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Develop the Principle of the Board of Directors and its Effectiveness for the Corporate Governance Guidelines of the Stock Exchange and Securities Organization of Iran[1]

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Research Paper

Introduction

Corporate governance is one of the main characteristics of efficient economies. This gives shareholders the information, rights, and ability to influence management through the governance process and ensures that the company's assets are used fairly for the benefit of all stakeholders. As companies grow and ownership separates from management, according to agency theory, managers may make decisions that aim to optimize their wealth or minimize their own risk, leading to a loss of owners' capital. To control this situation, various mechanisms within the organization, including the election of the board of directors, etc., And outside the organization, including the laws and regulations governing the company, etc., have been proposed to limit agency conflicts. The board of directors,

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as an internal mechanism, is an important unit in the organizational structure of any company, which is considered the axis of communication between shareholders and managers, and because of this, plays an important role in corporate governance in companies. For this reason, the issue of board composition and its effectiveness in corporate governance guidelines developed by the capital markets of different countries. The issue of corporate governance in Iran was discussed in the Research Center of the Islamic Consultative Assembly in the early 2000s, and then a committee called Corporate Governance was formed in the Ministry of Economic Affairs and Finance. At the end of 2004, the Exchange and Securities Brokers Organization started the initial publication of the company's management regulations, and in 2007, after reviewing it, the final draft of these regulations was published by the Tehran Stock Exchange Company, And in May 2013, the draft corporate governance guidelines for listed and OTC companies were placed in the Codal site for public consultation, and finally, in September 2016, a new version of corporate governance guidelines was announced by the Stock Exchange and Securities Organization, but the guidelines have a weakness, including the inconsistency of some of its provisions with the Commercial Code, the definition of ambiguous features of an independent board member, Lack of precise definition of concepts and reforms in corporate governance, etc., which has not been possible to implement so far. This study examines the principle of the board in the principles of corporate governance of the three countries of the United States, the United Kingdom, and Malaysia. Also, by examining the weaknesses of the principle of the board of directors in the corporate governance instructions of the Iranian Stock Exchange and Securities Organization, based on the Delphi method, the principle of an effective board of directors was developed.

Methodology

Based on the subject of this research, the research method should be selected in a way that evaluates the current situation (what it is) and also made it possible to achieve a desirable situation, or in other

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words (what it should be). Therefore, among the existing approaches of research methodology, an appropriate interpretive approach was identified to use fuzzy Delphi research methodology to achieve research objectives. For this purpose, based on the opinion of supervisors and Advisors, 30 experts, including faculty members of the Department of Accounting and Financial Management of universities, board members and executives of the Iran Stock Exchange, board members and members of the audit committee of companies admitted to Tehran Stock Exchange and OTC Iran and members of the Society of Certified Public Accountants were selected.

Results and Discussion

The present study after reviewing the theoretical literature, the composition,n and characteristics of the board of directors in the principles of corporate governance of the New York Stock Exchange, London Stock Exchange, and Malaysian Stock Exchange and considering the social, economic, political, and cultural conditions of Iran, the dimensions and components of effective composition and characteristics of the board These include: Board Roles, Responsibility Separation, Chairman of the Board, Non-Executive Board Members, Board Composition, Board Commitment, Board Development, and Improvement, Board Information and Communication, Board Evaluation, Re-Selection of Board Members and board compensation were selected. Then, 30 experts were consulted and the results were analyzed using the triangular fuzzy Delphi method, and finally, the dimensions and components of the composition and the characteristics of the effective board were extracted. The results show that the principle of the board of directors and CEO of the corporate governance guidelines developed by the Iranian Stock Exchange and Securities Organization has some bugs, including the definition of major shareholder, and the definition of the characteristics of an independent board member. Also, Components such as appointing an independent senior member, disclosure of the number of meetings of the board of directors and committees, determining the training needs of board members, evaluating

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the performance of board members, etc. are not foreseen and require the use of consensus results in the present study.

Keyword: Corporate Governate the Principles, the Composition of the Board of Directors, Characteristics of the Board of Directors.

JEL Classification: M48, G34, O16

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