Corporate Governance Approach: the Key to Manage Hospitality Industry

Raphipatr Chaopaknam*
Watit Intuluck**

Abstract

Almost a century, discussions on corporate governance have been focusing on its models of shareholder primacy and stakeholders' theory where these two are contrasting. Corporate governance was rooted early in the 1930's from the work titled 'The Modern Corporation and Private Property'. The theory was developed and applied in both American and European corporations. Leading to numerous arguments for the vagueness of corporate governance where it needs to be interpreted and what constitutes to be a sound corporate governance. The developments from the two models of corporate governance have embarked on the systems of the insider and the outsider. Recently, corporations and organizations around the world have been contemplating and seeking ways to achieve sustainability. As corporate governance has proved to be the instrument to such triumph, Thailand can benefit from the application in the country. After some alterations of its public policy along with the engagement of private sectors, especially the hospitality industry which is the top industry to elevate the country's economic growth. This paper will demonstrate and discuss the characteristic and issues between two systems in corporate governance. The insider featuring its two-tier board where it benefits block holder who cross owns the shares in multiple corporations. The outsider where it shields the dispersed shareholders who are weak and vulnerable whom advantages are readily to be taken. An appropriate system for an individual organization will be analyzed and suggested. A solution to the persistent problems of agency theory will as well be considered to ensure the protection for shareholders. The market is seen as a measurement to what could be the perfect system. Still, it is shown that both systems have their strengths and weaknesses. It is suggested that a hybrid of both systems could also be implemented in every industry.

Keywords: Corporate governance, sustainability, insider, outsider, hospitality industry

* Graduate School, Faculty of Hospitality Industry, Dusit Thani College.
** Business Administration and General Education Office, Faculty of Hospitality Industry, Dusit Thani College.
E-mail: watit.in@dtc.ac.th
Received: August 20, B.E.2561 Revised: September 20, B.E.2564 Accepted: December 23, B.E.2564

แนวทางการกำกับดูแลกิจการ: กุญแจสู่การจัดการอุตสาหกรรมการบริการ

รพีภัทร ชาวปากน้ำ*
วาทิต อินทุลักษณ์**

บทคัดย่อ

เกือบหนึ่งศตวรรษ การอภิปรายเกี่ยวกับการกำกับดูแลกิจการได้มุ่งเน้นไปที่แบบจำลองของความเป็นอันดับหนึ่งของผู้ถือหุ้นและทฤษฎีของผู้มีส่วนได้ส่วนเสีย ซึ่งทั้งสองสิ่งนี้มีความแตกต่างกัน การกำกับดูแลกิจการมีรากฐานมาตั้งแต่ต้นทศวรรษ 1930 จากผลงานเรื่อง ‘The Modern Corporation and Private Property’ ทฤษฎีนี้ได้รับการพัฒนาและประยุกต์ใช้ในองค์กรทั้งในอเมริกาและยุโรป นำไปสู่ข้อโต้แย้งมากมายเกี่ยวกับความคลุมเครือของการกำกับดูแลกิจการที่จำเป็นต้องตีความและสิ่งที่ถือเป็นการกำกับดูแลกิจการที่ดี การพัฒนาจากการกำกับดูแลกิจการสองรูปแบบได้เริ่มดำเนินการในระบบของคนในและบุคคลภายนอก เมื่อเร็ว ๆ นี้ บริษัทและองค์กรต่าง ๆ ทั่วโลกได้ไตร่ตรองและแสวงหาวิธีที่จะบรรลุความยั่งยืน เนื่องจากบรรษัทภิบาลได้พิสูจน์แล้วว่าเป็นเครื่องมือแห่งชัยชนะ ประเทศไทยสามารถได้รับประโยชน์จากการประยุกต์ใช้ในประเทศ หลังจากมีการเปลี่ยนแปลงนโยบายสาธารณะบางส่วนควบคู่ไปกับการมีส่วนร่วมของภาคเอกชนโดยเฉพาะอุตสาหกรรมการบริการซึ่งเป็นอุตสาหกรรมชั้นนำที่ช่วยยกระดับการเติบโตทางเศรษฐกิจของประเทศ บทความนี้จะสาธิตและอภิปรายลักษณะและประเด็นระหว่างสองระบบในการกำกับดูแลกิจการ คนวงในที่มีกระดานสองชั้นซึ่งเป็นประโยชน์ต่อผู้ถือบล็อกที่เป็นเจ้าของหุ้นในหลายองค์กร คนนอกที่ปกป้องผู้ถือหุ้นที่กระจัดกระจายซึ่งอ่อนแอและอ่อนแอซึ่งพร้อมที่จะเอาเปรียบ วิเคราะห์และเสนอระบบที่เหมาะสมกับแต่ละองค์กร แนวทางแก้ไขปัญหาที่คงอยู่ของทฤษฎีตัวแทนจะได้รับการพิจารณาด้วยเพื่อให้มั่นใจว่าผู้ถือหุ้นจะได้รับความคุ้มครอง ตลาดถูกมองว่าเป็นตัววัดว่าอะไรคือระบบที่สมบูรณ์แบบ ยังคงแสดงให้เห็นว่าทั้งสองระบบมีจุดแข็งและจุดอ่อน ขอแนะนำให้ใช้ระบบไฮบริดของทั้งสองระบบในทุกอุตสาหกรรม

คำสำคัญ: การกำกับดูแลกิจการ ความยั่งยืน คนวงใน คนนอก อุตสาหกรรมการบริการ

* บัณฑิตวิทยาลัย คณะอุตสาหกรรมการบริการ วิทยาลัยดุสิตธานี
** สำนักบริหารธุรกิจและการศึกษาทั่วไป คณะอุตสาหกรรมการบริการ วิทยาลัยดุสิตธานี
อีเมล: watit.in@dtc.ac.th
วันที่รับบทความ: 20 สิงหาคม 2561 วันที่แก้ไขบทความล่าสุด: 20 กันยายน 2564 วันที่อนุมัติการตีพิมพ์: 23 ธันวาคม 2564

Introduction

The company is a person in legal context but in fact, it is seen to be nothing but a nexus of contracts where objectives and agreements are made (Jensen & Meckling, 1976). The most discussed topic amongst economists is to what extent should the company's objective be and to whom the benefit of the company belonged to. Discussions are made to draw a conclusion, whether to benefit the shareholders while maximizing their interests or to aim for the benefit of all stakeholders, the shareholders are as well included (Keay, 2010a). There have been numbers of discussions between two primary models of corporate governance (Keay, 2010b), the shareholder primacy or shareholder value where it is developed and used by Anglo-American countries, and the stakeholders' theory where it is being used by most European countries, primarily by German and Japanese companies. Subsequently from the formation of the Cadbury Committee, corporate governance has influenced the corporate law in the United Kingdom for over the past decades (Keay, 2010b). It has played an immense role in running a company as it clearly sets out the goal and objectives of the company so that certain directions are provided for the management, simply to say that the corporate governance is a navigator to the company. As it is defined in the Cadbury Report (1992) "the system by which companies are directed and controlled. Board of directors is responsible for the governance of their companies (Cadbury, 1992)." However, corporations are varied in shapes and sizes, there are several ways to handle and manage all the concerns. Rules and regulations must be rigid, it is unmanageable for all the corporations to follow an identical set of rules and guidance as the business needs are distinctive. Hence, the corporations are directed and managed by the directors for the benefit of shareholders and company as a whole (UK Government, 2017). In order for them to have the directions, a model system to pave the way to a successful and sustainable business must be set (Keay, 2010b). As accountability and transparency are the most vital objectives in the corporate governance, the directors must be accountable to shareholders, as well as their actions need to be transparent to all stakeholders (Keay, 2010b). Therefore, an enforcement standard must be used to ensure that the directors practice their stewardship of the company's affairs properly to the objective of the company (Keay, 2010b). A suitable corporate governance promotes an economic growth, the success of the company in the long-term and that could have an effect on shares' price to attracts more investors both domestically and internationally, and it will give the company respectable credibility. This work is a demonstration of problems in corporate governance and its obstacles in both systems, later, they would be analyzed and critically discussed, on whether the issues have been solved and could a good corporate governance stimulate growth in business and enhance profitability. Finally, it will conclude to what should be done to improve the existing system and showing the ideal major elements in corporate governance.

Application to Hospitality Industry in Thailand

Thailand is seen as a desired destination for nations of the world, the tourism market is excessively escalating in both economic and business value (World Travel & Tourism, 2017). Whereas, travelers coming to Thailand can be wide-ranging from their spending behavior; tastes; styles and health preferences. Since the country is perceived as a land full of varieties from top of the mountains to beaches; cultural experiences are also known. Hospitality industry has been expanding through the previous decades, it creates tremendous numbers of jobs and opportunities. Numbers of newly established business related to the industry can be seen in the past few years, they are in various shapes and sizes (World Travel & Tourism, 2017). Globally, the country is in one of the top ranks in the growth of GDP relating to the travel and tourism industry. Findings of the research found the growth is expected to keep accelerating for another ten years which is a good sign (World Travel & Tourism, 2017). Nevertheless, a decent foundation is essential to every industry to form a strong and sustainable system. A management blueprint must be efficient, effective and applicable; it is vital for them to keep the pace while sustaining through a competitive market amongst Southeast Asian nations. Corporate governance is the key to sustainability while taking account of the stakeholders' benefit without minimizing the profit of the shareholders. The theory of corporate governance is applicable is various corporations, there are numbers of way to implement. This paper is a discussion of corporate governance based on the UK approach where it is one of the top economic leaders. However, corporate governance is now an essential component to achieve sustainability in every corporation. This paper is going demonstrate that the theory is going to be an acceptable guidance to the application in Thailand.

Systems of Corporate Governance

As mentioned earlier, corporate governance can be varied, not only across countries but also across the corporations and business sectors (Maher & Andersson, 1999), according to the shapes and sizes of the corporations. The main features in the systems of corporate governance can be distinguished by the separation of ownership and control (Berle & Means, 1932) that exist in particular corporations (Maher & Andersson, 1999). Also, from the level of ownership and the identity of controlling shareholders (Maher & Andersson, 1999). Therefore, could lead to the goal of disciplining the managers, the directors (Keay, 2014). The level of ownership can be divided into two groups which are to be called the 'dispersed ownership' and the 'concentrated ownership'. The dispersed ownership exists in the 'outsider system' when the shareholders are widely dispersed and weak, mainly in the US market, there is no absolute power of ownership and the management is strongly in control (Maher & Andersson, 1999). On the other hand, the concentrated ownership is the main aspect in the 'insider system' where the main shareholders are controlling shareholders or block holders (Maher & Andersson, 1999), they are the main influence on the company while the minority shareholders are weak and only preserve limited options. Corporate governance concerns would occur when there are two elements (Hart, 1995), firstly it is an agency problem and secondly, it is the transaction cost (Hart, 1995). The 'agency problems' (Hart, 1995), persist when an owner of the company want some managers to work for him as he needs some specific knowledge to manage the business while he can act as the investor. The managers are the human assets to him, they have an obligation to ensure that they run the company to maximize shareholder value and to generate more benefit for the company (Hart, 1995). High incentives also motivate them to put out their abilities to manage the company and the performance of them could be seen in company's profit. Hence, the managers would act as the agency for the owners. There is a problem between incentives and risk sharing (Hart, 1995). Furthermore, the agency cost appears, then managers should be monitored a by the owners regard to the high cost that is paid to them, the owners all want to see the managers' effort. On the other hand, the managers might have other intentions such as to maximize their salaries or growth in market share (Maher & Andersson, 1999). This gives rise to the 'principal-agent' problem which is the element of an 'incomplete contract', this happens as it is impossible to provide some specific descriptions for the position of managers into the contract between the owner (principal) and the manager (agent), since there will be some particular problems that would happen in the future and they need to be decided (Hart, 1995). Giving them the 'residual control rights', it is the right to make decisions in the unforeseen circumstances (Maher & Andersson, 1999) The governance with good structure could provide the solution in making those decisions (Hart, 1995).

Problems with the Agency Theory

It has long been discussed, the problems that persist in the corporate governance when the owners of the firm are not the one who manage and control it. This develops the 'agency theory' where there are directors to manage and control the company for the benefit of shareholders which are, basically, the owners. The issues in agency theory are that the board of directors do not act in the best interest of the company and they might have the conflict of interest to themselves by involving in the company's business. They could have access to the financial information and be making important decisions. These are the results of human nature that they are self-maximisers (Hart, 1995), they tend to maximize the situations for themselves (Hart, 1995). The problems with agency theory could be the searation of ownership and control and the lack of monitoring system by shareholders (Hart, 1995). Monitoring might benefit all the shareholders and it will improve the corporate's outcome (Hart, 1995), however, one shareholder might do it and it could benefit all of the shareholders. Monitoring is costly and it is a problem when all of them are having the same idea of hoping that each one of them would be monitoring and finally, the outcome might be that no monitoring takes place (Hart, 1995). This often occurs in the companies with dispersed ownership of shares, when each shareholder has few incentives to monitor the management (Hart, 1995).

The Healing Aid

The solution to this could be having at least one large shareholder in the company, that is the block holder, they could be an institutional shareholder in the insider system, where the agency problem might be reduced by increasing the degree of ownership to overcome the power of control. The monitoring task might be increased, as well as cost, by having a two-tier board system, the supervisory board is introduced. However, the block holders might use the majority of the voting powers for their own benefits and not consider the benefit of other minority shareholders, they could persuade the management to deter profit for themselves by leaving the management without any monitoring gestures (Hart, 1995). Again, this also leads to the problem of having concentrated ownership in the insider system where minority shareholders are weak.

The Insider System

The insider system is widespread throughout the European countries such as Germany, France and Italy (Berndt, 2000), where there is more concentrated ownership or voting power, shareholders own shares in vast amount. As mentioned earlier, the shareholder groups in the insider are relatively small and concentrated, they tend to be familiar with each other. There are no strong conflicts between the control and management, therefore, the agency problems which determined by the outsider system are slightly low (Mayer, 1997). The result of being the majority shareholders (inside shareholders), they retain high voting powers in the one share one vote method. Most of them are financial institutions such as banks, insurance companies, pension funds or non-financial institution, institutional shareholders are powerful and could have an influence on the directors (Mallin, 1999).

Characteristic of the Insider

The main feature of this system is that there will be a two-tier board, operating as the control mechanism for shareholders. The importance of having a two-tier board is that they possess the duty of monitoring the management board, they act as the principal. The management board (Vorstand) holds an accountability to them, the monitoring board is called ‘supervisory board’ (Aufsichtsrat), hence, they do the monitoring job for shareholders. They receive the information provided by the management and they scrutinize through the information. The members of the supervisory board are made up of at least three members, according to the size of the corporations. They are appointed by shareholders or company members. One of the most important things about this system is the employees’ representative. He or she would be included in one of the board members, showing the connection of working as a team in stakeholderism manners (Keay, 2010a) They take the consideration of both shareholders and stakeholders, meanwhile, the monitoring can be partially insufficient due to the close relationship between two boards, however, the disadvantages to this system are the lack of emphasis on shareholders' interest and the protection of outside shareholders (minority shareholders) (Maher & Amdersson, 1999). This can be seen as a flaw since the management could provide them with some partial information, they could manage to hide some facts from the supervisory board. The supervisory board acts as a representative for shareholders towards management board (Nestor & Thompson, 2000), they could act in ways that would benefit the majority shareholders. In the same time, the stakeholder such as creditors might also hold the shares in the company.

Maximum Protection for Stakeholders

This system emphasizes on the vital elements of the protections for stakeholders, as one of the shareholders could also be the stakeholder to the firm such as the creditor, supplier or even the buyer. The solution is to also find the way to give protection for minority shareholders and at the same time, as well as, focusing on the team players (Nestor & Thompson, 2000). The company needs all of the parties in order to achieve long-term prosperity, not only taking account of the shareholders and the management team. The fact that they take stakeholders' benefit into account, on the other hand, could be an excuse for the directors when the company's outcome is poor because they cannot focus solely on making profits. However, the benefit of caring for all of the stakeholders is an enhanced factor to the co-operative actions amongst all the partie (Mayer, 1997), that promotes a long-term productivity for the corporations (Mayer, 1997). The control mechanism by market force towards the insider system is impossible since the relationship between management and the controlling shareholder is very strong, cross-shareholding dominates the company giving a mere chance of the takeovers (Andre, 1998).

Strong Interior Bond

However, a strong bond between the inside majority shareholders and the management could impose a problem when the controlling shareholders act as managers, which leads to management entrenchment when the managers are in charge of directing the companies' asset and show the lack of transparency (Andre, 1998). They could make use of their position to gain some advantages by increasing their own profits (i.e. to prolong their positions or to maximize the incentive) which are called 'management entrenchment' (Maher & Andersson, 1999). This could have an impact on the minority shareholders who are investing their capital into the firm but having no rights to protect their benefit over the investment, the rent extraction usually happens to minority shareholders when there is a differentiation between voting rights and cash flow rights. Therefore, this impose the risk on the lack of investments in the firm and the economic growth could be obstructed (Andre, 1998), capital markets are underdeveloped and unpenetrated by the foreign investors (Maher & Andersson, 1999). On the contrary, the firm might not suffer from a lack of investment from small investors since they have the strong long-term relationship with the banks (Mayer, 1997), the firm can retain good and established financial status leading to a competent monitored by the banks to ensure that the company operates more efficiently (Mayer, 1997). The fact that the firm is closely monitored by large shareholder makes it more efficient to improve the profitability of the firm and shareholders are more engaged in the firm's activity. However, this also depends on the type of business (Maher & Andersson, 1999; Mayer, 1997).

Blockholders' Paradise

The insider system is a safe haven for block holders and institutional shareholders who seek opportunities in cross holding the shares so as to benefit their business in the long run as the firm performance and profitability will eventually be increased (Maher & Andersson, 1999; Mayer, 1997). The problem with this system, for the new corporations or small business, it is impossible to establish a good credibility to the banks or other financial institution since there is no financial history to obtain the equity which could prevent the development in their business. The corporations with an insider system are mostly operated by families with a pyramidal management structure that feels the need to withhold the controlling power over their business (Mayer, 1997).

The Outsider System

The outsider system is defined by the shareholder primacy norm or the shareholder value theory when the goal of the management is to maximize the wealth of shareholders, the system is widely recognized in the United States and the United Kingdom (Mayer, 1997). As mentioned, shareholders are dispersed and weak with a low level of control over the management, therefore, the company with an outsider system is controlled by management. Hence, the mechanism of market control or market force such as takeovers is likely to happen to the firm when the management retains the high power of residual control rights over many small shareholders. However, the investments of minority shareholders are ensured with protection from the corporate governance framework which requires a high degree of disclosure as well as the protection in securities law (Mayer, 1997). Since there is only one objective for the directors to run the company for shareholders' wealth. It is less complex than the insider system for managers to please everyone of stakeholders. Therefore, it is challenging for the firm to form trusts and commitments amongst various stakeholders (Mayer, 1997). There is a complexity in each type of industries which require different specific suppliers, hence, relationship with the stakeholders are vital in some industries. The executives, as well, need to bear this fact along when managing the company.

Diversity in the Board

The members of the board are usually shareholders themselves; this could ensure that they will run the company in order to maximize their wealth from the company's shares which will result in benefiting all other shareholders as well. On the contrary, the management is persuaded to work by incentives, they are involved in making critical decisions and to use their professional skills to manage the company for shareholders (Mallin, 2005). However, they are accountable to shareholders for their actions that affect the firm as the principal-agent problem is significant in this system.

Poor Monitoring

Monitoring tasks are not strictly exercised like explained under the agency theory, they are costly for shareholders and they all hope that each one of them will exercise the duty so as to benefit all shareholders (free ride), the cost of monitoring relies on the one who monitors. The enhanced structure of this system is to provide protection for every shareholder as well as to attract new individual investors and as a motivation (Berndt, 2000), therefore, adequate and reliable information must be available for the investors to make decisions on their investments and to promote the growth in financial markets (Maher & Andersson, 1999). Hence, a need for transparency to offer protections over shareholders rights (Kühne & Fuss, 2003). When transparency is displayed, most of the capitals will flow from external investors which are the ideal of financing to the company in long term (Maher & Andersson, 1999). The firm then shows a low level of the needs for banks' support. It can be developed in innovative activities and improved in share value that leads to a faster economic growth (Maher & Andersson, 1999). However, it is not preferable for the companies with poor performance to disclose their information or to reveal some crucial information to their competitors (Grossman & Hart, 1980).

Weak and Vulnerable Shareholders

Ideally, shareholders can exercise their voting powers to appoint or remove the board members through derivative actions. However, the fact that there is a scattered ownership, it is obstructed towards the actual practice in the controlling system to accountability. In an outsider system, shareholders tend to sell their shares or exit when they are not happy (Maher & Andersson, 1999). There is no impact in cost to themselves or other stakeholders. The lack of engagement between shareholders and management is the dominant issue in the separation of management and control when shareholders prefer to take free rides. Similar to the insider system, a management entrenchment is possible when the managers plan to increase their benefit by maximizing the firm size rather than its profit, by storing the cash flow when they should be turned into dividends (Mayer, 1997). However, the institutional investors like pension funds are introduced into this system so as to improve the monitoring issues. The institutional investors hold high funding powers, they could become the large shareholders with concentrated shares when all other shareholders are dispersed, they will likely to appoint the representatives to impose on direct management monitoring to improve the corporations' performance (Mayer, 1997; Shleifer & Vishny, 1986).

Mechanism of the Outsider

In the outsider system, shareholders exercise their powers through the directors. They are the indirect monitoring device for managerial performance and their duties are to protect the rights and benefits of shareholders. However, directors are also in charge of their own remuneration, encouraging them to become entrenched. Practically, they are appointed to protect the interest of the company and its members but in fact, they are becoming part of the management. Hence, an ineffective monitoring device for the shareholders. Moreover, directors would rather focus on maximizing short-term value in order to show their performance and paying high dividends to shareholders to increase their remunerations while they benefit from the rising share prices. Therefore, paying no attention to the interest of other stakeholders by offering low incentives will cause the company to have bad relationships with its stakeholders. The company and shareholders will maximize their wealth in the short-term but will have a bad long-terms (Maher & Andersson, 1999) with the lack of trust and commitment among stakeholders (Mayer, 1997). The company might want to cut down the labor cost by having layoffs or reducing the employees' wages in the interest of shareholders' wealth. Nevertheless, the goal of having good corporate governance is to balance the interests of shareholders and management, the company could offer the remunerations in the form of shares with regard to encouraging them to maximize the corporations' wealth instead of their own private benefit (Maher & Andersson, 1999). However, remuneration shares encourage the management to exercise their skills so as to increase the share prices, on the other hand, it promotes short-term profitability since the executives are not the long-term position. They want to heighten up the firm value to gain private benefit and to have a good reputation in running the corporation before moving to another company (Maher & Andersson, 1999).

Application of the Systems

The market is considered to be an effective mechanism for gaining the balance between management interest and shareholders' interest. Also, one of the effective systems to discipline managers' behaviour, since they tend to seek managerial opportunism and private benefit. Furthermore, competitions in the market can put pressure on managers to perform better in order to avoid the takeover bids. The market mechanism is the key role in influencing the managers in corporate governance, it is rather efficient than the direct monitoring by shareholders because the managers are forced to improve their performance with the stakes of their remunerations in share prices and their own reputations (Hart, 1995). The threats or rumors of takeovers could only happen when the bidders foresee the increasing value of the company after the takeover's success (Grossman & Hart, 1980). Threats can encourage the directors to exercise good management to avoid the takeovers in case that the company has increased its worth (Grossman & Hart, 1980). Though there is only small evidence on an improved performance after the hostile takeovers take place (Maher & Andersson, 1999). The improvement usually takes place when there are the treats of taking over rather than the takeover itself. On the grounds that only a sheer threat of the takeover is adequate to be used as a disciplinary device for poorly performed managers (Keasey, Thompson & Wright, 2005). After the takeovers, most often that the management will be replaced, it follows that the new management team will be appointed and they are expected to exercise their skill supposing to increase company's value yet does not necessarily determine that they will certainly perform better than the previous management. Consequently, the firm struggles to sustain long-term trusts and commitments with stakeholders. Evidently, the market mechanism plays the dominant part in steering the corporations' policy and regulations (Mayer, 1997), firms must actively keep up with the market competition and correspondingly a good progress in the management performance.

Good Corporate Governance

In order to define what really is the good corporate governance, comparatively, there are weaknesses and strengths in both systems, as discussed. To resolve, weather the insider or outsider system should be preferred, one cannot stand on the only ground. Various elements of the business must be kept in mind, essentially the type of business, industries, potential investors, financial markets and controlling level, each of the two can be preferred according to particular companies. There is no right answer to which is the better system in corporate governance as for the investors point of view, they all have unique intentions. The hasty rise in economic growth and wealth maximization will benefit the investors who are looking for short-term profit and might well fit the small to medium sized or newly established corporations that are seeking to avoid banks' debts, on the contrary, one might seek for a longer-term investment with lower risk diversification to play safe but surely can benefit him in longer period, notwithstanding, small amount of returns.

At this moment, the globalization and emerging markets trends of technology influence new business ranges in all sizes to be established, enhancing the rapid growth in the commercial and economic world, thus, the outsider system of corporate governance should be embraced (Mayer, 1997).

Conclusion

The market continues to be the main force in running all the business in every sector, it changes rapidly and companies must act fast in response to the changes. The insider system is, sometimes, penetrable by the market but those are in rare cases, for the reason of controlling shareholders want to maintain long-term profitability and relations to the stakeholders. Their business grounds are normally stable and solid, with the strengths in aligning the interests of management and shareholders. While the market is an essential mechanism for the outsider system to align both of their interests as to be accountable and transparent to every player in an absence of controlling shareholders. Both systems of corporate governance can be reflected on corporates regulations and policy to guide (Mayer, 1997) with regard to ownership and control to induce firm's performance in distinctive ways relate to managerial compensation and firm performance (Maher & Andersson, 1999).

To keep up with the pace of globalization, the firm should be free to make own decision for the preferred system to be applied to corporate activities, along the fact that market competitions can affect the rapidity of corporates growth and cross-ownership of shares will stimulate large corporate groupings which can interfere the market competition creating monopoly market. The international harmonization in financial markets must be recognized with the high level of foreign investments (Solomon, 2010).

The key to developing good corporate governance is the regulation, it is suggested to be permissive rather than being restrictive (Mayer, 1997). The policy makers should additionally bear in mind, the growth of economic is likely to be multiplied by the investments of multinational companies and most of them have been doing business with the stakeholders from various countries (Nestor & Thompson, 2000). There is the need to eliminate short-termism profitability in the financial market. The regulations should be flexible and applicable concurring to a particular corporate characteristic (Nestor & Thompson, 2000) and circumstances, alternatively than a dominant norm in the country. Along with an ease in gradual transition from one system to another as the company grows extensively in shapes and sizes, hence, differs the needs. Whilst to create a strong corporate governance is taking into account the transparency, authority and accountability of managers, and the interests of minority shareholders and stakeholders, they will be the solid groundwork to achieve long-term value for both corporations and shareholders.

References

Andre Jr, T. J. (1998). Cultural hegemony: the exportation of Anglo-Saxon corporate governance ideologies to Germany. *Tul. L. Rev., 73*, 69.

Berle, A., & Means, G. (1932). *The Modern Corporation and Private Property.* New York: Macmillan.

Berndt, M. (2000). Global differences in corporate governance systems: Theory and implications for reforms. *Harvard Law School Discussion Paper No. 303*.

Cadbury, A. (1992). *Report of the Committee on the Financial Aspects of Corporate Governance (Vol. 1).* Gee.

Grossman, S. J., & Hart, O. D. (1980). Disclosure laws and takeover bids. *The Journal of Finance, 35*(2), 323-334.

Hart, O. (1995). Corporate governance: Some theory and implications. *The Economic Journal, 105*(430), 678-689.

Jensen, M. C., & Meckling, W. H. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of Financial Economics, 3*(4), 305-360.

Keasey, K., Thompson, S., & Wright, M. (Eds.). (2005). *Corporate Governance: Accountability, Enterprise and International Comparisons.* John Wiley & Sons.

Keay, A. (2010a). Stakeholder theory in corporate law: Has it got what it takes? *Richmond Journal of Global Law and Business, 9*, 249.

________. (2010b). The ultimate objective of the company and the enforcement of the entity maximization and sustainability model. *Journal of Corporate Law Studies, 10*(1), 35-71.

Keay, A. R. (2014). *Directors' Duties*. Jordan: Jordan Publishing.

Kühne, E., & Fuss, J. (2003). Corporate governance in Germany. *Business Law Review, 24*(10), 226-232.

Maher, M., & Andersson, T. (1999). *Corporate Governance: Effects on Firm Performance and Economic Growth*. Organization for Economic Co-Operation and Development (OECD).

Mallin, C. (1999). Financial institutions and their relations with corporate boards. *Corporate Governance: An International Review, 7*(3), 248-255.

__________. (2005). Corporate governance: A review of some key developments. *Corporate Governance: An International Review, 13*(2), 107-107.

Mayer, C. (1997). Corporate governance, competition, and performance. *Journal of Law and Society, 24*(1), 152-176.

Nestor, S., & Thompson, J. (2000). Corporate governance patterns in OECD economies: Is convergence under way. In *Corporate Governance in Asia: A Comparative Perspective*, 19-43.

Shleifer, A., & Vishny, R. W. (1986). Large shareholders and corporate control. *Journal of political economy, 94*(3, Part 1), 461-488.

Solomon, J. (2010). *Corporate Governance and Accountability.* 3rd ed. John Wiley & Sons.

UK Government. (2017). *Companies Act 2006*. Retrieved June 24, 2017 from www.legislation.gov.uk/ukpga/2006/46/pdfs/ukpga_20060046_en.pdf87.

World Travel & Tourism Council. (2017). *Travel & Tourism Economic Impact 2017 Thailand*. London: World Travel & Tourism Council. Retrieved June 24, 2017 from https://www.wttc.org/-/media/files/reports/economic-impact-research/countries-2017/thailand2017.pdf.