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Boards, Management and the Information Asymmetry Paradox

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ABSTRACT

This paper examines information asymmetry between boards and management to establish the characteristics of management and board information and how these differ. This is one of the few papers to focus solely on the issue of board-management information asymmetry. We analyse the characteristics of board information and management information by reference to the writings of Henry Mintzberg. This provides new insights into the dynamics of information sharing between boards and management, which we characterise as a two-way process, back-and-forth between executives and non-executive directors. As such, we take an interdisciplinary governance and management perspective on the issue rather than the governance only approach in most prior research. In addition, using the work of educationalist and philosopher John Henry Newman, we consider information at multiple levels, invoking the literature on tacit and explicit knowledge. We reach a more benign conclusion than some alarmist commentators about the implications of information asymmetry for board effectiveness.

Keywords: Information asymmetry, boards of directors, management