

## A Strategic Perspective to Board of Directors (BOD) Effectiveness



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A key question in the discussion on BOD effectiveness is whether it can bring value to the company and its shareholders, and if so, how. Research on this topic is mainly based on two perspectives: the economic/legal and the strategic. The economic/legal perspective emphasizes the so-called 'inherent conflict of interests' between the company's management and its shareholders, and views the BOD's main role as to control and monitor management. The strategic perspective emphasizes the BOD as a resource and its role in supporting the company in strategic decision-making processes. This school of thought has been recently emphasized because of the business challenges companies face today, which are complex than ever.

The discussion on BOD effectiveness is far-reaching, beyond the scope of this paper, crossing economic and cultural borders and different research and practical disciplines. This paper presents the reader with the strategic and international context of BOD effectiveness, without purporting to discuss legal or other aspects. It points to the BOD's capacity to integrate its roles as key to support the company's long-term sustainable growth and profitability.

## Effects of Regulation and Legislation on Executive Compensation in Israel



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The implications of senior executives' compensation practices in public companies have been the focus of considerable debate among both academics and practitioners and go beyond the level of the relationship between the company, its shareholders and its executives. At the heart of the discussion is the argument that compensation levels of top executives in public companies, especially CEOs, are excessive, bear no relation to the performance of the company and sometimes affect its risk profile. As a result, a number of regulatory and legislative steps have been taken over the past two decades to increase transparency and tighten control over top executives' compensation practices, mainly through corporate governance. This study examines the effect of regulation and financial legislation changes (specifically, Amendment 16 and Amendment 20 of the Companies Act) on CEO compensation in public companies traded at the Tel Aviv Stock Exchange (TASE). The results suggest that legislative changes have checked the rise in CEO compensation. They demonstrate a significant decrease in the equity compensation and an increase in the bonuses, particularly after Amendment 20 came into effect.