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The Firm Valuation Effect of Busy Directors: New Evidence from Hong Kong Data
繁忙董事的公司估值效應：香港數據新證據

Submitted to
College of Business
商學院
in Partial Fulfillment of the Requirements
for the Degree of Doctor of Business Administration
工商管理學博士學位

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May 2019
二零一九年五月

ABSTRACT

This research contributes to the existing literature in the context of the Hong Kong listed firms on the effectiveness of busy directors on firm performance. The fundamental objective of this paper is to investigate the relationship between director busyness and firm performance by testing hypotheses on busy directors and their departure, new firms and policy reform effect. This research adopts NADC and CII directorship guidelines to define busy directors as directors who hold more than two directorships. The sample population consists of Hong Kong listed firms collected from HKEX's director list including Main and GEM Boards. The analysis is carried out using archival data from 2009 to 2014, comprising 11,388 observations of 1,898 listed firms. A statistical tool has been adopted to test the hypothesized models via regression analysis on a six-year firm-year based panel data. Several robust and alternative tests have been conducted to ensure validity and reliability of results including consideration of possible endogenous selection bias.

Findings reveal that busy independent directors are, in general, significant and positively associated with firm performance in monitoring roles and in advising young firms, as suggested in Reputation Hypothesis and Resources Dependency Theory. However, when compared with non-busy independent directors, busy independent directors showed weaker significance to firm performance. Furthermore, strengthened corporate governance reflected effective Policy Reform in operating performance, and results are robust under the Busyness Hypothesis. Hence, more evidence is found to support the regulator in considering a review on current multiple directorship. Lastly, different characteristics are found in busy inside directors and busy outside directors.