The positive influence of transformational leadership in good corporate governance

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ABSTRACT

Transformational leadership and corporate governance are rarely studied together, and this applies to the Philippine context as well. The Philippine private corporate structure based largely on corporate ownership, provides this research a unique and fertile ground on which to study how transformational leadership impacts good corporate governance. This study seeks to provide empirical evidence establishing the link between transformational leadership and good corporate governance, and how CEO pressure on directors on firm profitability affects this relationship. The research methodology employed is a mixed-methods procedure of a concurrent triangulation strategy. Thirty corporate directors (executive directors) were given questionnaires to complete, and afterwards underwent personal interviews to provide the qualitative data required for this study. Statistical results from regression analysis show that transformational leadership positively influences good corporate governance and that CEO pressure on directors on firm profitability has no effect on the relationship between transformational leadership and good corporate governance. Director perception of good corporate governance is not influenced by the presence or absence of pressure on firm profitability. Furthermore, the qualitative findings corroborate the statistical inferences from the quantitative analysis. There were several unanticipated results such as CEO duality as a moderating variable and religion as a conceptual definition by respondents for both transformational leadership and good corporate governance, which may provide abundant input for further research on leadership and corporate governance.

JEL Classification: I21, M14

Keywords: transformational leadership, corporate governance, executive directors, independent directors

INTRODUCTION

Burns (1978) introduced the concept of transformational and transactional leadership later developed by (Bass, 1985), who posited that these are independent but complementary constructs. Transactional leadership focuses on an exchange of productivity for reward, that is, productivity can be achieved by giving rewards, and no productivity can mean withdrawal of rewards or benefits. Meanwhile, transformational leadership is concerned about achieving extra-ordinary outcomes, and in the process allows employees to develop their own leadership capacities (Avolio, Waldman, & Einstein, 1988; Bass & Riggio, 2006; Bass, Waldman, Avolio, & Bebb, 1987). Consequently, transformational leadership occurs when leaders and followers raise one another to a higher level of motivation (Bennis & Nanus, as cited in Pawar & Eastman, 1997).

Transformational leadership will continue to be an explored area of leadership as studies owing to many unexplored areas such as linking transformational leadership and performance (Goodwin, Whittington, Murray, & Nichols, 2011; Valdiserri & Wilson, 2010), cascading to different levels of transformational leadership (Bass, Avolio, & Goodheim, 1987; Bruch & Walter, 2007), as well as other facets like development of transformational leadership, new predictors and contingencies, training authentic transformational leaders, the inner workings of transformational leaders, the dark side of transformational leadership, and many other perspectives (Bass & Riggio, 2006).

Placed alongside this leadership perspective is the international focus on business crises (1997 Asian financial crisis) and corporate scandals (Fortune 500 companies Worldcom, Bear Stearns, Lehman Brothers, AIG, to name a few) spanning the decades of 1980s up to the first decade of the 21st century, which put leadership and governance critically at the forefront. Corporate governance, or the bad practice of it, has been blamed as the culprit for the Enron, World Tyco, and other business debacles (Elson, 2004; Lawal, 2012; Naciri, 2010). Since then, the focus has been turned to governance, first termed by the World Bank as the way in which power is exercised in the management of social and economic resources of a country for development (Naciri, 2010). At the corporate level, it has taken on several meanings, such as all the principles, mechanism, and processes that used to govern organizations ethically (Naciri, 2010); the process by which companies are directed and controlled (Cadbury Report 1992, as cited in Tricker, 2009; OECD, 1999, as cited in Tricker, 2009); and the exercise of power over corporate entities (Tricker, 2009). Variations in definitions highlighted different perspectives by authors and focus- activities of the shareholders, the board, and management; the context in which corporate governance is practiced; the widest focus is one which involves all and every element that can affect the exercise of power over corporations (Clarke, 2004, as cited in Tricker, 2009; Tricker, 2009).

Directors are central characters of corporate governance and are considered the guardians of corporations. In the OECD Principles of Corporate Governance (2008), it is stated, "The corporate governance framework should ensure the strategic guidance of the company, the effective monitoring of management by the board, and the board's accountability to the company and shareholders." The early conception of corporate governance was based on the agency theory, which assumes that humans have individualistic motivations, and even its psychological explanation points to humans as rooted in economic rationality (Davis, Schoorman, & Donaldson, 1997). This gives rise to the principal (shareholder) and agent (manager) divergence. Tricker (2009) noted that the conceptual underpinning of corporate codes all over the world is rooted in this agency dilemma.

The relationship between CEO and the board of directors as a result of the agency dilemma can be regarded as an "uneasy but more coequal alliance" (Useem, 1996 as cited in Chen, 2007, p. 59). Most researches on the CEO and the board dynamics centers on power, control, involvement, and vigilance among others (Boyd, Haynes, & Zona, 2011). Under stewardship theory, this relationship is predicted to enhance performance if the positions of Chairman and CEO are combined as one – hailed as CEO duality, or when the CEO also serves as the Chairman of the Board (Desai, Kroll, & Wright, 2003; Faleye, 2007; Finkelstein & D'Aveni, 1994; Tuggle, Sirmon, Reutzel, & Bierman, 2010). CEO duality "removes the role ambiguities and conflicts which might arise with the sharing of power (Boyd et al., 2011, p. 1895), and "establishes unity of command" (Finkelstein & D'Aveni, 1994, p. 1080).

This study explores the relationship between transformational leadership and good corporate governance drawing from theoretical perspectives offered by agency theory and stewardship theory (Davis et al., 1997; Tricker, 2009). Previous studies have linked transformational leadership with positive firm performance (Avolio et al., 1988; Humphreys & Einstein, 2003; Jung & Avolio, 1999; Sashkin & Sashkin, 2003; Valdiserri & Wilson, 2010; Waldman, Ramirez, House, & Puranam, 2001), some of which, these outcomes are measured in terms of profitability. After all, even if stewardship theory supporters acknowledge stakeholder interest, they believe that the directors' responsibility is to the shareholders (OECD, 2008; Tricker, 2009).

I also look into the extent of moderating effect of CEO pressure on directors on firm profitability to good corporate governance. Occupational stress (Ongori & Agolia, 2008) and other stresses brought about by uncertain conditions (Waldman et al., 2001) can push for performance at one end, but may also result in dissatisfaction on the other. From the perspective of leadership, stress can also have an ill effect. That is, according to Bass (2008), "instead of careful analysis and calculation or the effective use of the intuition of the expert based on learning and experience, stressed decision makers fall back on nonproductive intuitive reactions that satisfy their immediate personal emotional needs rather than the objective requirements of the situation."

Research hypotheses

There is no direct link between transformational leadership and good corporate governance or at least the financial performance (Avolio et al., 1988), although most researchers agree that transformational leadership results in better organizational and financial outcomes. Although a number of studies have claimed that transformational leadership does contribute to better performance, these were vaguely described as profitability, organizational success, or financial performance without getting into detailed variables (Petra, 2005; Valdiserri & Wilson, 2010; Waldman et al., 2001). These can actually be derivatives of good corporate governance as described in a working paper (McGee, 2009).

The positive relationship between transformational leadership and good corporate governance is illustrated in Figure 1.

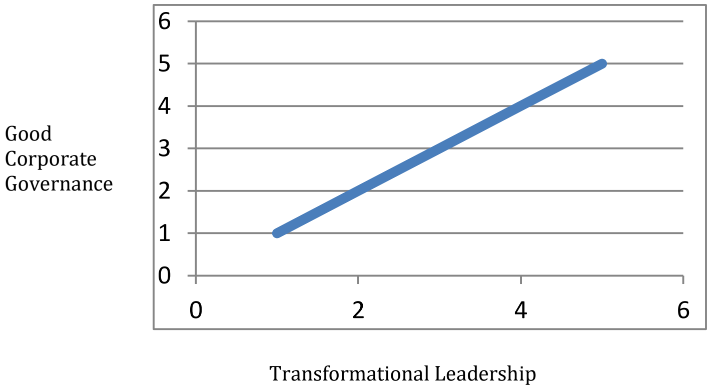
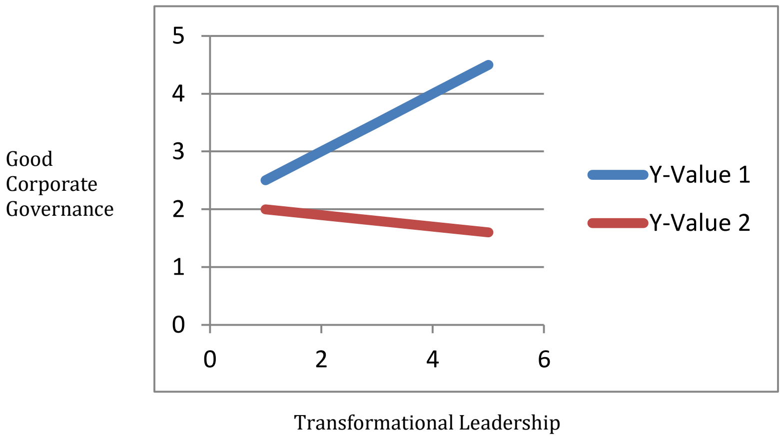


Figure 1. The relationship of transformational leadership and good corporate governance

H1: Transformational leadership positively influences good corporate governance. Stress can be a deterrent to good performance and a cause for job dissatisfaction (Ongori & Agolia, 2008). From a leadership stance, stress can cause faulty decision-making (Bass, 2008). However, in studies of transformational leadership, unstable conditions, or even stress contributed to performance. Charisma or idealized influence (Bass & Riggio, 2006; Waldman et al., 2001) influenced positive firm performance. “Members identify with a leader’s vision and with the experience a heightened sense of self-efficacy as a result of their cohesion is developed” (Podsakoff, MacKenzie, Moorman, & Fetter, as cited in Waldman et al., 2001). Moreover, following the argument on charisma as an attribute of transformational leadership, a study by Tichy and Devanna (1996) as cited in Hinkin & Tracey (1999) claimed, “a crisis may be a necessary condition for a charismatic leader to emerge” (p. 110). To understand this conflict better, I put forward the following hypothesis.

H2: Transformational leadership positively influences good corporate governance if directors are not pressured by the CEO on firm profitability. CEO’s overemphasis on economic values or maximizing profit can lead subordinates to believe that the CEO exercises autocratic leadership (Luque, Washburn, Waldman, & House, 2008). This perspective runs counter to visionary leadership, which in the authors’ study, states that autocratic leaders tend to focus on short-term financial gains and can be perceived by subordinates as “failing to provide a compelling vision of the future” (p. 633). In contrast, visionary leaders, who hold stakeholder values have the propensity to articulate future-oriented visions benefitting multiple constituencies can be viewed as offering visions high in content (inspirational concern) and quality (consideration of broader and longer-term effects). In Luque et al. (2008), it was shown that visionary leaders have subordinates who exert extra effort which lead to firm performance. However, the opposite was not seen for autocratic leaders.

The shareholder-wealth-maximizing paradigm of Tourigny, Dougan, Washburn, and Clements (2003) espoused the idea that the be-all and end-all of corporate organizations is profitability. This pushes executives to render questionable behavior and decisions to enhance the bottom line. An example cited was the tampering with the books, in an effort to show short-term financial gains and satisfying powerful shareholders.



Y-Value 1: If the CEO pressure on directors on firm profitability is low, the relationship between transformational leadership good corporate governance is positive.
Y-Value 2: If the CEO pressure on directors on firm profitability is high, transformational leadership and perception of good corporate governance is negative

Figure 2. Interaction effect of CEO pressure on directors on firm profitability on good corporate governance

In the third hypothesis, the moderating variable changes the relationship between transformational leadership and good corporate governance depending on the CEO pressure on directors on firm profitability. According to Hair, Black, Babin, and Anderson (2010), this moderator or interaction effect complements the explanation for the relationship between the independent and dependent variables, or in this case the relationship between transformational leadership and good corporate governance as illustrated by Figure 2.

H3: CEO pressure on directors on firm profitability is a moderating influence on good corporate governance. This framework highlights the consequences of transformational leadership to good corporate governance and how CEO pressure on directors on profitability moderates this relationship. Directors should be constantly aware of their roles as stewards of companies and exercise vigilance to ensure proper governance.

Significance of the Study

The usual assumption of pressures on firm profitability is from the board of directors to the CEO to deliver bottom line objectives of the company, and this is based on the existing legal framework whereby the CEO reports to the board of directors. But because of the nature of privately held corporations, particularly in family-owned corporations, the CEO can be in control of the board (De Ocampo, 2000; Ferrer & Banderlipe, 2012; Khan, 1999). More often, the CEO or the largest shareholders place these directors on board (De Ocampo, 2000; Latham, 1999, as cited in Petra, 2005). Because of this, directors become beholden to the CEO (Daily, Dalton, & Canella, 2003).

Transformational leadership, on the other hand, has lofty goals of accomplishing the corporate vision by elevating employees to sharing the vision with leadership, and in turn raise them up to become leaders themselves, and to even make of them “moral agents” (Avolio et al., 1988; Burns, 1978, as cited in Gardiner, 2006; Sarros & Santora, 2001; Springett, 2004). The kind of leadership practice demanded of the board of directors is beyond what protects the interest of shareholders, but seeks to develop leaders with moral ascendancy.

Corporate codes around the world are all responses to the agency dilemma (Tricker, 2009), which sees the agent (management) as someone who has “individualistic utility motivations” and who will “rationally maximize their own utility at the expense of the principal” (Davis et al., 1997, p. 22). This study, though, looks at the CEO as “self-actualizing” (Davis et al., 1997), and maximizing profits for the company can be among the “self-actualizing” drivers of CEO actions.

Literatures showed how these variables were studied separately, with a few of these demonstrating a convergence of transformational leadership and corporate governance. This study is a necessary step to establish a positive link between transformational leadership and corporate governance, and also to ascertain whether CEO pressure on directors on profitability has a moderating effect on corporate governance. Using a questionnaire, this study should provide rich insights into directors’ conceptions of leadership and corporate governance, and their views about how the stress on profitability can affect their opinions on the two variables. The study shows how these variables operate given the peculiar and unique corporate set up in the country. This research should be able to provide abundant input for future research on leadership and corporate governance in the Philippines.

The results of this study may also be used to push for more efforts from the Philippine government and corporate governance institutions on how to improve corporate governance practice in private corporations, not just mere compliance through set structures, but rather beyond compliance through behavioral and ethical foundations.

The hegemony of the agency theory in the study of corporate governance is addressed (Desai et al., 2003). CEO pressure on directors on firm profitability can be a reason why agency theory is widely accepted as a theoretical basis. However, this study also contributes by expositing why the study of corporate governance through the lens of stewardship theory, and the influence of transformational leadership in carrying out good corporate governance may be able to explain the dynamics between the two concepts.

Further, by exploring the moderating factor of CEO pressure on directors on firm profitability, it may make us understand why manifestations of transformational leadership behavior of CEOs, who themselves are either executive directors or Chairs of boards, may temper the level of good corporate governance. This is an unexplored area in corporate governance research, and findings of this study will contribute to the body of work on the wealth maximization perspective of corporations.

Research on corporate governance is primarily conducted on independent directors as respondents; very few studies, if any, are done with executive directors (O'Toole, 2006). These studies only show how corporate governance are complied with by independent directors and how this process improves organization performance. When executive directors, defined by Petra (2005) as board members who sit in the board but have direct involvement with the day-to-day operations of the company, are the subjects of a study, where will the difference in opinions about CEO pressure on profitability lie? This study looks at how executive directors in a board respond to CEO pressure on directors on firm profitability affect their concept of good corporate governance.

The conflicting findings, when stress brought upon by work pressure leads to positive or negative organizational performance have not been sufficiently explained from previous studies. Also, where does the stress come from? Is it solely directly coming from the CEO whose prime objective is to produce company profits or is it from some other factor?

Further, pressure coming from CEO on directors on firm profitability in carrying out good governance has not been researched on since the usual assumption of pressure on firm profitability comes from the board of directors to the CEO. But when the pressure on the directors comes from the CEO, does transformational leadership still positively influence good corporate governance?

This study contributes to the current body of knowledge in corporate governance by providing new insights on director views of CEO leadership style and whether this influences their concept of good corporate governance when the directors feel the pressure from the CEO to produce company profits. This will be of help to researchers of corporate governance, who intend to look at economic as well as behavioral perspectives of the topic.

Corporate governance despite universally- accepted codes, have different meanings and implications on the country of origin and its culture (Iu & Batten, 2001). This study attempts to explain the phenomena by demonstrating the perceptions of the Philippine board directors on transformational leadership and corporate governance and how pressures on them on firm profitability affect the relationship of the two constructs. It is particularly significant as the Philippines presents a cultural context which manifests in a unique private corporate setup. The findings of this study will add to the literature on corporate governance in Asia.

METHODOLOGY

This research took the form of an empirical investigation on the influence of transformational leadership on good corporate governance and whether CEO pressure on directors on firm profitability would have a moderating effect on this relationship. The primary data used to answer the research questions are questionnaires and interviews (Cozby, 2005) given to 30 executive board members from different Philippine private corporations and from various industries. Board members are leaders who ensure proper governance of their respective organizations and they will be the most appropriate respondents for this study (Nicholson & Newton, 2010).

The research strategy used for this study was a survey. The survey administered to company directors aided in explaining the positive relationship between transformational leadership and good corporate governance, and if this relationship is moderated by CEO pressure on directors on firm profitability. Saunders, Lewis, and Thornhill (2010) stated that apart from providing quantitative data for analysis, the survey could also be used to provide possible reasons for particular relationships between variables.

The semi-structured interviews with the same respondents, on the other hand, provided qualitative inputs that may corroborate the quantitative findings. Will transformational leadership influence carrying out good corporate governance? What factors or dimensions of transformational leadership can aid in this process? Results of the interview provided fresh insights to the questions this research is attempting to answer and/or to provide direction on future research.

Saunders et al. (2010) in his discussion on the use of mixed methods research, cited the works of Tashakkori and Teddlie (2003) who posited that multiple methods are advantageous if they create better opportunities for the researcher to answer the questions and allow evaluation of the extent of validity of findings.

I employed a mixed methods approach for data collection and analysis. According to Creswell (2009), there are several mixed methods models and for the purposes of this research, I made use of the concurrent triangulation approach. Quantitative and qualitative data were collected concurrently in one or two interview sessions depending on the availability of the Directors.

Upon completion of the data set, analysis of data was done separately since the methodology of each is different. The results from both were compared to determine if there is convergence, difference, or some combination. Triangulation was used to corroborate research findings.

Measurement and Instrumentation

A questionnaire was specifically designed for this study. Perceptions of directors were used to measure the constructs. The use of perception in conducting scientific research has produced a sizeable amount of literature. I cite the work of Heider (1944) who argued for the relationship between social perception and phenomenal causality, stated that an environmental change derives its context from the source to which it is attributed. According to Jussim (1991), much of social psychological theorizing and research is based on the belief that social perception is a major force in creating social reality. In a study by Boyd, Dess, and Rasheed (1993), two factors were identified, namely the level of analysis and the mediating filters in explaining both causes and consequences of divergence between archival and perceptual measures of the environment.

One of the more contentious issues of perceptual studies is bias. Miller and Ross (1975) argued that the literature provides support that individuals engage in self-enhancing attributions under conditions of success and only little evidence was suggested that individuals engage in self-protective attributions under the conditions of failure. In anticipation and addressing of bias for this study, the detailed processes of the interview must be handled with care to recognize and avoid interviewer and interviewee biases. According to Saunders et al.

(2010), participating in an interview is an intrusive process; therefore preparation for the interview process must be given thoughtful consideration to strengthen its validity and reliability.

The survey questions on the independent variable were based on Bass and Riggio's (2006) four dimensions of transformational leadership behavior. The statements attempt to assess the directors' perception of their CEO transformational leadership behavior.

The survey questions on the dependent variable were adapted from the principles of Corporate Governance of the Organization for Economic Cooperation and Development (OECD) with particular emphasis on Principle No. 6: Responsibilities of the board (OECD, 2008).

Statements on CEO pressure on directors on firm profitability as a moderating variable were developed by the researcher based on various discussions with directors prior to questionnaire development to measure the strength of the relationship of the dependent and independent variable.

Results

Results from this mixed methods research provided answers to the research questions and allowed for the evaluation and validity of findings. Both quantitative and qualitative findings showed that transformational leadership positively influences good corporate governance, and that CEO pressure on directors on firm profitability has no moderating effect on the relationship between transformational leadership and good corporate governance.

Quantitative results

Results show that the multiple linear regression model is fit (ANOVA p = 0.001). All the assumptions were met. Based on the regression model, only transformational leadership (independent variable) predicts good corporate governance (dependent variable). CEO pressure on directors on firm profitability (moderating variable) has no effect on good corporate governance nor does it influence the relationship between the independent and dependent variables.

Table 1. Regression equation coefficients

Model	Coefficient	SE	t	p	VIF
Intercept	.995	.928	1.072	.294	
x_1	.699	.161	4.349	.000	1.293
x_2	.078	.107	.728	.473	1.455
x_1x_2	-.037	.064	-.582	.566	1.481
R^2 = .449		SE = .30471			

Table 2. ANOVA

Model	Sum of Squares	df	Mean Square	F	p
Regression	1.969	3	.656	7.070	.001^b
Residual	2.414	26	.093		
Total	4.383	29			

The proposed regression model for this study is:

$$Y = 0.995 + 0.699x_1 + 0.078x_2 - 0.037x_1x_2 \quad (1)$$

where:
0.995 = intercept
0.699 = linear effect of x_1

0.078 = linear effect of x_2
– 0.037 = moderator effect of x_2 on x_1
Y = dependent variable (good corporate governance)
x_1 = independent variable (transformational leadership)
x_2 = independent variable (CEO pressure on directors on firm profitability)

Hypothesis 1 – *H1: Transformational leadership positively influences good corporate governance.* The coefficient x_1 (transformational leadership): For every increase of one level in transformational leadership, there is a corresponding increase of 0.699 in the good corporate governance scores ($p < 0.001$). This implies that the more transformational the CEO is with his leadership style; the practice of good corporate governance is enhanced.

In order to ascertain the direct relationship between transformational leadership and good corporate governance, I used a simple linear regression model (2) with one independent variable, x_1 = transformational leadership and Y = good corporate governance. The resulting regression model is:

$$Y = 1.517 + 0.642x_1 \quad (2)$$

where:
1.517 = intercept
0.642 = linear effect of x_1
Y = dependent variable (good corporate governance)
x_1 = independent variable (transformational leadership)

Table 3. Regression equation coefficients

Model	Coefficient	SE	t	p
Intercept	1.517	0.613	2.474	0.020
x_1	0.642	0.138	4.661	0.000
R^2 = .437		SE = .2969		

Table 4. ANOVA

Model	Sum of Squares	df	Mean Square	F	p
Regression	1.915	1	1.915	21.721	0.000
Residual	2.468	28	0.088		
Total	4.383	29			

The coefficient of determination (R^2) for this simple regression model has decreased to 0.437 (from the previous multiple regression model (1) where R^2 = 0.449) but the decrease is very small. In this model (2), we may infer that transformational leadership positively influences good corporate governance. Specifically, from the model we can say that 43.7% of the total variation in good corporate governance is due to transformational leadership. The linear model is also fit because its ANOVA is $p < 0.001$.

Figure 3 shows the linear relationship between transformational leadership and good corporate governance:

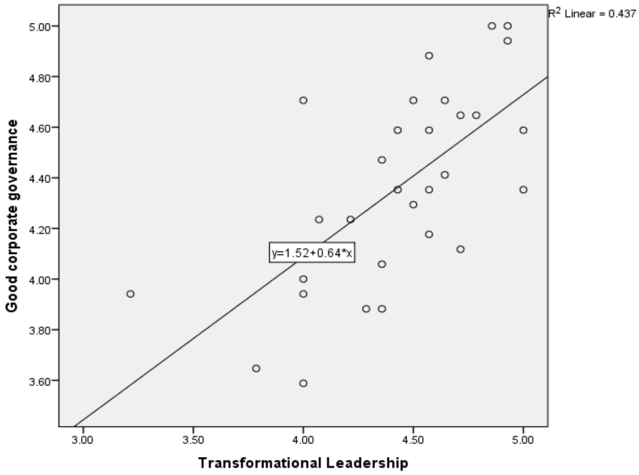


Figure 3. Linear relationship between transformational leadership and good corporate governance

Hypotheses 2 and 3. Presentation of H2 and H3 are discussed together because the results showed that the moderating variable CEO pressure on directors on firm profitability has no effect on good corporate governance and therefore has no bearing on the relationship between the independent and dependent variables (transformational leadership and good corporate governance).

H2: Transformational leadership positively influences good corporate governance if directors are not pressured by the CEO on firm profitability. The results showed that if directors are not pressured by the CEO on firm profitability, transformational leadership positively influences good corporate governance which makes the statement above true. However, even with the presence of CEO pressure on directors on firm profitability, directors are not affected or influenced by CEO pressure on firm profitability in their practice of good corporate governance; therefore, I cannot reject the null statement.

In order to answer shed light on this question, a simple regression model (3) is shown below to ascertain if CEO pressure on firm profitability influences good corporate governance:

$$Y = 4.635 - 0.084x_1 \qquad (3)$$

where:
4.635 = Intercept
– 0.084 = linear effect of x_1
Y = dependent variable (good corporate governance)
x_1 = independent variable (CEO pressure on directors on firm profitability)

Table 5. Regression equation coefficients

Model	Coefficient	SE	t	p
Intercept	4.635	.354	13.076	.000
CEO pressure on directors on firm profitability	-.084	.108	-0.779	.443
R^2 = 0.021	SE = .3914			

Table 6. ANOVA

Model	Sum of Squares	df	Mean Square	*F*	*p*
Regression	0.093	1	0.093	0.607	0.443[a]
Residual	4.290	28	0.153		
Total	4.383	29			

The previous model (3) shows a very low R^2 (0.021) as well as a poor fit for linearity (p = 0.443). This implies that good corporate governance is not directly influenced by CEO pressure on directors on firm profitability.

Figure 4 shows the relationship between good corporate governance and CEO pressure on directors on firm profitability is non-linear. CEO pressure on directors on firm profitability may be high or low and the corresponding practice of good corporate governance is likewise either high or low. This therefore means that there is no relationship between the two variables.

H3: CEO pressure on directors on firm profitability is a moderating influence on good corporate governance. Since the *p*-values for x_1x_2 (moderating effect of CEO pressure on directors on firm profitability) and x_2 (CEO pressure on directors on firm profitability) are both greater than 0.05, their coefficients are not statistically significant from zero, meaning they both do not influence good corporate governance. This implies that the CEO pressure on the directors on firm profitability does not influence their perception and practice of good corporate governance.

In the multiple regression model (1), R^2 is 0.449. This means that approximately 45 percent of the total variation in Y (good corporate governance) is explained by the linear correlation between x_1 (transformational leadership), x_2 (CEO pressure) and x_1x_2 (the moderating effect of CEO pressure on transformational leadership).

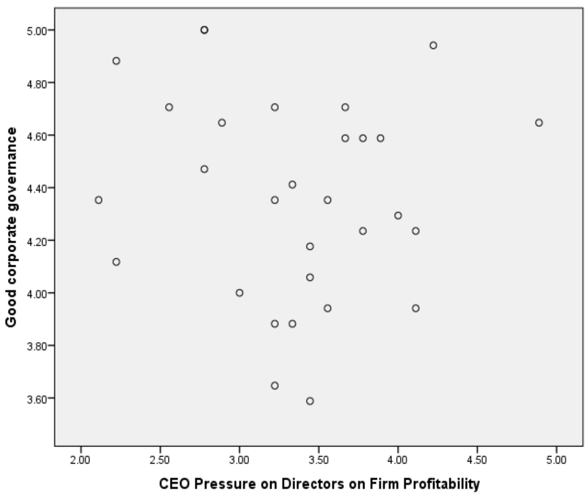


Figure 4. Non-linear relationship between CEO pressure on directors on profitability and good corporate governance

Qualitative Results

The method used for coding the data in this study is hypothesis coding. The responses gathered from the director interviews were content-analyzed through a pre-determined list of codes developed from a theory about what will be found in the data.

Transformational leadership. CEO leadership style was described by the respondents through their description of their CEO leadership behavior in various situations. The codes were categorized into the four dimensions, which was contextually themed as transformational leadership, as theorized by Bass (1985).

CEO transactional behavior was reflected in two of the cases and one particular outlier case reflected a dysfunctional type of leadership as narrated by the respondent. This particular case where CEO leadership behavior is considered by the respondent as tyrannical may be a basis for future research.

Table 7. Coding for interview results

Code	Category	Theme
Open communications	Individualized Consideration	
Listens to suggestions		
Caring attitude		
Attends to employee needs	Intellectual	
Situational leadership	Stimulation	
Open door policy		
Encourages creativity		
Delegates the work	Inspirational Motivation	Transformational
Nurtures and develops employees		leadership
Demands employees to do more		
Implementing necessary changes	Idealized Influence	
Motivates employees		
Source of inspiration		
Sets objectives clearly		
Charismatic attribute		
Knowledge of the business		
Setting good example	Following rules	Transactional leadership
Leadership from the top	Centralized decision making	
Doing the right thing	Reward for efforts and/or	
Emulates the leader	from productivity	Dysfunctional leadership
Plays fair		
Religious		
Serving others		
Authoritative		
Quick to decide without thorough consultation		
Provides financial rewards		
Instills fear with staff		
Unapproachable		
Uncaring attitude		
No concern for employees		
Difficult personality		

Good corporate governance. The respondents described good corporate governance from their actual practice and how they think it is implemented in their respective organizations. The ensuing codes were categorized into the board roles as presented by Nicholson and Newton (2010), which was then the basis for the thematic good corporate governance. These roles of the board reflect the responsibilities of the board by the OECD (2008) and which is part of my conceptual framework.

Table 8. Coding for corporate governance

Code	Category	Theme
Following the rules	Control	
Ensuring policy implementation		
Producing profit for the company		
Achieving same organizational goals		
Managing business well		
Sustainability		
Fear of punishment	Accountability	Good corporate governance
Strict compliance		
Transparency		
Inculcating proper values		
Stakeholder protection	Strategy	
Welfare of employees	Service	
Good leadership		
Integrity		
Religious conviction		
Strategy formulation		
Wealth of experience		

CEO pressure as a moderating influence on transformational leadership and good corporate governance. Responses from this question were direct answers from the participants if the pressure they receive from their CEO on firm profitability affects their practice of good governance. As with the quantitative findings, CEO pressure on directors on firm profitability does not influence good corporate governance.

There was only one respondent who stated in confidence, without going into specific details on that particular instance where her practice of good governance was compromised due to a financial problem she was faced at that time.

Table 9. Cross tabulation of moderating influence, CEO pressure and CEO duality

Pressure/Duality	Moderating influence	No moderating influence	Total
CEO pressure/CEO duality	1	11	12
CEO pressure/No CEO duality	0	5	5
No CEO pressure/CEO duality	0	9	9
No CEO pressure/No CEO duality	0	4	4
Total	1	29	30

Hypothesis 1 - *H1: Transformational leadership positively influences good corporate governance.* All of the respondents (100 percent or 30/30) affirm that their CEO leadership influences their perception of good governance. The thematic context of CEO transformational leadership supports this hypothesis, that transformational leadership positively influences good corporate governance. The qualitative result corroborates the quantitative findings for this hypothesis.

Hypotheses 2 and 3. Presentation of H2 and H3 are discussed together because the direct responses from the participants showed that the moderating variable CEO pressure on directors on firm profitability has no effect on good corporate governance and therefore has no bearing on the relationship between the independent and dependent variables (transformational leadership and good corporate governance).

H2: Transformational leadership positively influences good corporate governance if directors are not pressured by the CEO on firm profitability. A total of 57 percent (17/30) of respondents stated that they feel direct pressure from their CEO on firm profitability while 43% (13/30) of respondents stated that they do not receive pressure from their CEO on firm profitability. This corroborates the quantitative results that if directors are not pressured by the CEO on firm profitability, transformational leadership positively influences good corporate governance which makes the statement above true. However again, even with the presence of CEO pressure on directors on firm profitability, directors are not affected or influenced by CEO pressure on firm profitability in their practice of good corporate governance therefore we cannot reject the null statement.

H3: CEO pressure on directors on firm profitability is a moderating influence on good corporate governance. A total of 97 percent (29/30) of respondents stated that regardless of whether they receive CEO pressure on firm profitability or not, CEO pressure on directors on firm profitability has no effect on their perception of good corporate governance. This corroborates the quantitative findings that CEO pressure on directors on firm profitability does not influence their perception and practice of good corporate governance. However, this single case (representing 3% (1/30) from the data corpus from the qualitative results contradicted majority of the findings. This is an area worth looking into for future research.

DISCUSSION

Transformational and transactional leadership continuum

Transformational leadership was pioneered by Burns (1978). He described it as the type in which “leaders and followers raise one another to higher levels of motivation and morality” (p. 20). Transforming leadership, as he first termed it, converts followers into leaders and leaders into moral agents. He distinguished between two types of leadership – transactional and transformational, in which transactional leadership focuses on an exchange of productivity for a reward, that is productivity can be achieved by giving rewards, and no productivity can mean withdrawal of rewards or benefits (Bass & Riggio, 2006).

Similar to the comparison between agency and stewardship theories, transactional and transformational leadership also exist on the same continuum (Bass, 2008), where transformational leadership is at the highest level of the leadership continuum (Bass & Riggio, 2006) and those qualities of transactional leadership must be manifested to provide the proper context for effective leadership (Goodwin, Wofford, & Whittington, 2001). An instance in our sample reflected this. According to ED5, “We all work harder because we all know that at the end of the day, it helps us; our organization grows. It also helps to grow our dividends and patronage funds.” This statement showed the merging of extrinsic motivation (grow our dividends and patronage funds), which is a characteristic of transactional leadership, and intrinsic motivation (our organization grows), which is akin to transformational leadership. The results of this study validates the study made by Goodwin et at (2001) that linked transformational leadership with contingent rewards, which is a key dimension of transactional leadership.

Leadership occurs when both leadership and followership are present and recognized, and may it be in dyadic, group, or strategic level (Avolio, Sosik, Jung, & Berson, 2003). While the spotlight was focused on the effectivity of transformational leadership in bringing about performance (Avolio et al., 1988; Bass, 1985; Bass & Riggio, 2006; Goodwin et al., 2011), organizational commitment and success (Goodwin et al., 2011; Valdiserri & Wilson, 2010), job satisfaction (Bass et al., 1987), and profitability (Waldman et al., 2001; Valdiserri & Wilson, 2010) are also critical. However, for transformational leadership to be effective, Pawar and Eastman (1997) proposed that leaders should confront, reshape, or harness organizational contexts, in order to increase organizational receptivity, or members' reception to the transformational leader's vision and attempts to align them to the vision. The transformational leader has to retool internal organizational contexts such as organizational orientation, organizational task system, organizational structure, and mode of governance for the leadership to gain followership. This could perhaps account for why transformational leadership would work or fail in different circumstances.

Four dimensions of transformational leadership

In the transformational leadership literature, there were four dimensions identified, which characterizes transformational leadership behavior. These are: idealized influence, which provides vision and a sense of purpose, and elicits respect, trust, and confidence from followers; inspirational motivation, increases optimism and enthusiasm, communicates high expectations, points out possibilities not previously considered; intellectual stimulation, actively encourages a new look at old methods, stimulates creativity, and encourages others to look at problems and issues in a new way; and individualized consideration, gives personal attention to others, making each individual feel uniquely valued (Bass & Riggio, 2006; Bass & Steidlmeier, 1999; Brown & Reilly, 2008; Bruch & Walter, 2007; Hinkin & Tracey, 1999; Kark, Gilad, & Shamir, 2003; Nielsen & Munir, 2009; Sarros & Santora, 2001).

Of the four dimensions, idealized influence or charisma seemed to receive much attention in literature. Bruch and Walter (2007) found that idealized influence and inspirational motivation were the most identified transformational leadership behaviors present among the upper managers than middle managers they studied, with job satisfaction as the dependent variable.

Hinkin and Tracey (1999) propounded the thesis that charismatic leadership emerges at a time of crisis, as was true during political or religious upheavals. The study of Waldman et al. (2001) also showed that the connection between top managers and firm outcomes would depend on the managers' charismatic leadership, but only during a period of crisis.

Expecting idealized influence to come up in a business setting and in a period of stability seemed unrealistic. Charisma, for example, was found to be irrelevant during times of organizational stability (Hinkin & Tracey, 1999). Majority of the EDs interviewed belong to companies which are seeing a period of growth and stability. This perhaps accounted for the "lower" turnout of inspirational motivation and idealized influence (dimensions more coherent with charismatic leadership) among the respondents. Respondents identified individualized consideration as the most apparent transformational leadership behavior in the qualitative interviews. The result of my study was not consistent with what the literature would commonly identify as the dominant transformational leadership dimension. This may be due to the Filipino's concept of *kapwa* (others), which Virgilio Enriquez, father of Filipino Psychology, identified as the core concept underlying Filipino interpersonal behaviors. *Kapwa* is like a shared identity with others (Church & Katigbak, 2002). This may have accounted for individualized consideration as primary transformational leadership behavior, rooted in the Filipino's notion of the other, one of which sparks genuine concern.

Apart from extending the literature on transformational leadership, specifically on the transformational and transactional leadership continuum and the dimensional aspect of transformational leadership in a cultural context, my study was able to establish the link between transformational leadership and good corporate governance.

GOOD CORPORATE GOVERNANCE

Role of boards

Strategy. The Organization for Economic Cooperation and Development (OECD, 2008) provides the guidelines on how organizations may practice good governance. In this paper, I have defined good corporate governance as the performance of the responsibilities of the board. The OECD in Principle 6, responsibilities of the board, outlined those duties, which can be summed up in three major themes—strategy, control and accountability (Eckhart, 2006; Macey, 2008; Nicholson & Newton, 2010; OECD, 2008; Tricker, 2009). The other role of service (Carver & Oliver, 2002; Nicholson & Newton, 2010; Tricker, 2009) was derived from other literature.

Of these roles, the board's participation in strategy formulation and implementation is among those most discussed in literature. A review conducted by Pugliese, Bezemer, Zattoni, Huse, Van den Bosch, and Volberda (2009) identified the dominant themes on the contribution of boards to strategy per period. Period 1 (1972-1989) featured conceptual and empirical papers defining the extent of board participation in strategy. Period 2 (1990-2000) focused on empirical articles exploring the determinants and consequences of board strategic involvement. Period 3 (2001-2007) showcased empirical articles centered on boards' participation in strategic decision-making, while still being dominated by the input-output studies of Period 2.

This research was consistent with the dominant theme of Period 3, while little frequencies were noted, the directors made contributions to the strategy whenever these were mentioned. The study of Hendry and Kiel (2004) was also in line with the theme of Period 3. Also, another characteristic of Period 3 was the use of multi-theoretical approach, which in their study combined organizational control and agency theories. Their study advocated for an active school of thought for strategy making which states that boards are independent thinkers who shape strategies in their organization. They posited strategy as control mechanism beyond reducing divergence of interests, but also as a means of shaping mission and vision, regulating capacity for innovation and entrepreneurship, and initiating change when necessary.

Strategy was rarely mentioned by the EDs in their practice of good corporate governance. The EDs who mentioned about strategy talked about their involvement as initiators of corporate planning and review of implementation of programs, whether these are still aligned with the strategy. The strategy role can be setting the goals, values, and direction on one end, to approving, monitoring, and reviewing on the other (Nicholson & Newton, 2010). ED11 mentioned initiating a "business continuity plan, taking note of all possible negative occurrence that we can encounter and for each of these, we list company mitigating actions." This description is consistent with the active school of thought in strategy making, where boards actively participate in drawing up strategies. However, as the active school acknowledges this level of involvement, research also showed that this could pose a dilemma between setting and monitoring strategic direction and executing strategies on an operational level (Hendry & Kiel, 2004). This could be the case if directors are insiders, as was the situation of the interview participants.

The literature provided little attention to executive directors (O'Toole, 2006). However, some authors did point out the advantages of executive directors on board. A study by Masulis and Mobbs (2011) proposed that the firm-specific knowledge offered by inside directors is critical for board monitoring and decision-making. In their study, the authors found that inside directors who also hold outside directorship in unaffiliated firms were associated with higher firm performance, as well as better board decision-making. Thus, these inside directors with outside directorships were concluded to elevate board monitoring and help prevent CEO entrenchment.

Meanwhile, Nicholson and Kiel (2007) also made the same claim about the advantage of inside directors as knowing the company intimately and having superior access to information. This asset helps in informed decision-making. The study was ascertaining the relationship between directors and performance, using three theoretical lenses. Under stewardship theory, the assumption was that majority of the board members are insiders and they will "naturally work to maximize profits for shareholders" (p.588), which consequently leads to superior corporate performance. However, this assertion was not supported in their study. In my own research, however, inside or executive directors are beneficial to superior corporate performance as illustrated in the statement of ED11, "Good governance means good management, so good management, good governance can only contribute positively."

Accountability. Literature on Asian or Philippine corporate governance focused on control, transparency and accountability, or the lack of these facets, owing to the structure of ownership, which is family-based (Echanis, 2006; Iu & Batten, 2001; Kabigting, 2011; Saldaña, 1999). Transparency, a key feature of accountability in corporate governance literature (Eckart, 2006; Macey, 2008; Nicholson & Newton, 2010; OECD, 2008; Tricker, 2009), which were projected negatively in literature (Echanis, 2006; Iu & Batten, 2001; Kabigting, 2011; Saldaña, 1999) but gained positive light in my study. A weakness of corporate governance in family-owned structure can be found in transparency because disclosure is not a feature of relationship-based transaction environment (Iu & Batten, 2001).

In the study, two respondents were part of family corporations, in which one was moving away from the traditional family corporation mold. Case in point, ED18 described this transition, as "we're now professional". These two corporations did not fit the description by (Iu & Batten, 2001) and debunked their position because my respondents from family corporations exercised a high level of transparency. ED18 said, "We're professionals already and we're in accordance now with the policy which makes it easier for good governance. If we don't follow the policies, then we're not leading in good governance." ED24 further supported this when she said, "Process is process…It's so easy to cut corners if it's a family business, so all the more [good governance] is needed."

All executive directors in the sample belong to the top private corporations in Metro Manila, but are not publicly listed. Transparency was regarded as cornerstone of accountability to the company and to other stakeholders. For example, ED28 said, "Transparency is number one. You have to deliver your responsibilities in a way that you should be practicing honesty. Responsibility is very important… towards the stockholders, the stakeholders, and of course to the people, the staff, your peers, and the officers."

Jamali, Safieddine, and Rabbath (2008) regarded corporate governance as concerned with honesty and transparency, which are expected of companies to gain investor confidence and market efficiency, as well as earn employee trust and commitment. As a matter of fact, their article also propounded that companies are slowly inching towards performance evaluation including not only financial terms but also long-term social, environmental and economic impacts. They stressed the link between corporate governance as an internal process and corporate social responsibility as the outward counterpart. "CG was generally conceived as establishing a basic framework of stewardship and trusteeship, CSR was conceived as the outward expression or manifestation of internal CG policies and principles" (p. 457). In other words, based on Jamali and colleagues' (2008) study, a solid CG mechanism should be in place for CSR to genuinely work for the company.

While my study did not touch on CSR, it should be noted that the directors interviewed were conscious of good CG practices to contribute to performance that will benefit their stakeholders. Under stewardship theory, directors behave in a way that serves the collective, using corporate performance such that they also gain or serve their own interest without having to take advantage of the principal or other stakeholders (Davis et al., 1997). From our results, ED5 shared, "The organization's mission is to help improve the quality of life of the contractual workers… is simply effectivity, accountability, transparency, and most of all genuine concern for our members." ED21 emphasized, "Governance is basically doing what is right, not sacrificing the quality… you don't shortchange your investors. You pay the right taxes, you have responsibility over the people, over your investors, over your customers."

Transformational leadership and corporate governance nexus

Certain parallelisms exist between the study of transformational leadership and corporate governance but both are conceptually distinctive from each other. While the subject of transactional and transformational leadership is based on behavioral aspects of leadership, the study of corporate governance is based on the assumption of the principal/agent relationship. Transformational leadership behavior, therefore, may influence good corporate governance through the principal/agent perspective of stewardship. For example, if the CEO is transformational and inspires the EDs to act in a similar manner, then it behooves both parties to align their objectives that which supports proposition no. 9 by Davis et al. (1997) whereby potential performance of the firm is maximized if a mutual stewardship relationship exists.

Shared governance

The positive relationship of transformational leadership and good corporate governance may be gleaned in the shared governance process put forward by Gardiner (2006). He identified six characteristics of shared governance, to wit: (1) a climate of trust (integrity, consistency between words and deeds); (2) information sharing (disclosure of data necessary for decision making; (3) meaningful participation (broad involvement in all aspects of decision making and planning; (4) collective decision making (moving toward group consent); (5) protecting divergent views (valuing, nurturing alternative perspectives; and (6) redefining roles (all members are leaders) (p. 66).

Table 10. Relationship of transformational leadership and good corporate governance

Shared Governance	Dimensions of Transformational Leadership	Good Corporate Governance
A climate of trust	Idealized influence Inspirational motivation	Accountability
Information sharing	Individualized consideration	Accountability
Meaningful participation	Inspirational motivation	Control
Collective decision making	Inspirational motivation	Control
Protecting divergent views	Intellectual stimulation	Control
Redefining roles	Inspirational motivation	Accountability

In reference to these characteristics, four dimensions of transformational leadership, and the conception of good corporate governance are related through the performance of board roles.

Pawar and Eastman (1997) studied the organizational contexts in which transformational leadership would gain greater organizational receptivity, or acceptance from followers of a transformational leader's vision and prompting for alignment to the same vision. One of the organizational contexts was the mode of governance. Of the three modes, namely market, bureaucratic, and clan, the clan mode of governance would be more receptive to transformational leadership. The study recognized that organization members are likely to pursue self-interest, but under clan mode, it would be more inclined to see an alignment between their own and the organization. "In this mode, individuals are still self-interested, but they believe they can attain their goals by working towards the collective interests" (p. 97). This assertion is consistent with assumptions of stewardship perspective where the attainment of organizational goal in effect meets one's own.

The authors have a word of caution though. While this finding may show the context by which transformational leadership may enjoy receptivity, it will still depend on the leader on how to "retool, reshape, or harness" this context. So even when literature has supported the positive effects of transformational leadership, which is at the highest of the leadership continuum, it does not mean that it will work all the time. Based on their study, it will take more than just the exercise of the four dimensions; the contexts should also be considered to ensure higher receptivity. And to ensure this, a leader's context must be grounded in a deontological perspective.

Ethics as foundation

In the existing literature, transformational leadership was often linked with performance (Avolio et al., 1988; Bass, 1985; Bass & Riggio, 2006; Goodwin et al., 2011), organizational commitment and success (Goodwin et al., 2011; Valdiserri & Wilson, 2010), job satisfaction (Bass et al., 1987), and profitability (Valdiserri & Wilson, 2010). This study has proposed the positive relationship between transformational leadership and good corporate governance, and has established this link. This is my contribution to the literature on transformational leadership and corporate governance.

The positive relationship between transformational leadership good corporate governance can be rationalized by moral or ethical underpinnings. The ethics or morality link binds the two variables.

Burns (1978) asserted, "the result of a transforming leadership is a relationship of mutual stimulation and elevation that converts followers into leaders and may convert leaders into moral agents" (p.4). He identified three principles of moral leadership: (1) the moral leader engages followers in a meaningful shared purpose; (2) this purpose is morally elevating; and (3) the moral leader is successful in delivering this elevating common purpose in practice (Springett, 2004, p. 299). Bass and Steidlmeier (1999), meanwhile, stressed the distinction between authentic transformational and pseudo-transformational leadership, which lies in the presence or absence of a "moral foundation of the leader as a moral agent" (p. 178).

Kanugo (2001) categorized transformational leadership as ethical in motive, value, and assumptions. Based on a deontological perspective which judges a leader's action to have intrinsic moral values, a transformational leader's motivation is characterized by genuine or moral altruism (a leader's helping concern for other prompted by a sense of duty towards others without regard for self-interest), values akin to the norm of social responsibility (an internalized belief of a moral obligation to help others without expecting any personal benefit, assumptions or self-concept typify an allocentric self-concept (socio-centric and mainly concerned with protecting the interest of the group knowing that the personal and group interests are one).

Jamali et al. (2008) viewed corporate governance as an internal process of keeping with laws and tenets of ethics, fairness, and transparency. The OECD Principles of Corporate Governance (2008), in its Responsibilities of the Board, stated that the board should apply "high ethical standards" (p.116). The qualitative results of my study strongly supported the role of ethics as foundation that is necessary for good corporate governance. As a practical implication, ethics provides the ground for transformational leadership and good corporate governance to flourish. Also, to help ensure better corporate governance, director appointments may need to be based on the candidate's ability to understand the behavioral complexity of corporate governance and its effective implementation.

CEO PRESSURE ON PROFITABILITY

Profit maximization and stress

Tricker (2009) stated that a board's first responsibility is to its shareholders. Economic theory pushes profit maximization as the highest goal of an executive (Luque et al., 2008). Under profit maximization scheme or shareholder-wealth-maximizing model, profit is the most important and ultimate criterion for decision-making and is the super ordinate goal of an organization (Luque et al., 2008; Tourigny et al., 2003). Bennett (2002) viewed this perspective as the unyielding pressure to keep earning and revenues growing at a rapid rate.

For any corporation, it is but natural to seek profits as no one seeks to go into business to lose money. The interviews with EDs revealed that they do feel the pressure for profitability for a number of reasons, such as paying for business expenses, taking care of the welfare of employees, and ensuring the viability of the company.

Literature on profit maximization discussed the pressure on profitability as making decisions in favor of pragmatic and utilitarian concerns over principled decisions benefitting all stakeholders, and inducing questionable decision making and behavior (Tourigny et al., 2003). In the words of Bennett (2002), the effect of this pressure is neglecting corporate social responsibility practices. It can be recalled that Jamali et al. (2008) discussed corporate social responsibility as being based on a solid internal governance mechanism founded on ethics, fairness, and transparency. By logical conclusion, neglecting one's corporate social responsibility would be tantamount to having a weak governance structure lacking any or all of those three ideals.

While the pressure experienced by EDs seemed to be classified as regular occupational stress or the perception of a discrepancy between environmental demands and the individual capacities to meet them (Ongori & Agolla, 2008), the pressure goes deeper as it questions the morality of the person. The stress of the EDs were related to ends that were considered for the good of others, which in the deontological perspective of ethics, entailed actions which are allocentric or where the self is linked to a collectivity such as an organization. "The allocentric 'we' self orientation of the leader is mainly concerned with protecting the interests of the group, knowing that his/her own interests and the group interests are inseparable" (Kanugo, 2001). The pressure felt by the EDS, however not related to compromising one's integrity to conduct themselves unethically for profit, was actually a question of ethics.

The study also found that the pressure was not a moderator for the relationship between transformational leadership and corporate governance. For occupational stress, the answer could be as easy as adopting optimism through higher leader engagement (Courtright, Colbert, & Choi, 2014) or reframing stressful work conditions as meaningful and offering opportunities for growth as in the case of high hardy leaders (Bartone, 2006). Perhaps confidence or experience would also help in coping, as when one gains high self-efficacy to handle difficulties on the job (Jex & Gudanowski, 1992).

The answer why the CEO pressure on profitability had no effect on the relationship between transformational leadership and good corporate governance is the character of the EDs as authentic transformational leaders, or leaders grounded on strong moral foundations. So we could only allude to the EDs' transformational leadership through their own perceptions of it. Jussim (1991) stated that much of the psychological theorizing and research is based on the premise that social perception is a major force in creating social reality. It is also possible that the executive directors were influenced by their CEOs who they regard as transformational. An example is a statement from ED23, "That is what I learned from my boss, to be generous with your staff, learn to work with others, be good to your employees and at the same time to your co members of the board." Another example is a statement from ED29, "We tend to copy him. If you see he's dedicated and headstrong to the things that he wants to achieve, somehow you tend to follow because the good habits also influence people." Bass and Steidlmeier (1999) described the authentic transformational leader as one who calls for universal brotherhood, whose inspiration is characterized by inward and outward concern about the good for the group, organization or society, helps followers generate more creative solutions to problems, and concerned about developing their followers into leaders. The pressure dilemma, in this study, was a question of ethics and answered by the same ethical foundation lived by the transformational leader.

CONCLUSION

In this exploratory study, I have established the positive link between transformational leadership and good corporate governance. Previous researches have only established the relationship between transformational leadership and performance (Avolio et al., 1988; Goodwin et al., 2011; Valdiserri & Wilson, 2010). This study showed that CEO pressure on EDs on firm profitability does not affect the relationship between transformational leadership and good corporate governance and only fortified the importance of the consequences of transformational leadership in organizational behavior.

As much as this paper provided fresh insights on transformational leadership and good corporate governance, this research has a number of limitations. The results of this study come from a small sample (30 private companies) and did not include other types of corporations. While the results cannot be generalized, the richness of the qualitative data provided context as to how EDs interpret the reality that they are in. My research also challenges the hegemony of agency theory as the leading model in corporate governance and expands on the stewardship perspective in further understanding corporate governance through transformational leadership. Studying corporate governance under the lens of stewardship should be encouraged further, specifically when leadership of the board is to be scrutinized. This is the most significant contribution of this paper to business research and to academe.

RECOMMENDATION

The role most identified by the EDs focused on control and accountability. A reason was offered by a study by O'Shannassy (2010), in which he said that the modern role of the board of directors in strategy making is limited and that the strategy comes from the CEO and top management. In his study based on interviews with a chairman, executive chairman, company directors and CEOs, top managers, and internal and external consultants, the board is expected to question and criticize the strategy proposals and should change management if the members are not satisfied with strategy developed by management.

Future studies could elucidate the role of the board in strategy making and implementation. Are these roles limited to an agency view by which the board takes passive involvement in strategy making by serving as rubber stamps or by approving body of strategies in the organization or monitors the alignment of management decisions to strategy (Brauer & Schmidt, 2007)? What role would the board undertake in strategy under the stewardship view of governance?

One of the major functions of an ED is management of a certain department or area within the organization and their focus is on strategizing their area of responsibility. This somehow lessens their focus on the company's overall strategic planning and because of their dual role as an executive manager and as a board member, extenuates it.

The upside of transformational leadership is that it steers the company into the right direction when leaders motivate their subordinates, encourage their creativity and align their vision with that of the company. However, transformational leadership has its dark side, too. The Madisonian model (named after James Madison, among the framers of the US Constitution) runs in contrast to transformational leadership (Keeley, 2004). It acknowledges that people have differences and varied wants. The Madisonian model noted that transformational leadership's ideal of having followers give in to the higher ideals of the organization at the expense of their own is something difficult to accomplish in real life. The common goal, general interest, public good can be deemed as theoretical concepts. In reality, these mean differently to different groups. He begged the question: will the common interest or that of the majority not be harmful to the interest of the minority? Truth is, unless a common goal is unanimously desired, there will always be a contest between what the majority and the minority pursue.

In contrast to transformational leadership, in which followers are elevated to pursue common organizational goals, he proposed that legislation, rules, contracts be put in place to govern different groups and put in check their pursuit of self-interests.

The unanticipated results from both the qualitative and quantitative results provide a fertile ground for future research on both transformational leadership and good corporate governance.

From the quantitative findings, research may be done on the moderating effect of CEO duality as a factor between the dependent and independent variables (good corporate governance and transformational leadership, respectively). What are the implications of CEO duality in the perception and practice of EDs in good corporate governance? What will the implications are if the subject of the survey and interviews are done with EDs of publicly listed corporations?

The subject of religion (in this research referring to the Catholic faith) was extracted from the qualitative interviews, as a conceptual definition for both concepts of transformational leadership and good corporate governance. How does one's religious faith promote and espouse these concepts? What role does religion really have on an individual in the exercise of transformational leadership and good corporate governance? What are the theoretical underpinnings of religion as an antecedent of good corporate governance and how does this translate into better leadership abilities and better corporate governance?

Another theoretical challenge is the concept of transcendental leadership. Cardona (2000) first posited this leadership concept as a contribution based exchange relationship. While Cardona's view of transcendental leadership is based on intrinsic motivation, Sanders, Hopkins, and Geroy (2003) viewed it from a perspective of spiritual development, linking transactional, transformational and transcendental leadership into an integrated theory of transcendental leadership. This begs the question as to how transcendental influences good corporate governance. Further, how does religion as a mediating factor affect the relationship between transcendental relationship and good corporate governance?

Leadership is an integral component in carrying out good corporate governance as presented in this research. I encourage further studies on the role of leadership in good corporate governance, which can shed more light and understanding to the behavioral complexities of corporate governance. Hernandez (2012) suggested the psychological dynamics on how transformational leadership can be improved and consequently drive stewardship behavior. Enhancing corporate governance through transformational leadership is an area that will benefit all sectors of society who look to corporations as receptacles for improving human lives.

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