckop, 2006) as sole purpose of incentive is value for money and organization success (Sullivan & Sheffrin, 2003). A ground breaking study chinese state owned enterprises came out with extensive findings ,(Xu, 2002) a survey carried out by the Chinese Academy of Social Sciences (CASS) based on the data consisted of a ten-year panel of observations on managerial compensation and corporate performance on approximately 400 State Owned Enterprises, Scrutiny infers that the variance of performance decreases the performance sensitivity of the CEO pay.

AGENCY CONTEXT OF TRUST AND CEO INCENTIVES

The fall of Enron, the state owned enterprise and largest bank kruptsy in US corporate history raised the eye borws of many and surfaced the question of trust in agency relationship. (Spulberg, 2002) The over night collapse posted sharp doubts on the level of trust between investors and the Top brass of Enron. Once selected as 'The most innovative Company in America' by Fortune for six consecutive years (1996-2001) finally fell to its own feet and left a big question unanswered of the *value of vlaues* and *mistrust of trust*. Trust is even undertaken as an economic emollient, decreasing the cost of transactions, empowering new methods of collaboration and commonly advancing commercial activities, employment and success. This reflection (Fukuyama, 1996) generated a substantial concern in seeing trust as a social capital and has steered research into faster comprehension of the course of formation and circulation of such capital. The quantification of trust at the level of CEO can easily be ascertained as increase in profit margin and decrease in transactional cost (Resnick, 2006). The context of agency based theory of trust is multidimensional and as it imporves firms overall output (Zand, 1972), have emotional impact on psychological contract (Robinson, 1996) and helpful in threat or crisis situation (Powley, 2008). If the notion of trust is related with pay and incentives then it does not depicts the real and tru nature of CEO as in such a case the trust would be counted as 'reliance' and CEO strives his best to comply with the desired outcome in order to justify his earnings and incentives but when the rules of the

game are changed and otherwise then only the notion of trust can be examined in purely a behavioral manner.

COMPARATIVE CONTEXT : CONTROL VS REWARDS

The agency based approach is quiet clear and vital that to produce a comprehensive mechanism based upon *control* means to link the performance with shareholders incentives, on the other hand if the same mechanism is *reward* based then it attracts more human efforts and talent towards Organization as the approach of controlling seems pulling someone towards something while the rewards based mechanism is like pushing someone towards something, The theoretical integration of this context is human resource based and focus upon human resource development on longer term basis.

Organization researchers favour the linkage of both these in the perspective of positive and normative agency findings and go for a midway in order to command and facilitate the role of CEO is casual and specific circumstances. A Research study in the year 2010 presents (Andrea Dossi, 2010) framework that examines the link between CPMS (Corporate Performance Measurement System) and CEOIP (CEO Incentive Plan) under the three forms of governance proposed by transaction cost economics namely, markets, hierarchies, and hybrids. Whereas in markets and hierarchies the control problem can be solved with a focus on one mechanism (i.e., CEOIP and CPMS, respectively), hybrid governance structures require the integration of CPMS and CEOIP. It is expected that the integration between CPMS and CEOIP could benefit the alignment of interests and lead to more effective management control within modern organizations. Thomas Flannery and David Hofrichter captions this control mechanism in their study focusing health care organizations as A suitably planned and instigated inducement compensation package is an influential instrument that links a company's tactical and operational procedures to the recompenses it offers to executives. Health care organizations have been embracing incentive compensation as part of their executive pay package since the mid-1980s, and perhaps none of the health care organizations works without one. (Hofrichter, 2007) on ther hand the reward based incentive plans are on the rise as shown in a Research conducted by Lucian Bebchuk of Harvard Law School and Yaniv Grinstein of Cornell University, The research reveals that the mean compensation in the year 2003 was twice than what it should have been in the light of company size, performance and industry classification a decade back. The database utilized was of from the data base of standard & Poor's 500 companies; remuneration, bonus, extended tenure inducement options and value of granted options were the variables used to form the recommendations. Motorola Corporation finalized their compensation plan for top management with share holding equity in order to have a balance between CEO and shareholders as:

For each **Co-CEO**, Stock with a value equal to four times base salary;

For **Executive Vice Presidents**, Stock with a value equal to the lesser of three times base salary or the value of 50,000 shares.

For **Senior Vice Presidents**, Stock with a value equal to the lesser of two times base salary or the value of 25,000 shares. (Motorola, 2011)

The reward based incentive program presents a human resource approach which was highlighted by organization research in their core paradigm and theoretical integration of this incentive seems apt and adequate as it is closely knitted with the organization growth and prosperity.

MICROECONOMICS CONTEXT AND INCENTIVE ALIGNMENT

It has been noted that scores of empirical and rational research has been done in order to establish the effects of intraorganizational politics and other influences on the compensation plan of CEO. Even CEO with sheer power and lobbying ability influences the compensation process especially in case of Long Term Incentive plan (LTIP). Zajac (1994) captioned in his study as Studies propose that disengaging LTIP acceptance and use is predominantly established in firms with influential CEOs and companies with poor past performance. In such a case CEO influences the compensation package against board of directors' suggestions. The outcome of CEO impact on the specific arrangement or configuration of CEO reward bonds, such as longstanding enticements against cash benefit, has gained meager consideration, though, regardless of the fact that large proportion of CEOs' total compensation is increasingly based upon long-term incentives. (Jarrell, 1993). Powerful CEOs influence the compensation process and advocate the long term incentive plan, in fact the long term incentive plan encouraged the pay for performance model and ensures the shareholders interest, it means that it incorporates both the ways in a balanced fashion. Influential CEOs favor the Long term plan as symbolically it shows their commitment and sincerity towards the shareholders and substantially it ensures their presence for long term with in the organization, (Meyer, 1977) It can be a reputation building and face saving tactics as by aligning long term incentives with shareholders benefits builds an impression and their verbal alignment with normative set of standard ensures a long term place for them in corporate bandwagon (Schlenker, 1980; March, 1984). Intraorganizational politics, demographic differences, professional biases play a key role in branding the tension between CEO and board of directors on the question of finalizing compensation package. It is not the matter of CEO only as setting of a well defined package for CEO gives way to other employees to be more vocal in their respective vicinity and often it creates an organizational imbalance.

SOCIAL INFLUENCE AND BOARD OF DIRECTORS

It has been observed that members of BOD with previous management experience and independence for the firm are apparently the most composed and influential members on the board, (F.Radin, 2009) their experience, knowledge of the industry, management expertise and inherent set of skills paves the way for them to provide value added investment in the form of intellectual human capital during the board meetings. The collapse of Enron and Worldcom has revealed the deficiency of BOD in comparison with the top Executives and Executive Management, it is a major possibility that CEO with extensive, applied and comprehensive knowledge of the organization can influence the decision made by the board of directors and it is an alarming situation as the BOD is named as 'cosmetic stamp pad'

busy in recording the facts rather than generating them; or it can be said that the knowledge, experience, expertise and skills of the board (Becker, 1975) is overpowered by the CEO.

The true behavioral perspective implies that the expertise and skills of the board must be helpful for CEO to make important decisions, (Pye, 2002; Westphal, 1999) especially at the time of Risk. The unfortunate dilemma is that the due consideration is not given to the viability of human and social capital and at the time of composing the board these variables are not considered in the desired manner and *influence* is used as a key while forming the board. (Parker, 2007). Social norms, culture and values cannot be considered as social capital as these are the overall outcome of the society and the term social capital is more advisable when applied to the output gained from an individual in his personal capacity, the individual faculties, trust, personal value, composition and intellectual investment. Decision making is the most difficult task board has to undertake, even policy development and planning, the vision and mission which charts the future dimensions for an organization, leadership and strategic planning are the key areas where board is in need to give concrete and prominent input/feedback. The independence of the Board ensures active and affirmative display of captioned role and it has been observed that independent board seems more objective and commanding over CEO and when it comes to compensation they appear more aligned with shareholders' objectives (Ryan, 2003) and aims as they guard their interests on their behalf. Pi and Timme (1993) in their study regarding CEO and role of the board for commercial banks observed a weak relationship between ownership and CEO chairing the board. In another study Hermalin and Weisbach (1998) observed declines in the efficacy of Board performance as CEO gains power over them.

THEORY OF SOCIAL EXCHANGE AND BOARD MONITORING

The micro and macro perspective of organization are to be dealt differently as intra-organizational economics is more related with behavioral economics at executive level and as suggested by Laura Stafford (2008) the social exchange is different from economics exchange and social exchange is more about interaction with other person, maintaining a level of trust, explicit bargaining based upon certain values. The nature of board composition must be *independent* as outside directors are free from any organizational pressure and they do not have any impediments thereof. The agency perspective of linking CEOs pay with performance and on the other hand link the compensation package with the firm performance and the corresponding organization researchers' view of linking both of these in an applied fashion. In order to establish a long term perspective regarding CEO performance, the need is to have an influential and strong board comprised of independent and outside directors who do not have any interest and their decision making is un-biased and un-impressed. (Dallas, 1996) The initial draft of the American Law Institute's project (the Principles) on corporate structure, written under the guidance of Eisenberg in 1982, included a mandatory provision that boards of public corporations consist of a "majority" of independent directors.

It has been observed that CEO of author company acting as a board member normally appears affirmative in his actions towards the CEO of the subjective firm but he acts otherwise during the board

meeting of his own organization and he feels other wise. The behavioral change posts impediments in board performance and *personal bias* hamper the board monitoring process and procedures. Independence of the board has become a major issue in social aspect of economics, CEO and board members define and detail the firm performance and the point to be pondered is the social perspective of their firm.

AMBIGUITIES IN TOP MANAGEMENT PERFORMANCE

Agency perspective has mentioned the core of CEO performance but in this rapidly changing world of business the roles cannot be framed in a well defined fashion and the need is to keep a *change management perspective* in mind with reference to the roles of CEO and board of directors. How to derive the job description of CEO?, what authorities are there to be embedded for CEO to gain financial advantages?, whether the CEO can act as a board member?, should CEO act as a board member?, How Powerful CEO impact the board performance and how to dilute this impact?

The correlation of positive and normative aspect of agency theory coupled with organization research makes it crystal clear that we cannot name any aspect of agency theory as definite and at the same time we cannot reject the other one by naming it meaningless, while the approach organization research seems more adequate to have these questions answered.

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