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The Efficacy of Independent Outside Directors During Legal Transitions : Understanding the Role of Family Business and Director Compensation

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Abstract

This paper investigates the impact of outside directors on firm performance during legal transitions and examines how the roles of family business and director compensation influence board efficacy. By using Taiwanese listed companies as our sample, the empirical results show that outside directors who are appointed by legal mandate have less positive impacts on firm performance than outside directors appointed voluntarily. Family business weakens the positive impact of outside director on firm performance. The evidence further suggests that director compensation contributes to firm performance, particularly when outside directors are voluntarily appointed.