

# **DO BLOCKHOLDERS HAVE INFLUENCE ON DIRECTORS' REMUNERATION?**

## **Abstract**

This study analyses the effect of concentrated ownership structures on directors' remuneration. The work pays particular attention to the role of blockholders, especially those who are active in the management of the firm and have most interest in linking directors' remuneration to the creation of value for the firm. The paper adopts an explanatory approach. The study tests its hypothesis by performing a multi-regression analysis with a sample of 417 observations of 74 different firms from 1999 to 2006. The results confirm that the percentage of blockholders on committees (of the total number of external directors on committees) has a negative and significant effect on directors' remuneration. This effect is greater if firm size, measured by market capitalisation, is not considered.

**Keywords** Remuneration, Board of directors, Blockholders

## **1. Introduction**

Remuneration systems are at the heart of firms' decision-making processes and human resources policies. While the literature focuses on the remuneration of top management (executives) and Chief Executive Officers (CEOs) (Boyd, 1994; Tosi et al.; 2000; Berronce and Gómez-Mejia, 2009), the growing role of the board of directors in firm governance has boosted research into directors' remuneration. Despite this interest, however, up to now little empirical evidence has been collected on the remuneration of directors and it remains one of the least understood areas of management (Kakabadse et al., 2004). The few existing studies of directors' remuneration describe how it has changed over recent years, without examining its components (e.g., fixed, variable and deferred parts) or how the remuneration system affects the efficiency of the firm (Hempel and Fay, 1994).

Directors' salaries have grown continuously over the past decade. Directors' remuneration in Europe, for example, has more than doubled from 33,820 € in 1999 to 72,195 € in 2007. This increase almost certainly reflects the changing risk profile, plus the greater responsibilities of directors and the desire of firms to attract higher-calibre candidates. Directors' remuneration is highest in Switzerland (139,752 €), Spain (96,099 €) and the UK (92,701 €), while it is lowest in France (43,529 €) (Heidrick and Struggles, 2007).

The introduction, however, of codes of good governance – in Spain particularly since the launch of the Corporate Governance Unified Code (CGUC) in May 2006 – has resulted in greater and more transparent information being available on directors' pay. Moreover, these salaries are beginning to correspond more closely to directors' duties. This change has slowed the recent growth of directors' salaries – growth that had

continued unabated despite the poor performance and falls in market values of many of the firms in question. As remuneration attracts more attention, and the responsibility of the remuneration committee grows, non-executive remuneration packages are falling under greater scrutiny.

Despite the great interest in directors' remuneration, one of the main problems that academic research finds is the difficulty of obtaining data on both individual remuneration and remuneration criteria. This problem is especially acute in southern European countries like Italy, Spain and Portugal. Although some research exists, this situation has prevented clear conclusions from being reached on directors' remuneration, the logic behind the systems chosen and their impact on firm performance (Dogan and Smyth, 2002).

This paper sets out to examine this question in greater depth, paying special attention to one of the less analysed determinants of remuneration. Specifically, the objective of this work is to analyse how a concentrated ownership structure influences directors' remuneration. The main contribution of this paper, then, is to study one of the key determinants of directors' remuneration systems. This study focuses on the role of blockholders, particularly those who play an active role in the management and performance of the firm and thus have most interest in linking directors' remuneration to the creation of value for the firm.

The study analyses publicly listed Spanish firms between 1999 and 2007. This empirical evidence represents another important contribution. First, the relationship between blockholders and directors' remuneration has not been researched with a sample of Spanish firms. And second, the results obtained from this sample will have new and additional value as the Spanish corporate governance system – unlike the Anglo-Saxon

one – is characterised by the dominance of internal controls, mainly the stock ownership concentration and the board of directors (Fernandez and Arrondo, 2005). Firm ownership in most of continental Europe is much more concentrated than in the US and the UK. La Porta et al. (1998) report a higher percentage of ownership concentration in Spanish firms compared to US, UK and even Japanese and German firms. Moreover, Spanish boards of directors are one-tiered (as in most European countries), which implies that board members manage the firm and supervise its activity (de Miguel, Pindado and de la Torre, 2004).

The paper is organised as follows. The next section describes the theoretical framework behind directors' remuneration and the role that blockholders play in fixing it. The methodology used and results obtained are then explained. The final section presents the conclusions and some future lines of research.

## **2. Theoretical Framework**

Firm ownership has a number of internal and external corporate governance mechanisms available to control the actions of directors. Internal controls include: the board of directors and mutual monitoring among managers (Fama, 1980; Fama and Jensen, 1983); blockholders' control (Demsetz and Lehn, 1985); direct managerial share ownership (Jensen and Meckling, 1976); and the use of variable remuneration schemes for managers (Murphy, 1985). External mechanisms are the corporate control market (Grossman and Hart, 1980), the managerial labour market (Fama, 1980) and the product market (Hart, 1983).

External mechanisms dominate in Anglo-Saxon economies. These systems are characterised by the existence of a highly developed and liquid capital market, with a large number of listed firms. In these markets, takeovers are frequent, crossed shareholdings are not important and shares are mainly in the hands of individuals directly or through institutional investors (Franks and Mayer, 1994). Internal mechanisms, however, are prevalent in continental European economies and Japan, where the control of managerial actions is mainly based on the board of directors and large shareholders (Fernández and Arrondo, 2005).

The board of directors is an internal control mechanism that is responsible for representing shareholders' interests in the firm's decision-making processes. While internal directors are in charge of management decisions, outsiders control management (Cuervo, 2002). Boards of directors have become increasingly important because codes of good governance have appeared and been perfected over the last ten years; these codes have upped the pressure on firms to improve their corporate governance practices. This situation has brought with it important structural changes in the composition and functioning of boards. Boards no longer simply rubber-stamp internal management decisions; they have become more efficient and are under greater control by external directors. These changes have resulted in a large amount of research in the Corporate Governance literature on the functions of boards of directors, their structure and impact on diversification strategies, and their performance and remuneration, among other topics.

Most studies of directors' remuneration focus on the relationship between remuneration structure and firm performance (Baysinger and Butler, 1985; Goodstein and Boeker, 1991; Daily and Dalton, 1992; Pearce and Zahra, 1992; Beatty and Zajac, 1994; Abowd

and Kaplan, 1999; Buck et al, 2001). Little work, however, has been undertaken to explain the remunerator's magnitude, structure and sensitivity to the long-term impact on stakeholders and the wider community (Kaakabadse et al., 2004).

Directors' remuneration is typically divided into three components: fixed salary; variable salary (partly dependent on attending board meetings or sitting on/presiding over committees, and partly dependent on firm performance – usually limited to a maximum percentage of the firm's profits); and deferred remuneration like stock bonuses (annual stock awards), stock options, stock appreciation rights and deferred stock awards (Stuart Spencer, 2007). While fixed remuneration is guaranteed for the director, variable pay depends on quantitative indicators of performance. In recent years stock options have become the method of choice for deferred remuneration. In any case, fixed and variable remuneration (dependent on attending meetings and committees) are the most prevalent ways of remunerating directors. Firms that opt for performance-linked remuneration are less common, and firms that use deferred pay are less common still. Taking Europe as an example, in France, Germany and Italy over half of remuneration is variable and largely linked to attendance, while in the Netherlands, Spain, Sweden and the UK over 70 percent of remuneration is fixed (Heidrick and Struggles, 2007).

Agency theory stands out among the different theories that attempt to explain directors' remuneration. This approach suggests that executive compensation should be linked to the total return to shareholders. This is because the remuneration contract should be used to align the interests of directors with those of the shareholders (Jensen and Meckling, 1976). This is one of the reasons why many regulatory committees have

emerged in this area. Specifically regarding codes of good governance in Spain, Olivencia (1998), Aldama (2004) and Conthe (2006) adopt this approach.

Agency theory states that the separation of owners and managers may cause the latter to look out for their own interests (e.g., personal prestige and reputation) and not maximise shareholder wealth (Jensen and Meckling, 1976). This situation may lead to excessive non-performance linked salaries for managers. Agency theory suggests that internal monitoring mechanisms will help to ensure that managers implement policies consistent with the maximisation of shareholders' wealth. The board is the representative of the shareholders and is responsible for seeing that management is acting in the shareholders' interests. The board provides outside advice for management and oversight, and determines firm strategy in developing new markets or product lines (Hempel and Fay, 1994). A good board of directors is necessary if shareholder interests are to be maximised. Measures to achieve this include non-executive or external director representation to monitor board decisions, separation of the chairman and chief executive posts and the establishment of board sub-committees (Kakabadse, 2004).

Agency theory has been much used to study executive compensation (Tosi and Gomez-Mejia, 1989; Zajac, 1990). While many studies exist on executive pay and its relationship with firm performance, research into directors' pay are less common. Because the divergence of interests with ownership may prevent executives from looking to increase shareholders' wealth, remuneration systems that motivate and compensate executives based on results are required. As Hempel and Fay (1994) point out, this argument can be extended to the board of directors' remuneration; directors appointed by the CEO may not always look out for the shareholders' interests either (Cristal, 1991; Monks, 1991).

Some studies suggest that firms are better managed when executives' and directors' remuneration is performance-linked, and when the board of directors includes outsiders. Among external directors, blockholders' control is one of the main corporate governance mechanisms influencing the scope of a firm's agency costs (Jensen and Meckling, 1976).

The blockholders in question are individuals, families, firms or financial groups with significant stakes in the capital of a firm and the concomitant power to supervise management, correct opportunistic behaviour and if necessary to demand changes. These blockholders like to put all their 'eggs' in a limited number of baskets and to watch closely over them, which clashes with the financial logic of diversifying risk. This generates confidence among the other shareholders.

The presence of large shareholders helps to moderate free-rider problems and increases the intensity of direct supervision on managerial actions (Shleifer and Vishny, 1986). Although the effect of blockholder ownership on firm performance has been widely studied in the literature (Agrawal and Knoeber, 1996; Gedajlovid and Shapiro, 1998; Demsetz and Villalonga, 2001; de Miguel et al., 2004; Thomsen et al., 2006), the empirical results are often conflicting and inconsistent (Sánchez-Ballesta and García-Meca, 2007).

Most empirical research finds that performance and concentration will be positively correlated if monitoring by owners improves the quality of managerial decisions and no other effects of ownership concentration are present (Shleifer and Vishny, 1986). The argument is that owners wish to maximise profits, but their designated agents (managers) may have neither the interest nor the incentive to do so (Berle and Means, 1932). Nevertheless, agency theory posits that a high concentration of ownership may

become ineffective for taking value-maximising decisions. Some empirical evidence shows that increased ownership concentration is at first accompanied by a growth in firm value (due to the benefits of improved monitoring) (Morck et al., 1988; McConnell and Servaes, 1990; Hermalin and Weisbach, 1991; Claessens et al., 2002). Other research, however, indicates that when ownership is too concentrated, the value of the firm starts to decrease (Sánchez-Ballesta and García-Meca, 2007).

Other studies also examine – to a lesser degree – the impact of shareholder concentration on different corporate contingencies such as divestment strategy, diversification strategy and corporate restructuring (Gibbs, 1993; Wright, Ferris, Sarin and Awasthi, 1996). Likewise, evidence of greater moderation in managerial remuneration in the presence of large shareholders exists (Dyl, 1988; Hambrick and Finkelstein, 1995). Thus, when a public firm's ownership is concentrated in the hands of a few large shareholders with the desire and power to monitor the firm's operations and decisions (including directors' pay), these shareholders will look to maximise profitability with the result that directors' remuneration is lower (Shleifer and Vishny, 1997, 1986).

Blockholders are able to control the actions of management for several reasons. First, the size of their investment and associated benefits can compensate for the costs of control. Second, the sheer size of the investment demands a control attitude – of participation in the running of the firm – because a significant divestment can affect its price negatively (even in a liquid equity market). Lastly, blockholders gather information from participating in the firm, and this information brings with it the ability to obtain private benefits (Barclays and Holderness, 1989; Barclays, Holderness, and Pontiff, 1993).

Not all large shareholders, however, behave in a similar fashion. Only active blockholders involved in the running and medium- to long-term performance of the firm, for example, play a role in controlling management. One way these blockholders manifest their involvement is by serving on different committees (executive, audits, appointments, remuneration, etc.) set up by the board of directors (Cook, 1981; Cuervo-Garcia, 2002).

Studies that analyse the relationship between blockholders and directors' pay are thin on the ground. Most empirical research does not examine the role of blockholders, but concentrates on analysing the relationship between remuneration and performance (Ke, Petroni, and Safieddine, 1999). Of the few studies that probe the role of blockholders, McConnell and Servaes (1990), Mehran (1995) and more recently Dogan and Smyth (2002) merit attention. McConnell and Servaes (1990) indicate that shareholders with large stakes in a firm are more effective monitors. Mehran (1995) finds that publicly traded firms with a high percentage of shares held by large non-management shareholders use less equity-based compensation than firms with a low percentage of shares held by large non-management shareholders. Lastly, Dogan and Smyth (2002) research the determinants of board compensation in Malaysian firms from 1989 to 2000 and find evidence of a statistically significant positive relationship between board remuneration and sales turnover and a statistically significant negative relationship between board remuneration and ownership concentration. This previous research leads us to hypothesise that the presence of active blockholders on the board will work to constrain directors' remuneration.

### **3. Methodology**

This study's main sources of information are the SpencerStuart Spain Board Index and the Madrid Stock Exchange (Spain). SpencerStuart is one of the leading executive search consulting firms specialised in assessing and advising on senior leadership needs. Among other activities, every year SpencerStuart publishes the Board Index. This index includes information on the composition and structure of boards (chairpersons and lengths of tenure, directors' ages, frequency of board meetings, remuneration of external directors, number and types of committees, participation of external directors on committees, and per diem allowances for committee meetings). The Madrid Stock Exchange provides financial information such as the market capitalisation of publicly listed firms.

This study tests its hypotheses via data on firms in the SpencerStuart Index from 1999 to 2006; the study only includes firms with at least four years of available data for the dependent variable. The full sample comprises 417 observations from 74 different firms.

Table 1 contains a description of the measures for the variables, along with their main descriptive statistics. The variable dependent – directors' remuneration – is measured by the data that appears in the SpencerStuart Board Index as 'Annual Remuneration of External Directors'. This measure captures (in euros) the annual remuneration of the external directors (including fixed fees, allowances per board meetings attended, performance-based pay and deferred compensation, but not including allowances for attending or presiding over committees). A comprehensive analysis of the data reveals that in most cases the annual remuneration is principally composed of fixed fees and allowances for attending board meetings. Firms that compensate directors via performance-based pay or with stock or stock options are relatively unusual.

The independent variable – the role of blockholders – is measured by two indicators. The first indicator is the percentage of blockholder directors (of the total of external directors). This variable reflects the relative weight of the blockholders in the external (more independent) directors. The second indicator is the percentage of blockholder directors that sit on committees (of the total of external directors on these committees). This variable provides information on the active participation of blockholders in the management of the firm.

Lastly, the study includes variables that control for firm size (measured by market capitalisation in euros), number of board meetings, total number of directors, and year.

Insert table 1

Table 2 displays the evolution of the variables from 1999 to 2006. The average annual remuneration of external directors has an upward trend for this period. In line with the rest of Europe (and as mentioned in the Introduction), directors' remuneration in Spain has more than doubled from 32,717 to 72,694 euros. The indicators on the role of blockholders reveal that their weight in comparison with both the total number of external directors and the total number of external directors on committees has held steady around the 50 percent mark during the period under study. The number of board meetings and number of directors have also remained stable during this period.

Insert table 2

#### **4. Results**

Table 3 contains the correlations of the variables used in the estimation. Only one of the two independent variables displays a significant correlation with the dependent variable. Specifically, the percentage of blockholder directors on committees compared to the total of external directors shows a negative and significant correlation. Of the control variables, stock market capitalisation, the total number of directors, and the number of board meetings show a positive and significant relationship. Concerning the year, only 1999, 2000 and 2006 are significant. Two correlations between the independent and control variables should be noted. First, the correlation between the two variables that capture the presence of blockholders on the board (the percentage of blockholder directors compared to the total number of external directors, and the percentage of blockholder directors on committees compared to the total of external directors on committees) is 0.850 ( $p=0.000$ ). And second, the correlation detected between firm size measured by market capitalisation and board size measured by number is 0.419 ( $p=0.000$ ).

Insert table 3

Five multiple regression models were performed to test the impact of the presence of blockholders on directors' remuneration. Table 4 presents these regression models.

Model 1 captures all the variables included in the study. The results indicate that the presence of blockholders does not exert a significant effect on external directors' remuneration. This finding holds true for the percentage of blockholders (of the total of external directors) and for the percentage of blockholders on committees (of the total of external directors on committees). As regards the control variables, however, firm size measured by market capitalisation – along with the variables that capture board

composition, number of directors and number of board meetings – have a positive and significant effect on the remuneration of external directors.

Given the high correlation between the two variables that measure the presence of blockholders on boards, models 2.1 and 3.1 replicate the model excluding one of the two variables in each case. Model 2.1 only includes the percentage of blockholder directors (of the total of external directors). Its results coincide with those of model 1: the presence of blockholders does not affect external directors' remuneration, with firm size and board composition again having a positive and significant effect. Model 3.1 only includes the percentage of blockholder directors on committees (of the total of external directors on committees). In this case, the results do support this paper's hypothesis: the presence of blockholders has a negative and significant on external directors' remuneration. Here again, the control variables of market capitalisation, total number of directors and number of board meetings show a positive and significant effect.

Because of the correlation observed with the total number of directors, models 2.2 and 2.3 capture the effects of the variables excluding the control variable for firm size measured by capitalisation. Model 2.2 includes only one independent variable: the percentage of blockholder directors (of the total of external directors). The model shows – as model 2.1 – the lack of significant impact that this variable exerts on external directors' remuneration, and the positive and significant effect of the variables that control for total number of directors and number of board meetings. Model 3.2 includes the percentage of blockholder directors on committees (of the total of external directors on committees) as the independent variable and finds similar results to model 3.1. The presence of blockholder directors on committees has a negative and highly significant

effect on the remuneration of external directors, in line with this paper's hypothesis. The number of directors and of board meetings continue to show a positive and significant effect.

Lastly, only the year 2006 shows a positive and significant relationship in all the models, while 1999 has a negative and significant effect in 2.1 and 2.2.

Insert table 4

## **5. Discussion and Conclusions**

Stock ownership in Spanish listed firms is highly concentrated in the hands of non-financial firms, financial institutions and families. This lower development of the financial markets, along with the stability and concentration of stock ownership, suggests that the Spanish corporate governance system is internal and based on the board of directors and the supervisory role of large shareholders (Fernández and Arrondo, 2005).

For this reason this paper attempts to delve into the role of blockholders, specifically the control that they exert over the remuneration of directors. The main contribution of this study, then, is to the analysis of board-level remuneration systems, with special attention to how active blockholders influence the management of the firm.

The study is performed on a sample of 417 observations from 74 Spanish firms included in the SpencerStuart Index between 1999 and 2006. The results only partially support the paper's hypothesis that the presence of blockholders on the board and on committees has a constraining effect on board remuneration. Specifically, the

hypothesis of a negative and significant effect on directors' remuneration is only confirmed when the percentage of blockholders on committees (of the total number of external directors on committees) is used as the independent variable. This effect is even more significant when the analysis does not control for firm size measured by market capitalisation.

This paper's results, then, indicate that blockholders only have a significant and negative impact on board remuneration when their presence on committees is considered. This finding is consistent with the idea that solely those blockholders that play an active role in the management of the firm influence the remuneration of directors. In this respect, this paper's main contribution is to identify active blockholders as a key factor in fixing external directors' levels of remuneration.

A higher percentage of blockholders (of the total of external directors), however, does not produce the expected negative and significant effect. The reason for this is that this percentage includes both active and passive blockholders – those that are not involved in the running of the firm. Although the presence of blockholders seems to point logically to greater control over remuneration, these results lead us to look for other explanations for the remuneration of external directors, especially independent directors. In these cases, variables such as director's reputation or prestige may be the key factor behind the level of remuneration. In this way, agency theory's emphasis on the role of external directors as an internal corporate governance system is lessened, and the resources and capabilities point of view gains strength because of their role as a vital and strategic resource for the firm. Future studies, then, should use the resource based-view to analyse external directors and their remuneration. As Kakabadse et al. (2004) point out, this field needs a comprehensive approach that combines the contributions of

agency theory with economic and socio-comparative approaches and underlying theories. Although each of the theoretical perspectives provides some explanation of directors' remuneration, none truly explains it (Ackerman and Bauer, 1976).

The control variables considered in the study indicate that the bigger the firm is (measured by market capitalisation), the higher the external directors' remuneration is. This finding is in line with agency theory and management theories that point to a positive relationship between firm size and top-level remuneration (Agarwal, 1981). As far as board composition is concerned, the higher the number of directors and board meetings, the higher the external directors' remuneration is. This result once again indicates the effect of size: directors on large boards tend to receive higher remuneration than those on smaller boards do. In addition, the link between remuneration and the number of board meetings seems to show that directors' pay depends on their work or contribution (in this case measured by mandatory attendance of board meetings) (Hempel and Fay, 1994). This interpretation of the results may raise doubts over the evaluation of directors' performance, particularly if remuneration only depends on attending board meetings and does not take their contributions to creating value for the firm into account.

This study, then, makes important contributions to the literature. The paper examines the remuneration of board members, paying particular attention to the role of blockholders. This is a topic of great current interest that until now has received almost no empirical analysis. In addition to examining the theoretical frameworks, the study performs an empirical analysis with a significant sample of observations of publicly listed Spanish firms. The findings provide the basis for a consideration of what should

determine the remuneration of directors and how their performance should be evaluated in terms of creating value for the firm.

These contributions reveal the relevance of the topic and the need for greater research and more empirical evidence. Future studies should build on these results and deepen the analysis of the presence of blockholders on boards of directors. Complementary studies should use other measures to gauge the impact of blockholders, such as different types (families, institutions, etc.) or the size of their stakes. Likewise, these studies should evaluate whether factors such as attendance to board meetings are effective measures of directors' performance, and whether other measures more closely linked to performance and value creation would be more instructive.

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Table 1. Descriptive statistics

Variable	Mean	S.D.	Minimum	Maximum
Annual remuneration external director (in €)	56942.33	38101.24	3887.00	277222,00
(Blockholder directors / Total external directors) * 100	49.32	25.52	0	100
(Blockholder directors on committees / Total external directors on committees) * 100	45.70	25.38	0	100
Market capitalisation in €on 31 December	4707129778.07	11166912483.27	20987586.36	69735406855,85
Number of board meetings	9.53	3.34	4	26
Total number of directors	12.35	4.00	5	27
Year *				
1999	20			
2000	28			
2001	38			
2002	52			
2003	74			
2004	74			
2005	72			
2006	59			

\* The mean column for this variable captures the number of cases per year.

Table 2. Evolution of the variables during the period of study

Variable	1999	2000	2001	2002	2003	2004	2005	2006
Annual remuneration external director (in €)	32716,85 (25564,83)	43292,80 (27061,48)	48683,65 (27926,42)	48241,28 (26079,79)	56973,63 (37573,99)	60369,95 (41796,34)	63900,97 (40987,06)	72694,13 (44419,32)
(Blockholder directors / Total external directors) * 100	50,93 (27,17)	53,01 (26,19)	50,89 (24,28)	47,17 (26,73)	50,16 (26,88)	49,70 (25,13)	48,93 (24,92)	46,93 (24,82)
(Blockholder directors on committees / Total external directors on committees) * 100	Na	48,52 (26,08)	40,54 (26,45)	40,34 (25,07)	47,26 (27,34)	47,53 (24,12)	48,08 (24,09)	45,12 (25,32)
Market capitalisation in € on 31 December	3136768389,51 (7263553881,74)	5210534392,56 (12864001427,98)	2762427171,05 (7407164664,31)	3338685072,48 (7587700264,11)	3919185384,98 (9424473306,62)	5082186836,64 (11900546867,20)	6017917831,70 (13048797539,37)	6299161451,74 (14318854125,79)
Number of board meetings	8,85 (3,11)	8,57 (3,64)	9,02 (3,01)	9,21 (3,40)	9,56 (3,29)	9,83 (3,21)	9,86 (3,46)	9,98 (3,49)
Total number of directors	12,10 (5,58)	12,28 (4,82)	12,42 (4,11)	12,5 (3,77)	12,31 (4,24)	12,18 (3,72)	12,21 (3,68)	12,67 (3,71)

Na: Data not available for this year.

Table 3. Correlations

Variable	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Percentage Blockholders / Externals	1												
2. Percentage Blockholders on committees	,850***	1											
3. Capitalisation	-,254***	-,266***	1										
4. Total number of directors	,240***	,267***	,419***	1									
5. Number of board meetings	-,089	-,123**	,223***	,051	1								
6. Year 1999	,014	-	-,028	-,013	-,046	1							
7. Year 2000	,038	,030	,010	-,004	-,077	-,016	1						
8. Year 2001	,019	-,063	-,057	,006	-,048	-,018	-,022	1					
9. Year 2002	-,032	-,083	-,046	,015	-,036	-,021	-,025	-,030	1				
10. Year 2003	,015	,030	-,034	-,004	,005	-,026	-,031	-,036	-,042	1			
11. Year 2004	,007	,034	,016	-,018	,043	-,026	-,031	-,036	-,042	-,050*	1		
12. Year 2005	-,007	,044	,055	-,016	,045	-,025	-,030	-,035	-,041	-,050	-,050	1	
13. Year 2006	-,038	-,010	,060	,034	,055	-,023	-,027	-,032	-,037	-,045	-,045	-,044	1
14. Remuneration	-,022	-,122**	,413***	,329***	,360***	-,144***	-,097**	-,070	-,088	-,001	,040	,082	,167**

\*\*\* p=0.000; \*\*p=0.050; \*p=0.100

Table 4. Regression models

	Complete model	Models with Percentage Blockholders / Total external directors		Models with Percentage Blockholders on committees / Total external directors on committees	
	Model 1	Model 2.1	Model 2.2	Model 3.1	Model 3.2
Percentage Blockholders / Total external directors	-0.028	0.074	-0.063	-	-
Percent. Block. on committees / Total ex. directors on committees	-0.072	-	-	-0.084*	-0.200***
Capitalisation	0.286***	0.295***	-	0.286***	-
Total number of directors	0.244***	0.145***	0.315***	0.233***	0.397***
Number of board meetings	0.260***	0.262***	0.312***	0.265***	0.307***
Year 1999	a	-0.101**	-0.121***	a	a
Year 2000	-0.027	-0.042	-0.064	-0.044	-0.052
Year 2001	-0.012	-0.038	-0.050	-0.019	-0.032
Year 2002	-0.062	-0.060	-0.073	-0.061	-0.074
Year 2003	b	b	b	b	b
Year 2004	0.016	0.016	0.028	0.015	0.024
Year 2005	0.042	0.032	0.061	0.043	0.066
Year 2006	0.118**	0.101*	0.118**	0.118**	0.123**
R squared	0.352	0.303	0.278	0.351	0.322
R adjusted squared	0.330	0.282	0.260	0.331	0.205
F	15.965***	14.258***	15.480***	17.594***	18.638***

\*\*\* p=0.000; \*\*p=0.050; \*p=0.100

a Variable eliminated from the analysis because it was constant or had a lost correlation.

b Variable excluded by the statistical programme (SPSS).