

ABSTRACT

The present study examined the effects of directors' external network ties on directors' functional execution and the perception of firm performance. Using survey data from 170 directors of Thai companies, the present study found that the number of the external network ties of directors did not decrease directors' involvement and contribution on the focal firm's board; rather, such ties enhanced directors' monitoring and environmental scanning activities. Ties provided opportunities for directors to observe experiences in evaluating executives from other directors in the business network. Directors were more likely to use this knowledge and experience to monitor executives on the focal firm's board.

In addition, the external network ties were mechanisms that directors used to scan the external environment. Most of directors who had external network ties were prestigious directors – they were members of Thai elite network. Prestigious directors who tied to elite network had more opportunity to be invited to business conference, formal and informal meetings, social clubs, and other events. Thus, they had more opportunities to receive insight information from personal sources outside their company.

Moreover, the relationship between the number of directors' external network ties and the coordination with the government was found. Thai directors who tied to other organizations had more opportunities to know, communicate, and coordinate with the politicians and the government officials than directors who have no tie. Coordination was used to simplify constraints in doing business and even influence government policies.

However, the relationship between the number of directors' external network ties and directors' execution of the advising function was insignificant. Only the presence of ties was insufficient to influence directors to advise their executives.

With regard to firm performance, results from hypothesis testing indicated that the external network ties of directors had a direct influence on company's profit, while directors' execution of the advising, environmental scanning, and coordination with other organizations function were not significantly related to company's profit. Thais were much more relationship-oriented than task-oriented. Thais considered that person were very important. Without person involved, things were meaningless. Powerful directors who tied to other organizations had power to legitimize organizations. Having them on the company's board could enhance the company's image and company profits, even if they did not execute their function intensively.

Finally, directors' execution of the monitoring function was found to negatively associate with company's profit. Tight monitoring of directors was against Thai culture. It created conflict within a company, resulting in lower company's performance.

