

Corporate Governance Structure and Its Impact on Human Resource Management and Financial Performance^{*}

Jorge Pelayo-Maciel

University of Guadalajara, Guadalajara, Mexico

Gregorio Calderón-Hernández

University of Manizales, Manizales, Colombia

Héctor Mauricio Serna-Gómez

National University of Colombia, Manizales, Colombia

In this paper, the authors discuss the impact of corporate governance structure on human resource management and financial performance in the context of Colombian business environment. For this purpose, the paper will analyze the concept of corporative governance and discuss the streams of thought that study both the structure of corporate governance as the behavior of managers, the agency theory and stewardship theory. The methodological development aims to test four models by using regression analysis. The results allow to identify that the structure of corporate governance and distinctive capabilities of human resource are positively related to company performance, but this does not explain the attitude steward of the CEO and collaboration systems.

Keywords: corporate governance, agency theory, stewardship theory, Colombia

Colombian Context

The corporate governance in Colombia is based on analyzing the codes of conduct established in this country and being supported by the assumption that the corporate governance activities are inherent in financial reporting to allow society, the state, and shareholders to ensure their confidence in the management of companies (Cano Morales, Orduz Aguilar, & Hoyos Ramírez, 2002).

As for the structure of corporate governance in the Latin American context is concerned, it should be noted that most of Colombian companies are family-owned business and therefore they have a different governance system as compared with firms in Anglo-Saxon countries. For example, the separation of ownership and control by the American companies will not occur in our context, given the high influence of shareholders on the board of directors and the president (Cano Morales et al., 2002). The reasons for this concentration of ownership may be because of the external monitoring institutions aimed at monitoring the

^{*} This research was presented at The 12th International Conference of the Society for Global Business and Economic Development (SGBED), Singapore, July, 2011.

Jorge Pelayo-Maciel, Ph.D., Economics and Administrative Sciences, Business and Studies Economics, Professor of Marketing and International Business Department, University of Guadalajara.

Gregorio Calderón-Hernández, Ph.D. in Management, Professor of Accounting, Economics and Business Department, University of Manizales.

Héctor Mauricio Serna-Gómez, M.A. in Economics, National University of Colombia.

Correspondence concerning this article should be addressed to Jorge Pelayo-Maciel, Periferico Norte Avenue # 799, building G306, Zapopan, Mexico. E-mail: jorge.pelayo@academico.udg.mx.

agency are just beginning to be established (Khanna & Palepu, 1999). Another reason for what companies' concentrate ownership is for the reason the culture of a society, that is, the set of shared beliefs that determine the behavior of individuals (Smircich, 1983). These cultural elements are socially created and therefore these cannot be assumed that the structure of corporate governance is entirely a product of rationality and the explicit design of the individual. According to Hernández (2005), the resistance to sell or transfer ownership beyond the family is deeply accepted Colombian business culture. According to *Revista Dinero* (cited by Hernández, 2005, p. 146) in 1999, nearly 80% of large companies were family businesses that had been adjusted to the new modern management environment.

Theoretical Framework

This section will discuss the theories that underpin this research. First, the paper discusses the concept of corporate governance, understood as a system by which business corporations are directed and controlled through the distribution of rights and responsibilities of different participants in the corporation such as the board of directors, managers, shareholders, and stakeholders. Later, the two streams will be discussed by studying both the structure of corporate governance as the behavior of managers, the agency theory, and stewardship theory. The first study of agency problems that arise when the director of the company has superior information and acts as a selfish trader can exploit the resources of the company for its own benefit, which would otherwise be the owner (principal) of the company who would. Agency costs can be low, if there is a close alignment between the interests or identity of the owners and directors. Stewardship theory is another perspective, which shows the advantages and disadvantages of the form of control of the company. This theory proposes that leaders and business executives aspire to high goals in their jobs given by high levels of self-motivation, responsibility and achievement, as well as protecting the organization through a collectivist behavior. Under this theory, managers are not simply selfish economic agents, act selflessly for the benefit of the organization and stakeholders (Miller & Le Breton-Miller, 2006).

Concept of Corporate Governance

The Organization for Economic Cooperation and Development defines corporate governance as (OECD 1999, cited in Clarke, 2004), the system by which business corporations are directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among different participants in the corporation, as the board of directors, managers, shareholders, and other stakeholders, explaining the rules and procedures for corporate decision-making, and provides the structure and foundation of the establishment of objectives, the means to achieve and ways to monitor their implementation.

One of the key concepts of corporate governance is that of the stakeholders which refers to the study of all stakeholders, whether internal or external, that are positively or negatively affected by the operations of the company, from a human point of view, ethical or social, without losing sight of the goal of maximizing the benefits to the organization.

According to Freeman (1984), stakeholders are individuals or groups who can affect or be affected by the purposes and business success, however, several scholars have suggested that this definition is too broad, because in the final analysis all social players are directly or indirectly affected by the actions of the company. What has given rise to different classifications of stakeholders, has suggested that they are primary and secondary, according to the degree of impact on the organization in terms of achieving its mission and

objectives of the company (Clarkson, 1995, as cited by Mitchell, Agle, & Wood, 1997). Others have suggested that the stakeholders are all parts that are positively or negatively affected by the operations of the company those involve risks and therefore gain or lose by the results of corporate activities (The Clarkson Centre for Business Ethics School Joseph Rotman Management, University of Toronto, 1999, in *Principles of Stakeholder Management*, 2002).

Mitchell et al. (1997), classified stakeholders as voluntary or involuntary; the first are those with a degree of risk, whether they have invested large sums of money, personnel, technology or other resources in the enterprise. The second are those who are interested in the business because their actions affect them, although it has no intention of doing so.

The relationship between the company and internal stakeholders (employees, managers, and owners) is defined by formal and informal rules developed through history. While shareholders may fund managers, they rely on employees to create strategies. External stakeholders are equally important and are related to consumers, suppliers, competitors and special interest groups are also considered for formal and informal rules. Finally, local governments and communities together the formal and informal rules that businesses have to operate (Freeman, 1984; Post et al., 2003, cited by Clarke, 2004).

Agency Theory

The agency theory says that ownership in large companies is diversified across multiple shareholders who transfer authority in making decisions to CEO in order to achieve optimum business performance. The fact that shareholders have a small equity stake results in a difficult access to information on actions taken by its managers (Berle and Means, 1932, cited by Davis, Schoorman, & Donaldson, 1997; Jensen & Meckling, 1976), control is costly and information is costly to obtain, especially for a person.

For this reason, there is the possibility that CEOs pursue their own goals even to the detriment of the interests of shareholders. The separation of ownership and control is the main problem to avoid possible opportunistic behavior of CEOs that could affect security on the investment return of shareholders (Jensen & Meckling, 1976). Williamson (1985) defined opportunism as an effort to make profits through the dishonesty in transactions. This can take two forms: the strategic concealment of information (which gives the agent a benefit) and the inability to obtain a commitment of responsible behavior during execution.

The agency problem arises when the welfare of a person depends on another: the agent is the person who acts and the principal is the person that affects the action. One major problem for investors is that CEOs can pursue their own goals, even at the expense of obtaining lower profits for owners. In any negotiation between two parties can establishing a relationship of agent and principal, which is characterized by the existence of a hierarchical relationship, which can be established through a formal or informal channel. One party has possession of an asset or senior administrative role, the principal, the other party manages the assets of a company, which is called "agent". The key feature of this relationship is the asymmetry of information, the agent has more information about the daily operation of the organization and the primary has only generic information, thus incurring high costs to monitor the actions of the agent (Jensen & Meckling, 1976).

This is given by the absence of contracts made in full, therefore, identifies some actions that the principal can do to narrow differences to their interests, which are based on systems and incentive to incur costs monitoring to limit the aberrant activities and opportunistic agent. In particular, this model promotes the use of independent power structure that does not match one person in the position of CEO and chairman of the board

of directors of a company, in order to avoid opportunistic behavior of managers (Jensen & Meckling, 1976).

Moreover, the agency problem has been widely criticized, as it faces a problem between managers and owners only and the shareholders are not the only ones affected by the activities of the company but also find that all the stakeholders (groups interest) are also affected by the organization; therefore stewardship theories arise such as described below.

Stewardship Theory

Stewardship theory is a model opposite to that established by the agency theory. The model holds that the interests of CEOs are aligned with the interests of the principal, in contrast to the selfish motivations that supports the agency theory. According to this theory, the CEOs seek to balance the interests of shareholders and interest groups, stakeholders, and therefore try to make decisions in benefit all of them.

Davis et al. (1997) determined the characteristics of behavior that should have the perspective of managers as stewards who are motivated to act proactively and collectively, which has a high value compared with an individualistic and selfish action. Due to the high need for growth and achievement, psychological motivations, the manager appreciates the value of collaboration using their initiative to promote success, establishing bonds of trust with them. This has a positive attitude towards group harmony by avoiding conflict or confrontation.

For all the above, it can say that with a stewardship structure, internal stakeholders such as managers and the employees develop a high identification with the company while generating value and commitment to the organization, and both the manager and investors (shareholders) have a motivation to self-realization, that thanks to general manager looking for the involvement of all members of the organization of your employees, managers and investors seek to generate investment and ensuring long-term yields at the cost of short yields term.

Literature Review

In this section, the paper proposes some assumptions underlying each hypothesis. The paper proposes that the separation of ownership and control results in better performance, then analyzes how the attitude of the CEO (steward type) can build capacity distinctive human resource management and employee collaboration.

The structure of Corporate Governance, Stewardship and Company Performance

As already mentioned, the agency theory assumes that the separation of owners (principal) and CEOs (agents) increases the attitude of the latter to take actions that do not maximize shareholder wealth (Jensen & Meckling, 1976). However, to Fama and Jensen (1983), the separation of ownership and control within the firm reduces agency costs and thus leads to high performance, which implies that the chairman of the board is different from the CEO.

In stewardship theory, the CEOs are inherently trustworthy and not prone to divert company resources (Donaldson & Davis, 1991). It is believed that CEOs are good stewards for the primary and will be effective in setting strategies to increase shareholder wealth. The duality between ownership and control encourages flexibility in the workplace and reduces conflicts between the board and management, which lead to high levels of returns to shareholders (Davis et al., 1997).

Both theories of agency and stewardship reflect two types of leadership in any organization. According to Said, Yaacob, Awang, and Ismail (2009), one of the strongest debates about corporate governance is the question of whether the general manager of the company should also be the chairman of the board of directors.

The general manager who heads the organization's decisions while the president of the board is responsible for working for the council, ensuring that all essential matters on the agenda, the council monitor supervises the rectification of strategic initiatives of the company and oversees the hiring, firing, evaluation and compensation of the CEO of the company.

Therefore, there must be evidence that the duality of corporate governance brings better returns for the firm (Finkelstein & D'Aveni, 1994; Martínez, 2004), but there is also some evidence that shows otherwise (Daily & Dalton, 1994; Judge, Naumova, & Koutzevol, 2003) and others found that the results are mixed and inconclusive (Chowdhury & Geringer, 2001), then feel the need to further analyze these structures using best practices. From this follows the first premise:

Premise 1: In companies with duality in the control system generate better business performance.

With this premise, the following hypotheses are proposed:

H1: Companies with dual control structures generate behaviors steward of the director general.

H2: Companies with dual control structures generate good financial performance.

Stewardship and the Effects on Human Resource Management and Firm Performance

The evolution of governance models, presented by stakeholder theory and stewardship theory, extends the company's obligations beyond shareholders and this is based on the assumption that the company has responsibilities to society and a variety of ethical and moral obligations (Caldwell, Karri, & Vollmar, 2006).

The role of leadership in human resource steward type in the governance of the organizations has received increased attention in the post-Enron era (Caldwell, Hayes, Karri, & Bernal, 2008; Hernández, 2005). Caldwell, Truong, Linh, and Tuan (2010) described the stewards CEOs, as leaders who have a complex set of obligations to stakeholders. These obligations generate long-term wealth to achieve the benefits of all stakeholders and highlight the obligations of the company with society.

The success of the strategic management of human resources involves the design and implementation of a set of policies and practices ensure that employees share knowledge, skills and abilities that contribute to achieving the objectives of the organization (Huselid, Jackson, & Schuler, 1997).

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 features to generate a sustainable competitive advantage. 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 from competitors.

As Barney and Wright (1998) suggested, a resource creates value by lowering costs or differentiating the product/service in a way that the company can charge a high price, and then a valuable knowledge will generate high returns in growth markets with rate benefit to consumers on their associated costs. For López Cabrales, Perez-Luño, and Valle-Cabrera (2009) defined the value to the extent that human capital provides low cost or an increase in the characteristics of the goods or services that matter to consumers.

However, some authors noted that the resources of a company should not only be valuable and unique, to provide superior performance, it is also necessary to have an appropriate organizational structure to achieve an advantage of these resources (Barney & Wright, 1998; López Cabrales et al., 2009). Goffee and Jones (2001, as cited by Caldwell et al., 2006) mentioned that leaders must build relationships with employees to develop a sense of commitment in a competitive global market. This brings systems management practices of human resources, called collaborative or partnership/alliance (Lepak & Snell, 1999; López Cabrales et al., 2009; Martínez Lucio & Stuart, 2005). The literature also emphasizes the importance of working in groups or teams to raise awareness of the unique and valuable members of the organization (Nonaka & Takeuchi, 1995; Lepak & Snell, 1999, as cited by López Cabrales et al., 2009). In the collaborative system, the ability to work as a team is necessary to move any selection process and these skills are the focus of training initiatives. In sum, the evaluation process and compensation provided complete with a criterion group (Helleloid & Simonin, 1994; Lepak & Snell, 1999). Therefore, the design teamwork is to generate a competitive advantage in the organization.

As can be seen, there is a paucity of empirical studies on the relationship between human resource management and corporate governance, which creates an opportunity for research to define the type of relationship. So we suggest the following premise.

Premise 2: In companies with CEOs steward attitudes generate collaborative and distinctive capabilities in human resource management.

Based on this premise, the following hypotheses are proposed:

H3: Attitude steward of the CEO generates distinctive capabilities.

H4: Attitude steward of the CEO generates collaboration with employees.

H5: The employee collaboration creates distinctive capabilities.

H6: The distinctive capabilities produce good financial performance.

Methodology

In the present study, the authors use simultaneous equations models by using single equation methods that are most used because they may be less sensitive to specification errors. To make the sequence analysis, the dependent variables constitute: distinctive capabilities (CD) and financial performance (DF). On the other hand, the independent variables: duality in the control (DC), stewardship attitude (ST), and collaboration (C).

To measure the relationships are presented in the following model equations:

$$CD = \alpha_1 + \alpha_2 ST + \alpha_3 C + \varepsilon_1 \quad (1)$$

$$DF = b_1 + b_2 DC + b_3 CD + \varepsilon_2 \quad (2)$$

$$ST = \gamma_1 + \gamma_2 DC + \varepsilon_3 \quad (3)$$

$$C = \phi_1 + \phi_2 ST + \varepsilon_4 \quad (4)$$

As control variables are taken the company size, family background (in case of family businesses) and the structure of the board.

The recursive OLS model equations take as an assumption that the errors (ε) are not correlated with the dependent variables, in other words, the equation (1) has only independent variables on the right side of the equation and so therefore uncorrelated with the error term ε_1 , therefore this equation meets the basic criteria MCO. In equation (2), which contains a dependent variable (CD), as an explanatory variable along with other non-stochastic independent variable, you can also apply OLS as CD and ε_2 are uncorrelated, which is the same case of Equation (4).

For the conduct of the investigation is developed a questionnaire with items derived from the hypothesis, appropriate for a Likert scale (Hayes, 1999), often called grading method combined. This scale is also a widely accepted technique with which the participant indicates the amount of agreement or disagreement you have with a variety of statements about a particular attitude object. This survey takes the instruments developed by López Cabrales et al. (2009) and Rodrigo and Arenas (2008). To measure the financial performance variables take the sales, assets, ROA, available at the National University of Colombia (see Appendix).

For variables distinctive competencies, attitudes stewardship and collaboration are making a set of items to measure them. It is part of a population where it operates a set of variables and it tries to find several factors that could reveal the deep structure of that reality. For this, all the variables that form a factor must be correlated and yet be relatively independent of the rest. To validate the study used the Cronbach alpha resulting in 0.98, one can assume that the factors have a good level of reliability.

Analysis of Results

When estimating the equation $CD = \alpha_1 + \alpha_2 ST + \alpha_3 C + \varepsilon_1$ (see Table 1). Can be observed that both α_2 and α_3 of model 1 are not significant, it has a very low R^2 , but when estimated the F -test, It will accepted the model because it achieved an overall significance level of 85%, so that rejecting the null hypothesis that the coefficients are zero, in other words, in whole, the variables: stewardship and collaboration explain the distinctive capabilities of employees, and also that they have a positive relationship with both variables.

By running the model with the control variables, only the company size (Model 2) had an explanatory power of almost 90%, the other control variables did not have significance level, so what can be concluded was that when the company that had high levels of collaboration, it would develop distinctive capabilities in the employees; it can also be concluded that larger companies would have higher levels of distinctive capabilities of employees and they can explain the generate plans for collaboration. Also to applied the White test to verify that there is not heteroskedasticity, for the models 1 and 2, and concludes that is rejected, because it exists up to 50% and 75% critical value respectively. This is done to test the hypothesis 5, but considering that it has low levels of significance, is achieved partially test of the hypothesis 3, given the non-significance of the coefficient and globally acceptable levels.

Table 1

Estimated Equation $CD = \alpha_1 + \alpha_2 ST + \alpha_3 C + \varepsilon_1$

| | Constant | ST | C | R^2 | F | Control variables |
|---------|---------------------|------------|------------|----------------|------------------|--|
| Model 1 | -1.101836 | 0.195312 | 0.275810 | 0.085785 | 1.735942 | |
| | se = (0.502148) | (0.173111) | (0.197888) | $F = 1.735901$ | Prob. (0.190280) | |
| | $t = (-2.194246)$ | (1.128247) | (1.393769) | | | |
| | p -value (0.0346) | (0.2665) | (0.1717) | | | |
| Model 2 | -1.401058 | 0.223229 | 0.337805 | 0.145282 | 2.039712 | Company size |
| | se = (0.527276) | (0.170606) | (0.197893) | | Prob. (0.125622) | |
| | $t = (-2.657164)$ | (1.308449) | (1.707005) | | | |
| | p -value (0.0117) | (0.1990) | (0.0964) | | | |
| Model 3 | -0.805218 | 0.185189 | 0.284848 | 0.095326 | 1.264446 | Structure of the board of shareholders |
| | se = (0.698706) | (0.175352) | (0.200106) | | Prob. (0.301135) | |
| | $t = (-1.152441)$ | (1.056102) | (1.423484) | | | |
| | p -value (0.2567) | (0.2980) | (0.1632) | | | |
| Model 4 | -0.816571 | 0.223847 | 0.424866 | 0.103928 | 0.850531 | Family background |
| | se = (0.948659) | (0.202513) | (0.334194) | | Prob. (0.481192) | |
| | $t = (-0.860763)$ | (1.105346) | (1.271316) | | | |
| | p -value (0.3987) | (0.2810) | (0.2169) | | | |

In Table 2, it can be observed that the equation $DF = b_1 + b_2DC + b_3CD + \varepsilon_2$, in model 1 the coefficient b_2 does not have an acceptable level of significance, but it has a b_3 90% confidence, and with the F -test and accepting the model achieved an overall significance level of almost 90%, there is a relationship in the distinctive capabilities of the employees of the company, so it can be said that in companies where further develop these skills, they will have better financial performance. By running the equation with variable structure control of the board of shareholders (Model 3), can also observed that the model remains overall significance nearly 90%, and the same relation of signs, but not so with the other control variables as the models 2 and 4, which lowered its overall significance to 85 %, but still b_3 has a significance level of 90% with of these two models. Thus can be said that the capabilities of employees explain up to 90% of the performance of the company, but the control dual structure and distinctive capabilities explain the performance of the company, but the variable structure of dual control individually does not explain the financial performance, based on this information can accepted hypothesis 6 and in part of the hypothesis 2.

Table 2

Estimated Equation $DF = b_1 + b_2DC + b_3CD + \varepsilon_2$

| | Constant | DC | CD | R ² | F | Control variables |
|---------|------------------|------------|------------|----------------|------------------------------|--|
| Model 1 | 7.380764 | 0.377401 | 0.270181 | 0.111327 | 2.254931 Prob. (0.119495) | |
| | se = (0.569344) | (0.660081) | (0.128471) | | | |
| | t = (1.296363) | (0.571749) | (2.103055) | | | |
| | p-value (0.0000) | (0.5710) | (0.0425) | | | |
| Model 2 | 7.347774 | 0.372491 | 0.266825 | 0.111802 | 1.468542 Prob. (0.239900) | Company size |
| | se = (0.625656) | (0.670228) | (0.132551) | | | |
| | t = (1.174411) | (0.555767) | (2.012990) | | | |
| | p-value (0.0000) | (0.5819) | (0.0519) | | | |
| Model 3 | 7.863004 | 0.307894 | 0.250922 | 0.147689 | 2.021600 Prob. (0.128760) | Structure of the board of shareholders |
| | se = (0.689579) | (0.658069) | (0.128570) | | | |
| | t = (1.140261) | (0.467875) | (1.951641) | | | |
| | p-value (0.0000) | (0.6428) | (0.0590) | | | |
| Model 4 | 7.677786 | 0.406898 | 0.244157 | 0.130223 | 1.746736 Prob. (0.175400) | Family background |
| | se = (0.665095) | (0.663152) | (0.132311) | | | |
| | t = (1.154390) | (0.613581) | (1.845334) | | | |
| | p-value (0.0000) | (0.5435) | (0.0735) | | | |

Applying the White test to verify that there is no heteroskedasticity, found that heteroskedasticity is rejected in Model 1 to 25% of critical value in Model 2 is that there is heteroskedasticity, 3 and 4 can be concluded that no exists a critical level of 5%. For equations $ST = \gamma_1 + \gamma_2DC + \varepsilon_3$ and $C = \phi_1 + \phi_2ST + \varepsilon_4$ not managed to find statistically significant so poor that fail scenarios 1 and 4. Therefore, cannot be accepted the assumptions 1 and 4 (Tables 3 and 4).

Table 3

Estimated Equation $ST = \gamma_1 + \gamma_2DC + \varepsilon_3$

| | Constant | DC | R ² | F | Control variables |
|---------|------------------|------------|----------------|------------------------------|-------------------|
| Model 1 | -1.623433 | 0.349330 | 0.005581 | 0.213286 Prob. (0.646837) | |
| | se = (0.632853) | (0.756404) | | | |
| | t = (-2.565261) | (0.461829) | | | |
| | p-value (0.0144) | (0.6468) | | | |
| Model 2 | -1.451887 | 0.360976 | 0.019483 | 0.367601 Prob. (0.694893) | Company size |
| | se = (0.679467) | (0.761350) | | | |
| | t = (-2.136803) | (0.474126) | | | |
| | p-value (0.0393) | (0.6382) | | | |

(Table 3 continued)

| | Constant | DC | R ² | F | Control variables |
|---------|---|--|----------------|------------------------------|--|
| Model 3 | -1.374703 se = (0.800918) t = (-1.716409) p-value (0.0944) | 0.327121 (0.765038) (0.427589) (0.6714) | 0.012665 | 0.237301 Prob. (0.789945) | Structure of the board of shareholders |
| Model 4 | -1.281297 se = (1.381037) t = (-0.927779) p-value (0.3632) | 0.111615 (1.267326) (0.088072) (0.9306) | 0.000437 | 0.005027 Prob. (0.994987) | Family background |

Table 4

$$\text{Estimated Equation } C = \phi_1 + \phi_2 ST + \varepsilon_4$$

| | Constant | DC | R ² | F | Control variables |
|---------|---|--|----------------|------------------------------|--|
| Model 1 | -1.224174 se = (0.360573) t = (-3.395076) p-value (0.0016) | 0.065834 (0.141508) (0.465235) (0.6444) | 0.005664 | 0.216443 Prob. (0.644419) | |
| Model 2 | -0.987207 se = (0.406856) t = (-2.426429) p-value (0.0202) | 0.045620 (0.141531) (0.322333) (0.7490) | 0.044605 | 0.863721 Prob. (0.429916) | Company size |
| Model 3 | -1.393933 se = (0.526302) t = (-2.648545) p-value (0.0118) | 0.071498 (0.143581) (0.497964) (0.6215) | 0.011006 | 0.205879 Prob. (0.814857) | Structure of the board of shareholders |
| Model 4 | -1.611056 se = (0.529240) t = (-3.044091) p-value (0.0043) | 0.088303 (0.143290) (0.616256) (0.5415) | 0.031763 | 0.606898 Prob. (0.550375) | Family background |

Conclusions

Based on empirical and theoretical studies, the authors are argued that the structure of corporate governance can positively affect the functioning of the company itself and generate capabilities to improve its financial performance. By contrast the agency theory and stewardship of six hypotheses were raised which could accept only proposals (1) and (2), of which explain the hypotheses 2, 3, 5, and 6, although with reservations since the coefficients (α_2 , b_2) have no significance but the overall significance F -test fails to pass the significance level for models 1 and 2 of equation (1) and equation (2) must be in all the models that have acceptable levels of significance between 85% and almost 90%. It can also be concluded that there is a positive relationship between attitude steward of CEO and collaboration in the generation of distinctive capabilities of human resources.

Rejection of equations (3) and (4) and therefore the hypotheses 1 and 4, given the low explanatory power of the equations, so there is no relationship whatsoever between the duality of the overall direction and attitude steward of the CEO and this in turn has no relation to employee collaboration. These results should be viewed with caution since it is based on a small sample and also the study applies a perception survey of risk managers to evaluate only positive things about the organization and therefore we suggest that future research may be extended to other types of stud as well as case studies and in depth interviews with a group of companies.

Therefore, it can also be concluded that in the Colombian context of corporate governance structure does not explain the behavior of the CEOs, and neither collaboration systems existing within the company; but one can say that the attitude steward and collaboration have a positive impact in the generation of capabilities in the human resource and lead to better financial performance.

References

- Anderson, D. W., Melanson, J. S., & Maly, J. (2007). The evolution of corporate governance: Power redistribution brings boards to life. *Corporate Governance*, 15(5), 780-797.
- Barney, J. B., & Wright, P. M. (1998). On becoming a strategic partner: The role of human resources in gaining competitive advantage. *Human Resource Management*, 37(1), 31-46.
- Becker, B. E., & Huselid, M. A. (2006). Strategic human resources management: Where do we go from here? *Journal of Management*, 32, 898-925.
- Braun, M., & Sharma, A. (2007). Should the CEO also be chair of board? An empirical examination of family—Controlled public firms. *Family Business Review*, 20(2), 111-126.
- Caldwell, C., Hayes, L., Karri, R., & Bernal, P. (2008). Ethical stewardship—Implications for leadership and trust. *Journal of Business Ethics*, 78, 153-164.
- Caldwell, C., Karri, R., & Vollmar, P. (2006). Principal theory and principle theory: Ethical governance from the follower's perspective. *Journal of Business Ethics*, 66, 207-223. doi: 10.1007/s10551-005-5586-y
- Caldwell, C., Truong, D., Linh, P., & Tuan, A. (2010). Strategic human resource management as ethical stewardship. *Journal of Business Ethics*, 98(1), 171-182. doi: 10.1007/s10551-010-0541-y
- Cano Morales, A. M., Orduz Aguilar, C. I., & Hoyos Ramírez, A. E. (2002). *Corporate governance: Key developments in companies listed on the stock exchange of colombia (Gobierno corporativo: Principales desarrollos en las empresas que cotizan en la Bolsa de Valores de Colombia)*. Medellín: Editorial Universidad de Medellín.
- Chavarín-Rodríguez, R. (2011, January-March). Economic groups in Mexico from a type of architecture and corporate governance and a review of its theoretical explanations (Los grupos económicos en México a partir de una tipología de arquitectura y gobierno corporativo y una revisión de sus explicaciones teóricas). *El Trimestre Económico*, 78(309), 193-234.
- Chowdhury, S. D., & Geringer, M. (2001). Institutional ownership, strategic choices and corporate efficiency: Evidence from Japan. *Journal of Management Studies*, 38(2), 271-293.
- Clarke, T. (2004). Introduction: Theories of corporate governance—Reconceptualizing corporate governance theory after the enron experience. In T. Clarke (Ed.), *Theories of Corporate Governance: The Philosophical Foundations of Corporate Governance* (pp. 1-29). USA and Canada: Routledge.
- Daily, D., & Dalton, C. (1994). Bankruptcy and corporate governance: The impact of board composition and structure. *Academy of Management Journal*, 37(6), 1603-1617.
- Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Toward a stewardship theory of management. *The Academy of Management Review*, 22(1), 20-47.
- Déniz-Déniz, M. de la C., & De Saá-Pérez, A. (2003). A Resource-based view of corporate responsiveness toward employees. *Organization Studies*, 24(2), 299-319.
- Dicke, L. A., & Ott, J. S. (2002). A test: Can stewardship theory serve as a second conceptual foundation for accountability methods in contracted human services? *International Journal of Public Administration*, 25(4), 463-487.
- Donaldson, L., & Davis, J. H. (1991). Stewardship theory or agency theory: CEO governance and shareholder returns. *Australian Journal of Management*, 16(1), 49-68.
- Fama, E. F., & Jensen, M. C. (1983). Separation of ownership and control. *Journal of Law & Economics*, 26(2), 301-326.
- Finkelstein, S., & D'Aveni, R. (1994). CEO duality as a double-edged sword: How boards of directors balance entrenchment avoidance and unity of command. *Academy of Management Journal*, 37(5), 1079-1108.
- Fox, M., & Hamilton, R. T. (1994). Ownership and diversification: Agency theory or stewardship theory. *Journal of Management Studies*, 31(1), 69-81.
- Freeman, R. E. (1984). *Strategic management: A stakeholder approach*. Boston: Pittman-Ballinger.
- Goodpaster, K. E. (1991). Business ethics and stakeholder theory. *Business Ethics Quarterly*, 1(1), 53-72.
- Hayes, B. E. (1999). *How to measure customer satisfaction: survey design, use and methods of statistical analysis (Cómo medir la satisfacción del cliente: Diseño de encuestas, uso y métodos de análisis estadístico)*. Mexico: Alfaomega-Oxford.
- Helleloid, D., & Simonin, B. (1994) Organizational learning and a firm's core competence. In G. Hamel, & C. K. Prahalad (Eds.), *Competing for the future* (pp. 213-239). Boston, M.A.: Harvard Business School Press.
- Hernández, M. (2005). Promoting stewardship behavior in organizations: A leadership model. *Journal of Business Ethics*, 80, 121-128. doi: 10.1007/s10551-007-9440-2
- Huselid, M. A., Jackson, S., & Schuler, R. S. (1997). Technical and strategic human resource management effectiveness as determinants of firm performance. *The Academy of Management Journal*, 40(1), 171-188.

- Jensen, C., & Meckling, W. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. In T. Clarke (Ed.), *Theories of Corporate Governance: The Philosophical Foundations of Corporate Governance* (pp. 58-63). USA and Canada: Routledge.
- Judge, W. Q., Naoumova, L., & Koutzevol, N. (2003). Corporate governance and firm performance in Russia: An empirical study. *Journal of World Business*, 38 (4).
- Kang, E., & Zardkoohi, A. (2005). Board leadership structure and firm performance. *Corporate Governance: An International Review*, 13(6), 785-799.
- Khanna, T., & Palepu, K. (1999). Emerging market business groups, foreign investors, and corporate governance. National Bureau of Economic Research. Working Paper, 6955. Retrieved from <http://www.nber.org/papers/w6955>
- Lansberg, I., & Gersick, K. E. (2006). Sello de Familia: Cultura y Gobierno Corporativo en la Empresa Familiar Latinoamericana. *Harvard Business Review América Latina*, 8, 30-42.
- Lee, P. M., & O'Neill, H. M. (2003). Ownership structures and R&D investments of U.S. and Japanese firms: Agency and stewardship perspectives. *Academy of Management Journal*, 46(2), 212-225.
- Le Breton-Miller, I., & Miller, D. (2009). Agency vs. stewardship in public family firms: A social embeddedness reconciliation. *Entrepreneurship Theory and Practice* (pp. 1169-1191).
- Lepak, D. P., & Snell, S. A. (1999). The human resource architecture: Toward a theory of human capital allocation and development. *Academy of Management Review*, 24(1), 31-48.
- López-Gamero, M. D., Claver-Cortés, E., & Molina-Azorin, J. F. (2008). Complementary resources and capabilities for an ethical and environmental management: A Qual/Quan study. *Journal of Business Ethics*, 82, 701-732.
- López Cabrales, A., Perez-Luño, A., & Valle-Cabrera, R. (2009). Knowledge as a mediator between HRM practices and innovative activity. *Human Resource Management*, 48(4), 485-503.
- Martínez, A. (2004). Estructura de Poder del Consejo de Administración y Creación de Valor. *XVIII Congreso Anual y XIV Congreso Hispano -Frances de AEDEM*, 14.
- Martínez Lucio, M., & Stuart, M. (2002). Assessing the principles of partnership: Workplace trade union representatives' attitudes and experiences. *Employee Relations*, 24 (3), 305-320.
- Miller, D., & Le Breton-Miller, I. (2006). Family governance and firm performance: Agency, stewardship, and capabilities. *Family Business Review*, 19(1), 73-87.
- Mitchell, R. K., Agle, B. R., & Wood, D. J. (1997). Toward a theory of stakeholder identification and salience: Defining the principle of who and what really counts. *Academy of Management Review*, 22(4), 853-886.
- Moderland, P. W. (1995). Corporate ownership and control structures: An international comparison. *Review of Industrial Organization*, 10, 443-464.
- Muth, M. M., & Donaldson, L. (1998). Stewardship theory and board structure: A contingency approach. *Scholarship Research and Theories Papers*, 6(1), 5-27.
- Narváez, J. I. (1985). *Commercial Studies and Concepts: the evolution of the corporation in Colombia (Estudios y Conceptos Mercantiles: la evolución de la sociedad anónima en Colombia)*. Bogotá: Editorial Librería Profesional.
- Nonaka, I., & Takeuchi, H. (1995). *The knowledge—Creating company: How Japanese companies create the dynamics of innovation*. New York: Oxford University Press.
- Peng, M. W., Zhang, S., & Li, X. (2007). CEO duality and firm performance during China's institutional transitions. *Management and Organization Review*, 3(2), 205-225. doi: 10.1111/j.1740-8784.2007.00069.x
- Principles of Stakeholder Management. (2002). *Business Ethics Quarterly*, 12, 257-264.
- Rodrigo, P., & Arenas, D. (2008). Do employees care about CSR programs? A typology of employees according to their attitudes. *Journal of Business Ethics*, 83(2), 265-284.
- Said, R. Hj., Yaacob, Z., Awang, N., & Ismail, J. (2009). Chief executive officer duality and company performance: A case of Malaysian companies. *Interdisciplinary Journal of Contemporary Research in Business*, 1(6), 120-171.
- Schuler, R. S., & MacMillan, I. C. (1984). Gaining competitive advantage through human resource management practices. *Human Resource Management*, 84(23), 241-255.
- Smircich, L. (1983). Concepts of culture and organizational analysis. *Administrative Science Quarterly*, 28, 339-358.
- Snell, S. L. (1992). Control theory in strategic human resource management: The mediating effect of administrative information. *Academy of Management Journal*, 35(2), 292-337.
- Sternberger, W. B. (2002). The changing role of the human resource profession: The transformation of the HR function from an administrative, transactional orientation into a strategic business partnership (thesis Doctoral, Union Institute and University).

- Sundaramurthy, C., & Lewis, M. (2003). Control and collaboration: Paradoxes of governance. *Academy of Management Review*, 28(3), 397-415.
- Supangco, V. T. (2001). The human resource management function and perception of organizational performance. *Philippine Management Review*, 9, 65-74.
- Supangco, V. T. (2006). HR Involvement in Corporate Governance. *Philippine Management Review*, 13, 101-116.
- Tosi, H. L., Brownlee, A. L., Silva, P., & Katz, J. P. (2003). An Empirical Exploration of Decision—Making under agency controls and stewardship structure. *Journal of Management Studies*, 40(8), 2053-2071.
- Westhead, P., & Howorth, C. (2006). Ownership and management issues associated with family firm performance and company objectives. *Family Business Review*, 19(4), 301-316.
- Williamson, O. E. (1989). *The economic institutions of capitalism (Las instituciones económicas del capitalismo)*, Mexico: Fondo de Cultura Económica.

Appendix

Measurement model

Finance performance

Sale, assets, ROA, Relationship ebitda/sales

Corporate governance structure

1. Is this a family-owned company?

- a. Yes
- b. No

If your answer to the previous question was “Yes” go to the next question. If you answered “No” go to question 2.

1.1. The current CEO is the founder?

- a. Yes
- b. No

1.2. How did he do founded it?

- a. Its own assets.
- b. With a state loan agency.
- c. With a bank loan.
- d. Through angel investors.

1.3. If it is a family business, is there separation between capital and the family patrimony?

- a. Yes
- b. No

2. Is there a board?

- a. Yes
- b. No

2.1. The shareholders are mainly family members?

- a. Yes
- b. No

2.2. Is the company’s general director the chairman of the board?

- a. Yes
- b. No

Factor 1. Attitude Stewardship (López-Gamero et al., 2008)

- S1. The top management's behavior inspired continuous improvement for all members of the organization.
- S2. Te CEO ensures that workers continually develop skills in line with projection of the organization.
- S3. There is a positive attitude of the CEO to provide strategies and activities for that the people in addition to contributing their time they will generate their best effort.
- S4. Decision making is rational, technical and participatory.
- S5. Decision making is articulated in strategic business units.
- S6. The administrative controls are applied consistently and regularly reviewed in their design.
- S7. The CEO looks that HR practices are aligned with corporate culture.
- S8. The company creates an environment where people have the opportunity to learn, grow and develop.
- S9. The CEO ensures that workers continually develop skills in line with the projection of the organization.
- S10. In the company there exist mechanisms for feedback.
- S11. In the company there is a basic attitude concerning the possibility of growth and diversification.
- S12. In the company there is a positive attitude towards the possibility of strategic alliances.

Factor 2 Distinctive capabilities in the human resources (Lepak and Snell, 2002)

- DC1. All members of the organization know mission and share the objectives of the company.
- DC2. Employees have skills that contribute to the development of new products, services and/or opportunities.
- DC3. Employees have the ability to create innovations.
- DC4. Employees have the skills necessary to maintain high quality of products and/or services.
- DC5. Employees have skills that are able to provide exceptional customer value.
- DC6. The employees have skills that are developed through work experience.
- DC7. Employees have skills that are difficult to imitate or replicate by competitors.
- DC8. Employees have skills that are not available to our competitors.

Factor 3. Collaboration (Lepak and Snell, 2002).

- C1. It generate cross-functional teams and networking within the company.
- C2. Training activities focus on building interpersonal relationships.
- C3. There are performance evaluation methods that assess teamwork.
- C4. The methods of performance evaluation are focus on the skills of employees to work with others.
- C5. In the selection process assesses the ability to collaborate and work together.