African Journal of Business Management Vol. 5(27), pp. 11178-11188, 9 November, 2011
Available online at http://www.academicjournals.org/AJBM
DOI: 10.5897/AJBM11.1400
ISSN 1993-8233 ©2011 Academic Journals

Full Length Research Paper

Cross validating the consequences model of corporate governance underlying combination of stewardship and stakeholder theories

Karun Pratoom

Department of Management, Faculty of Accountancy and Management, Mahasarakham University, Khamriang, Mahasarakham, Thailand. E-mail: karun_patoom@yahoo.com.

Accepted 3 August, 2011

In this study, we examine the outcomes of good corporate governance underlying combination of stewardship and stakeholder theories. We develop a model that links good corporate governance, trust in top management, turnover intention, and organizational citizenship behaviors (OCBs). Good corporate governance was considered as antecedent and turnover intention and OCBs were considered as distal outcomes. Trust in top management was treated as a mediator in the model. We use a data set consisting of 303 and 156 branch managers collected in life assurance and banking business in Thailand to test the hypothesis. Results of our LISREL analyses support the proposed model. Good corporate governance was found to affect branch managers' trust in top management, which in turn affects the turnover intention and OCBs. These findings have practical implication for the corporate management in Thai life assurance and banking business.

Key words: Good corporate governance, trust in top management, organizational citizenship behaviors, turnover intention, multi-sample analysis.

INTRODUCTION

As a result of the bankruptcies of large U.S. firm such as Enron Corporation and WorldCom, good corporate governance became a dominant issue in the international business world nowadays. Generally, the main ideas of good governance focus on the mechanisms that an organization used in order to maximize the return to stakeholders. However, there are different foci according to the variety of theoretical backgrounds. Underlying the assumption of economic approach, typified by agency theory, organizations are concerned with the structures having sufficient incentives and sanctions, and monitor and control work performance of agents, because economists assume that humans are self-interested and prone to opportunities (Eisenhardt, 1989). In contrast, the sociological and psychological approaches, typified by stewardship theory, focus on structures that facilitate and empower since belief that agents are stewards whose motives are aligned with the objectives of many parties (Davis et al., 1997a; vargas Sánchez, 2004). Whereas, stakeholder theorists focus on the contracts (relationship) between the firm and its stakeholders and posit that trusting and cooperative relationship help solve problems related to opportunism (Jones, 1995). Several management scholars viewed stewardship (Caldwell and Karri, 2005; Davis et al., 1997a) and stakeholder theories (Donaldson and Preston, 1995; Jones, 1995) as approaches that offer a system of corporate governance that is ethically consistent with the need of organization in today's environment.

According to Child and Rodrigues (2004), the governance mechanisms of organization operate through a double agency relationship: 1) the relationship between owners and corporate management and 2) between corporate management and the employees of a firm, including middle managers, who execute plans and policies. Both agent relationships effectiveness are essential for achieving an organization's objectives. Nevertheless, the second relationship has been largely ignored in discussion of corporate governance. Consistently, our review found that most existing good corporate governance tends to focus on the relationship between shareholders/owners and corporate management based on agency theory. In management literatures, we found that stewardship

(Caldwell and Karri, 2005) and stakeholder theories (Jones, 1995) are proposed for design of good governance mechanisms in order to improve the relational contract between corporate management and employees of a firm. It is expected that the mechanisms will repair and increase trust within organization, which might lead to distal outcomes such as improved employees' intrinsic motivation and work performances. These outcomes can reduce the costs aimed at monitoring and controlling agents' opportunistic behaviors (Davis et al., 1997a). However, only few empirical studies have examined the link between good corporate governance, employees' trust, and job-related outcomes.

As Abdullah and Valentine (2009) and Jones (1995) suggested, good corporate governance cannot be effectively explained by single theory but it is best to combine a variation of theories. When considering the stewardship and stakeholder theories, the characterization of principal-steward relationship has been criticized as unrealistic, naïve, and dysfunctional (Davis et al., 1997b). Similarly, the relational contract between employees and corporate management under stakeholder theory was viewed as inconsistent with the existence of practical management in a current business organization (McCall, 2002). Most organization does not empower employees to do things and do not treat employees as stakeholder, equally with others (Caldwell et al., 2006). Thereby, in this study, we combine the stewardship and stakeholder theories so as to develop and test a conceptual model for understanding the effect of good corporate governance on trust in top management, and job-related outcomes including organizational citizenship behaviors and turnover intention. Hence, this study contributes to the existing literatures by being among the first to attempt hypothesizing and testing the links between good corporate governance and trust of internal stakeholder based on second type of agency relationship and human resource management perspective. Research on this area is still ignored, particularly in Asia Pacific region. We test the hypothesized model by using the moderate cross-validation technique for model validity extension based on branch manager samples in life assurance and banking business. This is because good corporate governance seems to be an important factor for building good image and sustainable banking and assurance businesses which operate based on stakeholders' confidence and risks.

LITERATURE REVIEW

Good corporate governance

Theoretical background and definition

Good corporate governance is defined differently according to the variety of theoretical backgrounds used by researchers. Most scholars in Anglo-American countries tend to define good corporate governance underlying the assumption of agency theory, with an economic approach. Agency theory identifies managers as the agents of shareholder (principles) that can engage in self-serving behaviors, which leads to non-maximizing the return to the shareholders (Jensen and Meckling, 1976). In order to minimize managerial opportunism (principle-agent problems), shareholders may use a corporate governance mechanism, including monitoring and providing sufficient sanctions and incentives to encourage and ensure that the agents will perform a work, considering the owner's rights as the highest priority (Fama and Jensen, 1983). However, some scholars suggest that stewardship and stakeholder theories are likely to ethically fit the actual situation in an organization better than the agency theory (Caldwell and Karri, 2005; vargas Sánchez, 2004). While agency theory identify managers as agents who are untrustworthy and emphasize on structures that monitor and control, based on economic exchange, stewardship theory treat managers as stewards who are trustworthy and emphasize on structures that facilitate and empower based on social exchange, sociological and psychological approach (vargas Sánchez, 2004). Hence, the managerial philosophy of this theory is based on involvement and trust and the culture is grounded on collectivism (prefer long-term relationship among organizational members) and low power distance (more consultation in decision-making) (Davis et al., 1997a). In the stakeholder theory, managers are treated as significant stakeholder like others (Aoki, 1984). It focuses on the contracts (relationships) between the firm and its stakeholders and posits that trusting and cooperative relationships will help solve problems related to opportunism (Jones, 1995). To building the trust, stakeholder theorists concentrate on managerial decision-making process to ensure that interests of all stakeholders are protected and maximized (Donaldson and Preston, 1995).

According to Meisel (2004), establishing the good corporate governance in the developing countries should keep on improving the quality of information and good communication between corporate management and its stakeholders. This is consistent with the managerial philosophy of stewardship (Davis et al., 1997a) and stakeholder theories (Donaldson and Preston, 1995) that emphasize the importance of social contracts between corporate management and its stakeholders through participation in the decision making process. In Thailand, Jinarat and Quang (2003) have proposed four components of good corporate governance that consist of participation, rule of law, transparency, and accountability. The first component, participation, refers to the involvement of stakeholders (for example, shareholder, employees, and managers) in the process of decision-making. The rule of law refers to the decisions taken by management following the industry

norms and legal system. Transparency refers to freely available and directly accessible information of the decisions taken by top management. Lastly, accountability which refers to responsibility of top management in taking decisions based on its risk and costs, includes the review of such decisions by assigned authority and its communication to the stakeholders. In sum, main idea of good corporate governance in this perspective is the monitoring decision-making process to acquire and protect all stakeholders' interest that will lead to sustainable development of organization.

In an economic environment nowadays, effective corporate governance cannot be designed based on one theory. Stewardship theorists assume that managers who are stewards are most effective when corporate governance structures give them high authority and discretion (Jones, 1995). However, Caldwell and Karri (2005) viewed that under agency theory assumptions, this approach is likely to be dysfunctional, possibly unrealistic, and naïve. In the same manner, under stakeholder model, although employees are called stakeholders, in practice, employees are not equally treated as stakeholders (Lea, 2004). Corporate management does not always honor employees' interests within the stakeholder decision-making process (McCall, 2002). The afore arguments imply that there are some pragmatic contradictions between values claimed and actual practices, which may lead to the problem with the application of theory. In order to solve this problem, we propose combined strengths of the two approaches in a unified framework. Based on combination of stewardship and stakeholder theories, we propose that corporate management should treat employees/middle managers as partners-associates and involve them in decision-making process based on honor, fairness, and open communication. We expect that this form of corporate governance will lead to relational contracts and eventually lead to trust in top management.

Based on the theoretical background, this study defined good corporate governance as the mechanism that monitor and manage the decision-making process of an organization in order to create and keep a good long-term relationship with its stakeholders and achieve best interests of all stakeholders. In addition, we measure good governance according to four components including participation, rule of law, transparency, and accountability which are defined as presented in the earlier.

The consequence of good corporate governance

Trust in top management

The concept of trust that is widely referenced within the organizational literature is Rotters' (1967) definition. Rotter defined trust as an expectancy held by an individual or a group that word, promise, verbal or written statement of another individual or group can be relied upon. Underlying this definition, to be trustworthy, trustee must follow through and keep their word and/or promise. Several authors (Carnevale and Wechsler, 1992; Matthai, 1989; Nyhan, 1999) extend the definition of Rotter by defining trust as a feeling of confidence and expectation that the person or organization will continue to act in an ethical, fair, and non-threatening way. According to Burke et al. (2007), the key three components of trust are 1) a willingness to be vulnerable, 2) the positive expectations that interests will be protected and promoted when monitoring is not possible, and 3) the assessment of others, intention, sincerity, motivations, character, reliability, and integrity. In the corporate governance literature, trust in government refers to the belief that government will not became autocratic or allow people to be arrested unjustly (Bouckaert and van de Walle, 2003). By this definition, trust reflects the stakeholders' expectation that policy will correspond to theirs wishes. In all of these definitions, the present study define trust in top management as branch managers' confidence and expectation in the intention and actions of a top management that will always act in an ethical, fair, and non-threatening manners. Based on this definition, trust in top management is predicted on personal experiences with senior authority.

Management theories have been explained that the level of trust in corporate governance is determined by the performance of governance systems (Bouckaert and van de Walle, 2003). Child and Rodrigues (2003) have advocated a basis of corporate governance for strengthening trust within organizations including open communication, decision-making participation, and transparency. Child and Rodrigue (2004) also argued that when corporate management move toward a good control systems which operate with greater transparency of communication and information, more open monitoring and reporting of concern, the employees' trust will be promoted because the good corporate governance practices will help develop the good social relationship between the employees (middle managers) and theirs top management. It also helps to avoid breaches of trust stemming from the feeling of unfair and even unlawful. Under stewardship theory, Caldwell and Karri (2005) argued that managers' trust could be boosted up through the relational contract, which can be developed by organization that treat managers as partners and create conditions of empowerment to managers. Similarly, the stakeholder theory proposes that the process of balancing the legitimate interests of all stakeholders when making decision can create trust of stakeholders (Caldwell et al., 2006). These arguments are supported by previous empirical researches. Open communication (Ruppel and Harrington, 2000; Tzafrir et al., 2003) and participative decision-making, autonomy, and feedback (McCauley and Kuhnert, 1992) can account for significant

trust variance (that is, trust in organization). Based on these theoretical arguments and empirical evidences, we expect that implementing good governance of organizations would lead to a significant increase in trust in top management of branch managers. Thus, we hypothesized that:

H_1: Good corporate governance positively affects trust in top management.

Turnover intention

Turnover is part of the withdrawal behavior which contributes to organizational effectiveness, especially when a valuable staff elects to leave the organization (Pierce et al., 2002). This is because organization must incur expenses - both money and time - for hiring and training new staff and this is no guarantee that the new staff will perform as well as those they are replacing. Several empirical researches reveal that valuable staff turnover (for example, managers and chief executive officer) negatively affects firm performance (Kang and Shirdasan, 1995; Lausten, 2000; Avizian et al., 2005). Therefore, many researches focus on the causes and prevention of this kind of turnover. However, it has enough difficulty in obtaining the actual turnover data. As a result, most researchers measure the turnover in terms of turnover intention rather than actual turnover. The past research has been shown that turnover intention is the best predictor of actual turnover (Griffeth et al., 2000). Therefore, in this study, turnover intention is treated as dependent variables. It is defined as an individual's own estimated probability that they are permanently leaving the organization at some point in the near future (Vandenbug and Nelson, 1999).

Bauckaert and van de Walle (2003) proposed that failing performance of a corporate body negatively affects trust in corporate governance, which in turn, leads to a number of reactions, including increased possibilities for exit and decreased organizational loyalty. Likewise, Child and Rodrigues (2003) stated that when a corporate management gains the reputation of being an untrustworthy or unfair employer, they are likely to face difficulties in attracting the best quality employees and in persuading them to invest in firm-specific human capital. As stewardship theory stresses involvement rather than control, long-term relationship rather than short-term, trust rather than monitoring, intrinsic motivation rather than extrinsic motivation (Davis et al., 1997a), it is likely that the good corporate governance may reduce employees' intention to leave the organization through trust.

Furthermore, previous study report that an employee's trust in senior management highly and negatively affects their desire and intention to leave the organization (Costigan et al., 1998; McKnight et al., 2009; Wong et al., 2003). Hence, we hypothesize that:

H_2: Trust in top management negatively affects turnover intention.

H_3: Trust in top management mediated the effect of good corporate governance on turnover intention.

Organizational citizenship behaviors (OCBs)

In general, both management academics and practitioner have accepted that all positive in-role and especially extra-role behaviors or citizenship behavior of staffs contribute to organizational effectiveness (Organ and Moorman, 1993; Cropanzano et al., 2003). These beliefs are confirmed by many past researchers (Karambayya, 1990; Podsakoff and Mackenzie, 1997; Byrne, 2005).

The concept of OCBs is first proposed by Organ and his colleagues (Bateman and Organ, 1983). Organ (1988) defined OCBs as the discretionary behavior, not directly or explicitly recognized by the formal reward system, and that in the aggregate, promotes the effective functioning of the organization. This original definition of OCBs is refined further by Organ and other researchers; this leads to a lack of consensus about the dimensionality of this construct in the literature (Padsakoff et al., 2000). However, early researchers defined OCBs as both extra-role and organizationally functional, which separate them from in-role job performance. From this perspective of the defining OCBs, Graham (1991) argued that it puts researchers in the awkward position of determining what in-role is and what extra-role is, an inconstant distinction that varies across person, jobs, and organizations. Therefore, Graham (1991) and van Dyne et al. (1994) proposed and tested a conceptualization of organizational citizenship behavior based on an application of political philosophy to organizational settings, to minimize this trouble. Their conceptualization of OCBs includes traditional in-role job performance, organizationally functional extra-role behaviors, and political behaviors. The dimension of OCBs that is developed based on political philosophy consists of three dimensions.

First, obedience refers to respect for rules and instructions, punctuality in attendance and task completion, and stewardship of organizational resources. Second, organizational loyalty refers to identification with and allegiance to an organization, demonstrated by defending the organization against threats, conducing to its good reputation, and cooperating with others to serve the interest of the whole.

Finally, organization participant is defined as interest in organizational affairs, full and responsible involvement in organizational governance, demonstrated by attending no required meeting, and obtaining informed opinions and new ideas with others (van Dyne et al., 1994). In this study, we measured OCBs based on these dimensions.

Underlying stakeholder theory, Jones (1996) claimed that trusting and cooperative relationship among top

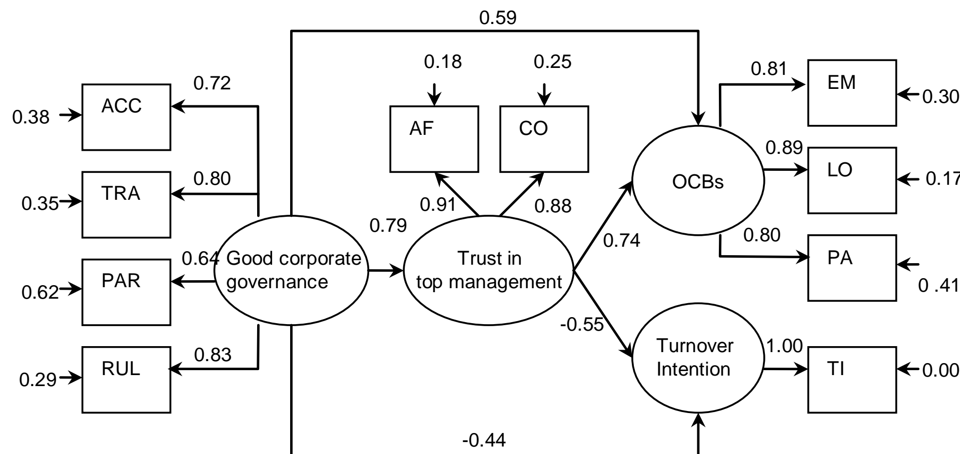

Figure 1. Measurement and structural model with standardized coefficient of final model.

management and agents will help solve problems related to the agents' opportunistic behaviors. Consistently, Davis et al. (1997) suggest that the form of corporate governance that focused on partnership and empowerment will lead to increased agents' trust, which will in turn contribute to intrinsic motivation and pro-organizational behaviors of the agents (that is, effort to protect and maximize shareholder wealth). Likewise, Caldwell et al. (2010) argued based on stewardship theory that the relinquishing of control and monitoring will make up the highest level of commitment that in turn leads to employees' OCBs. Moreover, previous studies (Huang et al., 2010; Wong et al., 2006) have shown a positive relationship between employees' trust in organization and OCBs. Thus, we expect good corporate governance would lead to a significant increase in OCBs through trust in top management.

H_4: Trust in top management positively affects OCBs.
H_5: Trust in top management mediated the effect of good corporate governance on OCBs.

From the entire hypothesis, in the present study, we propose the hypothetical model of the causal relationships between good corporate governance, trust in top management, turnover intention, and OCBs as shown in Figure 1.

Model cross-validation: Main forms and alternative strategies

Cross-validation method is used in this study in order to achieve the purpose about model replicability of sample results, and validity extension. According to Diamantopoulos and Siguaw (2000), the main form of cross-validation in structural equation modeling includes model stability, validity extension, model selection, and validity generalization. Validity extension is procedurally very similar to model stability. Namely, general procedure involve the two-samples, the first sample is used as the calibration sample for develop the model, while the second sample is used as the validation sample for test the derived model (Cudeck and Browne, 1983; Browne and Cudeck. 1989). However, although, the objective of both forms is to test the single model by using a different sample, these two forms have a difference of validation sample. If our analyses focus on the stability of model, validation sample is drawn form a same population. While the validity extension of model, validation sample is drawn form a different population. Moreover, Diamantopoulos and Siguaw (2000) also note that validity extension makes more sense after model stability has been established. For the model selection, validity generalization is used in cases that have a several competing or alternative models. Beside the difference of purpose of analysis, these two forms are also different in the validation sample. Under model selection, validation sample is drawn from the same population (Cudeck and Browne, 1983), while validity generalization and validation sample are drawn from a different population (Diamantopoulos and Siguaw, 2000).

In the part of cross-validation strategies, there are several alternative for the cross-validate model on a calibration sample to a validation sample. The first alternative is purposed by Cudeck and Browne (1983), and we used the same model specification in fixing all parameters of the values estimated from the calibration sample when the model is fit to the validation sample. This approach refers to tight cross-validation (Bentler, 1980). The second alternative is purposed by Bentler (1980), and we might consider fixing some of the critical parameters (for example, measurement and/or structural path) at the value estimated from the calibration sample, while the remaining parameters (for example, covariance of the exogenous latent variables and the error variance of endogenous) are set free and subsequently estimated on the validation sample. Bentler

calls this strategy the moderate cross-validation while MacCallum et al. (1994) calls it the partial cross-validation because only a subset of the parameters are being held fixed across samples. Additionally, we might use the same model specification as that in the calibration sample but allow all parameters to be freely estimated on the validation sample. This final approach is referred to as loose cross-validation (Bentler, 1980). However, this strategy is not truly cross-validation since the analysis of validation sample in no way develops as a result from analysis of calibration sample (MacCallum et al., 1994). In the present study, moderate cross-validation strategies are implemented by using LISREL's multi-sample analysis, so that the models can be fitted to several samples simultaneously.

METHODS

Sample

To determine whether the validity of the model will extend to a different population, the data were collected in two industries: life assurance and banking business in Thailand. In both industries, branch managers were chosen as a target population because they are valuable personnel in an organization. When a branch manager leaves, organization must incur cost, time, and uncertainty on recruit and training to replace capable managers. Previous research also indicates that firm performance was significantly and negatively related to managers' turnover (Aivazain et al., 2005).

In the life assurance sector, a total of 500 questionnaires were mailed, and 303 valid questionnaires were returned for a response rate of 60%. Fifty four percent of participants were female, and 82.2% had a college degree. The participants who had experience working in the life assurance company ranged from 1 to 29 years (Mean = 18.48, sd = 7.66). Whereas in the banking sector, 156 out of 300 branch managers sample were returned for a response rate of 52%. Sixty six percent were male and 64.7% had a college degree. The experienced, working in the bank, ranged from 1 to 34 years (Mean = 19.62, sd = 8.49).

Measures

Response were measured using the same 5-point response scale ranging from 1 (strongly disagree) to 5 (strongly agree). Each dimension of latent variables derived from an average of all items score in that dimension.

Good corporate governance

Corporate governance (CG) was measured with a sixteen-item scale in four dimensions slightly adapted from the corporate governance questionnaire developed and validated by Jinarat and Quang (2003). Sample items gauging accountability (ACC) dimension included "The top manager making decision based on risk and costs," and "The decisions taken by top manager is done by formally committee." Sample items gauging transparency (TRA) dimension included "The information about decisions taken by top manager is available to all stakeholders," and "The communication of information about decision taken by top manager is comprehensive to cover all decisions." Sample items gauging participation (PAR) dimension included "Employees and stakeholders are well informed before top manager take decisions," and "Employees and stakeholders' opinions are sought before top manager take decision." Finally, sample items in rule of law (RUL) dimension included "Policies and procedures of the company are fair," and "Policies and procedures of the company are clearly defined at all level of organization."

Trust in top management

Trust in top management was measured with thirteen-item scale adapted from the trust scale developed by Scott (1980) and trust in leader scale developed by Podsakoff et al. (1990). In the first stage, exploratory factor analysis (EFA) is used in order to extract the dimension of trust in top management. Because there are little prior empirical evidence as to the structure of trust in top management in Thai organization context, the results of factor analysis, using Varimax (orthogonal) rotation show that trust in top management consisted of two components: affect-based trust (AF) and cognition-based trust (CO). Affect-based trust refers to the confidence in a top management on the basis of feelings generated by the level of care and concern the top management demonstrates. Sample items (out of 6 items) gauging affect-based trust included "I have a good feeling about the top management," and "When top management make decisions which seem to be against the best interests of the employees." Cognition-based trust refers to a confidence or willingness to rely on a top management's competence and reliability. Sample items (out of 7 items) gauging cognition-based trust included "This company has excellent top management," and "When my top management tells me something, I can rely on what s(he) tells me".

OCBs

Citizenship behavior was measured with a nine-item scale slightly revised from van Dyne et al. (1994) research. The citizenship behavior scale consisted of three dimensions: loyalty, obedience, and participation. Sample items gauging loyalty (LO) dimension included "I represent my organization favorably to outsiders," and "I defend my organization when other employees criticize it." Sample items gauging obedience (OB) dimension included "I rarely waste time while at work," and "I always come to work on time" and sample items gauging participant (PA) dimension included "I frequently make creative suggestions to co-workers," and "I pursue additional training to improve my job performance."

Turnover intention

Turnover intention (TI) was measured with a four-item scale slightly revised from Konovsky and Cropanzano's (1991) research. Sample items gauging turnover intention included "I often think of quitting my present job," and "I intend to remain with this company indefinitely."

RESULTS

Table 1 reports means, standard deviations, reliabilities, and intercorrelations among indicators (that is, observed variables) of the latent variables included in the analysis. Table 1 reveals that all the scales had Cronbach's alpha coefficient at or above the 0.70 threshold recommended by a number of researchers (Kerlinger and Lee, 2000) in both samples. When considering the correlation coefficients, two indicators of trust in top management latent construct

Table 1. Means, standard deviations, correlation matrix, and reliabilities.[a,b,c]

Variable	Life assurance manager sample (n=303); bank manager sample (n=156)									
	1	2	3	4	5	6	7	8	9	10
Mean	3.78	3.74	3.52	3.98	4.08	3.97	4.15	4.12	4.04	1.85
Sd	0.67	0.75	0.84	0.80	0.76	0.70	0.85	0.73	0.72	0.87
1. ACC	0.70(0.75)	0.66	0.48	0.64	0.52	0.57	0.48	0.47	0.49	-0.18
2. TRA	0.60	0.82(0.83)	0.61	0.67	0.54	0.61	0.35	0.39	0.48	-0.20
3. PAR	0.49	0.70	0.76(0.77)	0.56	0.39	0.46	0.21	0.25	0.31	-0.10[ns]
4. RUL	0.39	0.61	0.47	0.82(0.91)	0.65	0.65	0.52	0.50	0.51	-0.29
5. AF	0.40	0.54	0.48	0.60	0.92(0.91)	0.77	0.74	0.68	0.64	-0.50
6. CO	0.42	0.48	0.43	0.55	0.83	0.91(0.88)	0.59	0.60	0.62	-0.35
7. LO	0.16[ns]	0.08[ns]	0.24	0.27	0.27	0.23	0.87(0.88)	0.78	0.65	-0.49
8. OB	0.30	0.34	0.40	0.40	0.39	0.39	0.61	0.84(0.84)	0.73	-0.45
9. PA	0.24	0.30	0.33	0.35	0.38	0.41	0.54	0.67	0.78(0.82)	-0.35
10. TI	-0.25	-0.34	-0.33	-0.39	-0.57	-0.50	-0.24	-0.36	-0.30	0.83(0.70)
Mean	3.48	3.35	3.32	3.73	3.65	3.52	4.15	4.00	3.99	2.11
sd	0.72	0.81	0.87	0.73	0.70	0.67	0.71	0.67	0.58	0.97

[a] Reliability are reported along the diagonal; life assurance sample's reliability put in parentheses; [b] Correlation matrix of sample data in life assurance and banking business are in plain style and bold style respectively; [c] All Pearson's correlation coefficient are significant at 0.01; ns= non-significant.

(AF and CO) significantly correlated with all indictors of OCBs (LO, OB, and PA) and turnover intention latent construct (TI). Likewise, all indicators of good corporate governance latent construct (ACC, TRA, PAR, and RUL) correlated significantly with all indicators of trust in top management latent construct. These significant correlations imply the link among latent constructs.

In the early analysis, we conducted a multi-sample analysis (moderate cross-validation) in order to evaluate the measurement model (the relationships between the latent construct and theirs indicators) before analyzing structural equation model. The results shows that all measurement model including good corporate governance (4 indicators), trust in top management (2 indicators), and OCBs (3 indicators) latent construct had a perfect and good model fit to the data across both samples and all indicators loading were significant at $p< .01$. In addition, assessing the composite reliability value for each measurement model shows that all weighted composite factor reliability exceed the 0.60 threshold (ranged from 0.79 to 0.88) and the average variance extracted (AVE) exceed 0.50 threshold (ranged from 0.56 to 0.78). These provide validity and reliability evidences in favor of the indicators used to represent the constructs of interest (Diamantopoulos and Siguaw, 2000).

Next, the structural part of the model was evaluated in order to determine whether there are relationships among latent variables specified at the conceptualization stage. In this stage, structural model was tested across life assurance and bank branch manager samples for model validation. Partial or moderate cross-validation was implemented by using LISREL's multi-sample analysis (Bentler, 1980; MacCallum et al., 1994; Schumacker and Lomax, 2004). Namely, the factor loading and the path coefficients were the same for both samples with the error variance different in a measurement model.

Table 2 displays standardized path coefficients, global goodness of fit statistics, and R square (R^2). For the initial model (hypothetical model) the global chi-square statistics was equal to 293.71, with 79 degree of freedom, and a p-value less than 0.001. A fit index of this model indicates that the initial model was unacceptable. However, because of the chi-square statistics is sensitive to sample size. This makesit highly unlikely to obtain a non-significant test statistic with large sample sizes (that is, $n \geq 200$). Thereby, researchers proposed assessing the fit of the model by taking the chi-square/df ratio between 2 and 5 (Kelloway, 1998). For the present study,

Table 2. Standardized path coefficients, global goodness of fit statistics, and R square.

Variable	Initial model	Final model (reestimated)
Path		
Corporate governance-->Trust in top management	0.76**	0.79**
Trust in top management -->OCBs	0.75**	0.74**
Trust in top management -->Turnover intention	-0.53**	-0.55**
Global goodness of fit statistics		
Chi-square/df ratio	3.72	2.88
RMSEA	0.11	0.09
CFI	0.96	0.97
NFI	0.95	0.96
CN	182.19	219.94
R^2 of Trust in top management	0.58	0.63
R^2 of Citizenship behaviors	0.57	0.55
R^2 of Turnover intention	0.28	0.30

** p< 0.01.

global Chi-square statistic in multi-sample analysis was calculated based on the sum of two group's chi-square value (Schumacker and Lomax, 2004) and degree of freedom is calculated based on double number of variance/covariance among the indicator variables (Diamantopoulos and Siguaw, 2000). Thus, it is reasonable to assessing the fit of our initial model by taking chi-square/df ratio. From Table 2, the chi-square/df ratio was equal to 3.72, which had a ratio between 2 and 5. The next fit index, root mean square error of approximation (RMSEA) is equal to 0.11, which exceeded 0.10, indicate a poor fit of the model (MacCallum et al., 1996). The normed fit index (NFI) and comparative fit index (CFI) were equal to 0.95 and 0.96 respectively, which were close to 0.95, reflects a good fit (Schumacker and Lomax, 2004). Whereas, critical N (CN) was equal to 182.19, which was below acceptable range of a model that adequately represents the sample data (CN≥ 200) (Hoelter, 1983). Based on this set of model fit indices, we concluded that the hypothesized structural model (initial model) is reasonable.

However, we considered modifying indices in order to improve a model's fit. The covariance between the measurement errors of indicators of latent constructs was considered. According to Reddy's (1992) study, the path coefficient parameters may be overestimated if a positive correlation in measurement errors is ignored. The overestimation increases with decreasing reliability in measurement. In addition, the acceptability of a model based on goodness-of-fit measures also decrease. However, the correlated measurement errors should be estimated when: 1) there are clear theoretical or methodological reasons, or 2) it does not significantly alter the structural parameter estimates (Fornell, 1983). Thus, we decided to specify a measurement errors correlation between TRA and PAR, AC and LO, LEP and TI because these measurements share a common methods bias due to measures using the same scale format (that is, Likert scales) and scale anchors (that is, strongly disagree to strongly agree) (Podsakoff et al., 2003) and it does significantly alter the structural path coefficients. Based on the global goodness of fit statistics in Table 2 indicate a relatively good fit of the final model (reestimated) across both samples of data. The measurement and structural model with standardized path coefficients and measurement errors (based on life assurance manager sample data) of final model was presented in Figure 1.

Figure 1 also shows that good corporate governance had a significant direct effect on trust in top management. This pattern of result satisfied the first condition of mediation (Baron and Kenny, 1986). Trust in top management had a significant direct effect on OCBs and turnover intention, thus, met the second condition of mediation. For the third condition, results show a significant indirect effect of good corporate governance on OCBs and turnover intention suggesting that trust in top management partially mediated which supports H_3 and H_5.

To summarize, the results reported in the upper portion of Table 2 and Figure 1 show support for all proposed hypotheses. Specifically, trust in top management partially mediated the relationships between good corporate governance, OCBs, and turnover intention. In the part of direction of relationship, good corporate governance positively affects trust in top management, which in turn negatively affects turnover intention and positively affected on OCBs. The global structural model (reestimated) accounted for 63, 55, and 30% of the variance in trust in top management, OCBs, and turnover intention of branch manager samples, respectively.

DISCUSSION

The present study cross-validate the consequences model of good corporate governance based on combination of stewardship and stakeholder theories. The proposed model postulates that corporate governance that emphasized the

accountability, transparency, rule of law, and participation in decision making process will lead to branch managers' trust in top management, which in turn contribute to citizenship behavior and less willful to leave the organization. Our results support replicability in a different population of proposed model. Therefore, we can be confident in our final modified model that it works not only for life assurance business but also for banking business's branch manager samples.

When considering the relationships among latent constructs in structural model. Results show that good corporate governance positively and directly affected trust in top management. This indicates that when branch managers perceived that their top management had a decision with high accountability, transparency, rule of law, and participation, they will have a confidence and expectation in the intention and actions of a top management that will always act in an ethical, fair, and non-threatening manner. For the fact that the mechanism focuses on the involvement in the process of decision-making, the accessible information of the decisions taken and the decision based on risk and costs reflect the top management's concern of employees' value. In addition, the decision that taken following the industry norm and legal system is reflects an ethical concern. In this situation, it more likely that the relational contracts between top management and branch managers will be developed. Consequently, it leads to the growing trust in top management. Our findings being consistent with stewardship and stakeholder theories proposed that an agents' trust can be boosted through the relational contracts, which can be developed by organizations that treat them as partners, creating conditions of empowerment (Caldwell and Karri, 2005), and emphasize on the process of balancing the legitimate interests of all stakeholders when making decision (Caldwell et al., 2006).

Results show that trust in top management leads to decrease in branch manager's turnover intention and increase in citizenship behaviors (that is, obedience, loyalty, and participation). We also found that trust in top management partially mediated the effects of good corporate governance on turnover intention and OCBs. This reveals that when branch managers have confidence and positive expectation with the way of managing and monitoring organization (through the good components of decision making process), they are more apt to organizational citizenship and have less intention to leave. These results may explain that good corporate governance activities help create the situations that relational exchange between top management and branch managers can easily emerge, and lead to an increase in trust. Based on the social exchange rather than economic exchange, the emergent trust will encourage branch managers and motivate them intrinsically to behave in positive ways. That is, it may increase the OCBs and consistent with Davis et al. (1997) have argued that the corporate governance that stresses involvement, long-term relationship, intrinsic motivation and trust is more likely to reduce an employees' intention to leave the organization. In addition, Caldwell et al. (2010) argued that when organization treat agent as steward and trustee by providing empowerment opportunities, agents will respond to organization with the highest level of commitment that in turn leads to OCBs.

All our results contribute to existing corporate governance literature by providing the conceptual framework and empirical evidences by demonstrating how good corporate governance affects internal stakeholders' behaviors (that is, OCBs and turnover intention). Underlying the assumption of stewardship and stakeholder theories, the self-serving problems can be solved by developing appropriate relational contracts. However, there is little empirical evidence that confirms theirs arguments. Our results revealed that trust in top management partially mediated the link between good corporate governance, OCBs and turnover intention. Hence, our finding is among the first empirical evidence on this relationship, especially, in Thai business context.

PRACTICAL IMPLICATION

As good corporate governance influences branch managers' trust in top management which in turn contributes to their turnover intention and OCBs, it is vital that corporate management gain insight into the necessary foundations of good governance for building trust. Our finding suggested that the participation, accountability, transparency, and rule of law in decision-making processes were the important antecedent of trust. Corporate management should thus be aware of the presence of the aforementioned four components when making decisions. To increase the participation and transparency, top management should concentrate more on improving the communication channels in the organization. These channels can help increase branch managers' involvement and accessibility to information in the decision-making process. In order to achieve positive perception of accountability and transparency, corporate management should formally take decision by committees based on fairness, risks and costs, and follow the industry norm and legal system. In addition, the decisions should be regularly reported to branch managers. After all, the social contracts between top management and branch managers will be developed. Indirectly, this eventually yields a relevant contribution to the OCBs and turnover intention of the branch managers.

LIMITATION AND FUTURE RESEARCH

Although this study attempted to allocate the limited resource by posing crucial choices in methodology, it had

some limitations. However, these limitations can be further resolved in future research. First, the results of structural model analysis should not be interpreted as causal because the data is collected at the same time, that is, using a cross-sectional design. The causal relationship can be confirmed by using experimental or longitudinal study design both in the same and in other samples. Such studies are extremely costly and timely to implement. Secondly, although the global statistical power level in this study which is equal to 0.99 is considered sufficient for practical proposes, one issue should not be neglected. The bank manager sample size (n= 156) is much smaller compared to the life assurance sample size (n= 303). This leads to drop in statistical power (from 0.90 to 0.70) for testing model in validation sample (bank manager sample). Thus, the probability that an incorrect model will be not rejected (Type II error) is higher. If possible, further research should be considered and the statistical power for testing model both in the calibration and validation be kept. The problem of determining sample and the desired level of power can be solved by applying the table of MacCallum et al. (1996).

Finally, the issues of common method variance result from the use of same scale format (that is, Likert scale) and scale anchor points (that is, strongly disagree to strongly agree). Most researchers agree that method variance influences on the observed correlation between the measures and potentially threatens the validity of the conclusion (Bagozzi and Yi, 1990). Although we cannot solved all the issue about method variance, we try controlling it through both improving scale items (that is, avoid vague concepts, keep question simple and specific, avoid double-barreled questions) and statistical controls (that is, exploratory and confirmatory factor analysis in measurement models). According to Podsakoff et al. (2003), many various ways can be used to control common method variance. For example, further study may use different response formats (Likert scale, semantic differential, open-ended questions), media (computer based versus paper and pencil versus face-to-face interviews), and/or location (for example, different rooms or sites) for the measurement of the predictor and criterion variables.

REFERRENCES

Abdullah H, Valentine B (2009). Fundamental and ethics theories of corporate governance. Middle Eastern Financ. Econ., 4: 88-96.

Aivizian VA, Ge Y, Qiu J (2005). Corporate governance and manager turnover: An unusual social experiment. J. Bank. Financ., 29: 1459-1481.

Aoki M (2001). Toward a comparative institutional analysis. MIT Press: Cambridge, MA.

Bagozzi R, Yi Y (1990). Assessing method variance in multitrait-multimethod matrices: The case of self-reported affect and perceptions at work. J. Appl. Psychol., 75(5): 547-560.

Bateman TS, Organ DW (1983). Job satisfaction and the good soldier: The relationship between affect and employee “citizenship.” Acad. Manage. J., 26: 587-595.

Baron RM, Kenny DA (1986). The moderator-mediator variable distinction in social psychological research: Conceptual, strategic, and statistical considerations. J. Pers. Soc. Psychol., 51: 1173-1182.

Bentler PM (1980). Linear structural equations with latent variables. Psychometrika, 45: 289-307.

Bouckaert G, van de Walle S (2003). Comparing measures of citizen trust and user satisfaction as indicators of ‘good governance’: Difficulties in linking trust and satisfaction indicators. Int. Rev. Adm. Sci., 69(3): 329-344.

Browne MW, Cudeck R. (1989). Single sample cross-validation indices for covariance structures. Multivar. Behav. Res., 24(4): 445-455.

Burke CS, Sims DE, Lazzara EH, Salas E (2007). Trust in leadership: A multi-level review and integration. Leadersh. Q., 18: 606-632.

Byrne ZS (2005). Fairness reduces the negative effects of organizational politics on turnover intention, citizenship behavior and job performance. J. Bus. Psychol., 20(2): 175-200.

Caldwell C, Hayes LA, Long D (2010). Leadership, trustworthiness and ethical stewardship. J. Bus. Ethics, 96(4): 497-512.

Caldwell C, Karri, R (2005). Organizational governance and ethical choices: A covenantal approach to building trust. J. Bus. Ethics, 58(1): 249–259.

Caldwell C, Karri R, Vollmar P (2006). Principal theory and principle theory: Ethical governance from follower's perspective. J. Bus. Ethics, 66: 207-223.

Carnevale DG, Wechsler B (1992). Trust in the public sector: Individual and organizational determinants. Adm. Soc., 23: 471-494.

Child J, Rodriguez SB (2003). Corporate governance and new organizational forms: Issues of double and multiple agency. J. Manage. Govern., 7: 337-360.

Child J, Rodrigues SB (2004) Repairing the breach of trust in corporate governance. Corp. Govern., 12: 143-152.

Cropanzano R, Rupp DE, Byrne ZS (2003). The relationship of emotional exhaustion to work attitudes, job performance, and organizational citizenship behaviors. J. Appl. Psychol., 88(1): 160-169.

Cudeck R, Browne, MW (1983). Cross-validation of covariance structures. Multivar. Behav. Res., 18: 147-167.

Davis JH, Schoorman FD, Donaldson L (1997a). Toward a stewardship theory of management. Acad. Manage. Rev., 22: 20-47.

Davis JH, Schoorman FD, Donaldson L (1997b). The distinctiveness of agency theory and stewardship theory. Acad. Manage. Rev., 22(3): 611-613.

Diamantopoulos A, Siguaw JA (2000). Introducing LISREL: A guide for the uninitiated. London: SAGE.

Donaldson T, Preston LE (1995). The stakeholder theory of thecorporation: Concepts, evidence and implications. Acad. Manage. Rev., 20: 65-91.

Eisenhardt MK (1989). Agency theory: An assessment and review. Acad. Manage. Rev., 14(1): 57-74.

Griffeth RW, Hom PW, Gaertner S (2000). A meta-analysis of antecedents and correlates of employee turnover: Update, moderator tests, and research implications for the next millennium. J. Manage., 26: 463-488.

Fama E, Jensen M (1983). Separation of ownership and control. J. Law Econ., 26: 301-326.

Fornell EK (1983). Issues in the application of covariance structural analysis: A comment. J. Consum. Res., 9: 443-447.

Graham JW (1991). An essay on organizational citizenship behavior. Emp. Respons. Rights J., 4: 249-270.

Griffeth RW, Hom PW, Gaertner S (2000). A meta-analysis of antecedents and correlates of employee turnover: Update, moderator tests, and research implications for the next millennium. J. Manage., 26: 463-488.

Hoelter JW (1983). The analysis of covariance structure: Goodness-of-fit indices. Sociol. Methods Res., 11: 325-344.

Huang X, Iun J, Liu A, Gong, Y (2010). Does participative leadership enhance work performance by inducing empowerment or trust? The differential effects on managerial and non-managerial subordinates.

J. Organ. Behav., 31(1): 122-143.
Jensen M, Meckling, W (1976). Theory of the firm: Managerial behavior, agency costs, and capital structure. J. Financ. Econ., 3: 305-360.
Jinarat V, Quang T (2003). The impact of good governance on organization performance after the Asian crisis in Thailand. Asia Pac. Bus. Rev., 10: 21-42.
Jones TM (1995). Instrumental stakeholder theory: A synthesis of ethics and economics. Acad. Manage. Rev., 20(2): 404-437.
Kang J, Shivdasani A (1995). Firm performance, corporate governance, and top executive turnover in Japan. J. Financ. Econ., 38: 29-58.
Karambayya R (1990). Contexts of organizational citizenship behavior: Do high performing and satisfying units have better 'citizen'. York University working paper.
Kelloway EV (1998). Using LISREL for structural equation modeling: A researcher's guide.Thousand Oaks: Sage.
Kerlinger FN, Lee HB (2000). Foundations of behavioral research. Fourth edition. Fort Worth: Harcourt College.
Konovsky MA, Cropanzano R (1991). The perceived fairness of employee drug testing as a predictor of employee attitudes and job performance. J. Appl. Psychol., 76: 698-707.
Lausten M (2002). CEO turnover, firm performance and corporate governance: Empirical evidence on Danish firms. Int. J. Ind. Organ., 20: 391-414.
Lea D (2004). The imperfect nature of corporate social responsibilities to stakeholders. Bus. Ethic Q., 14: 201–218.
MacCallum RC, Roznowski M, Mar CM, Reith JV (1994). Alternative strategies for cross-validation of covariance structure models. Multivar. Behav. Res., 29(1): 1-32.
MacCallum RC, Browne MW, Sugawara, HM (1996). Power analysis and determination of sample size for covariance structure modeling. Psychol. Methods, 1: 130-149.
Matthai J (1989). Employee perceptions of trust, satisfaction, and commitment as predictors of turnover intentions in a mental health setting. Unpublished doctoral dissertation, Vanderbilt University.
McCall J (2002). Leadership and ethics: Corporate accountability to whom, for what and by what means?" J. Bus. Ethic, 38: 133-139.
McCauley DP, Kuhnert KW (1992). A theoretical review and empirical investigation of employee trust in management. Public Adm. Q., Summer: 265-285.
McKnight DH, Phillips B, Hardgrave CH (2009). Which reduces IT turnover intention the most—Workplace characteristics or job characteristics? Inform Manage., 46(3): 167-174.
Meisel N (2004). Governance culture and development: A different perspective on corporate governance. Paris: OECD Development Centre.
Nyhan RC (1999). Increasing affective organizational commitment in public organizations: The key role of interpersonal trust. Rev. Publ. Pers. Adm., 19: 58-70.
Organ DW (1988). Organizational citizenship behavior: The good soldier syndrome. Lexington: Lexington Books.
Organ DW Moorman RH (1993). Fairness and organizational citizenship behavior: What are the connections? Soc. Justice Res., 6(1): 5-18.
Pierce JL, Gardner, DG Dunham, RB (2002). Management and organizational behavior: An integrated perspective. Australia: South-Western.
Podsakoff PM, MacKenzie SB, Moorman RH, Fetter R (1990). Transformational leader behaviors and their effects on followers' trust in leader, satisfaction, and organizational citizenship behaviors. Leadersh Q., 1(2): 107-142.
Podsakoff PM, MacKenzie, SB (1997). The impact of organizational citizenship behavior on organizational performance: A review and suggestion for future research. Hum. Perform., 10: 133-151.
Podsakoff PM, MacKenzie SB, Paine JB, Bachrach DG (2000). Organizational citizenship behaviors: A critical review of the theoretical and empirical literature and suggestions for future research. J. Manage., 26: 513-563.
Raddy SK (1992). Effects of ignoring correlated measurement error in structural equation models. Educ. Psychol. Meas., 52: 549-570.
Rotter JB (1967). A new scale for the measurement of interpersonal Trust. J. Pers., 35: 651-665.
Ruppel CP, Harrington SJ (2000). The relationship of communication, ethical work climate, and trust to commitment and innovation. J. Bus. Commun., 25: 313-328.
Schumacker RE Lomax RG (2004). A beginner's guide to structural equation modeling. Second edition. Mahwah: Lawrence Erlbaum.
Scott D (1980). The causal relationship between trust and the assessed value of management by objectives. J. Manage., 6(2): 157-175.
Tzafrir S, Harel GH, Baruch Y, Dolan SL (2003). The consequences of emerging HRM practices on employee trust in their manager. Pers. Rev., 33: 628-647.
vargas Sánchez A (2004). Development of corporate governance systems: Agency theory versus stewardship theory in welsh agrarian cooperative societies. Paper presented at the 4th Annual Conference of EURAM (European Academy of Management). St. Andrews (Scotland): 5-8 May.
Wong YT, Ngo HY Wong CS (2003). Antecedents and outcomes of employees' trust In Chinese joint ventures. Asia Pac. J. Manage., 20(4): 481-499.