

Realigning the Legal Status of the Board of Directors: From Decision-Making Body to Democratic Discussion Body

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Abstract:

The current Company Law in China stipulates that the board of directors must make collective resolutions to achieve the goals of scientific decision-making and checks and balances. However, the author believes that the mandatory provision for collective decision-making by the board has certain issues. Collective decision-making is not necessarily scientific decision-making. This may not only hinder the decision-making efficiency of companies but also lead to unclear decision-making responsibilities and potential abuse by those who control the board in practice. Moreover, this model does not align with China's cultural traditions and actual circumstances. Therefore, it is recommended to abolish the mandatory collective decision-making power and allow more flexibility in specific circumstances by empowering the company's articles of association to determine the voting methods. This will allow the board of directors to better fulfill its essential role of providing intellectual support to decision-makers while strengthening decision-making accountability and curbing shareholder manipulation of the board.

Keywords:

Board of Directors, Decision-Making Body, Democratic Discussion Body

1. Introduction

The construction of legal systems cannot be disconnected from the realities of social practices. The establishment of a corporate governance structure that suits China's economic and social development must emphasize the importance of local resources. General Secretary Xi Jinping stressed at the Second Plenary Session of the 18th Central Committee of the Communist Party of China that following the path of socialist rule of law with Chinese characteristics requires starting from China's realities and highlighting Chinese characteristics, practical characteristics, and contemporary characteristics.

In 2021, the Standing Committee of the National People's Congress enacted the Revised Draft of the Company Law. The explanatory notes from the legislative body

emphasized that “the amendment of the Company Law is necessary to deepen the reform of state-owned enterprises and improve the modern corporate system with Chinese characteristics.” [1] China belongs to the category of countries that have developed their legal systems relatively late. The corporate governance system in China has been largely influenced by the transplantation of foreign laws, particularly from the Soviet Union, Japan, the United States, and Europe. The design of the corporate governance system needs to both draw on foreign experiences and lessons and take into account the country’s traditions and national conditions. [2] The institutional choice of corporate governance models may seem like a technical legal issue, but it is influenced by various factors. Besides considering economic factors, the potential impact of local resources on institutional design should also be taken into account. In China, cultural traditions such as the “patriarchal system”, “elite decision-making system”, “guanxi-oriented society”, and “face culture” have had a profound and intrinsic influence on the operation of corporate governance structures. Only by comprehensively considering these factors can we avoid the rigid transplantation of foreign laws, which could lead to the unsuitability of the institutional framework.

The current Company Law in China attempts to achieve the functions of scientific decision-making and checks and balances by mandating collective voting by the board of directors. However, the complexity and specialization of corporate decision-making mean that group decision-making does not necessarily result in scientific decisions. The increased decision-making time also leads to low operational efficiency, hindering the ability to respond to rapidly changing market dynamics. At the same time, collective decision-making disperses the primary responsibility for decision-making mistakes, diminishes the motivation for active participation in decision-making discussions, and creates conditions for those who control the board to exploit the collective decision-making mechanism to harm company interests. At a deeper level, the traditional Chinese cultural values of paternalism and elitism determine that corporate decision-making is essentially an elite decision-making process under paternalistic leadership. The transplantation of the democratic deliberation model from political systems lacks a natural cultural foundation in China. As a transplanted legal system, it is common to encounter the phenomenon where the same inputs do not yield the same outputs in Chinese law. Legal transplantation encounters resistance from existing institutions and culture, as well as resistance to foreign rules. [3] In collective decision-making within companies, Chinese society as a guanxi-based society weakens the supervisory effects presumed by the board's collective decision-making process due to cultural values such as personal relationships, reciprocal principles, and face-saving. As internal matters of the company, the decision-making form of the board can be autonomously regulated by the company's articles of association. There is no need for the Company Law to impose mandatory restrictions on it. After abolishing the mandatory provision for collective decision-making, the board of directors can return to its practical essence and function as a democratic discussion body, providing decision-makers with more comprehensive intellectual support. At the same time, the concentration of decision-making authority strengthens decision-making accountability, which also helps further curb the behavior of controlling shareholders exploiting the collective decision-making system to harm company interests.

2. Establishment Regulations and Current Operation Status of the Board of Directors

In China, the establishment of the board of directors follows a mandatory approach. Article 44, Paragraph 1 of the current Company Law stipulates: “Limited liability companies shall establish a board of directors, consisting of three to thirteen members; however, except as otherwise provided in Article 50 of this Law.” Article 50, Paragraph 1 states: “Limited liability companies with fewer shareholders or smaller scale may appoint an executive director and do not need to establish a board of directors. The executive director can also serve as the company's manager.” Article 108, Paragraph 1 states: “Joint stock companies shall establish a board of directors, consisting of five to nineteen members.” It can be seen that in China, the establishment of the board of directors is mandatory, with the exception of small-scale limited liability companies, which are not required to establish a board of directors.

Similar to the representative democracy prevalent in modern political life, the formation of corporate resolutions in the form of collective decision-making has become a business practice followed worldwide. Whether in common law jurisdictions like the UK and the US or civil law jurisdictions like China, almost all company laws prescribe collective decision-making by the board of directors, and company articles of association would typically regulate such matters in accordance with the law. [4] When legislators establish the system of collective decision-making, they often expect it to be efficient in decision-making and provide checks and balances. [5] They intend to harness the advantages of collective decision-making to build a democratic and scientific corporate decision-making mechanism and achieve checks and balances among directors. On the one hand, legislators believe that collective decision-making can gather diverse opinions, eliminate individual biases in decision-making, and improve decision accuracy and efficiency by bringing together individuals with different knowledge structures to collect different information and perspectives. On the other hand, legislators aim to achieve checks and balances through collective decision-making to prevent individual directors from using decisions to harm the overall interests of the company for personal gain.

China's Company Law adopts a model of separation of powers, assigning decision-making power, executive power, and supervisory power to the shareholders' (general) meeting, the board of directors, and the board of supervisors respectively. Additionally, a manager is appointed as the executive body of the board of directors to implement the daily operational and managerial decisions made by the board. The legislature appears to have made a reasonable distribution of power in companies. However, in practice, the operation often deviates significantly from the legislator's expectations. Modern companies often suffer from the phenomenon of a hollowed-out shareholders' meeting, with the board of directors increasingly becoming the center of corporate governance. However, the board of directors is susceptible to control by controlling shareholders, and with the rise of managerial dominance, the board of directors is gradually being marginalized and weakened. [6]

Firstly, the shareholders' meeting is gradually becoming hollowed-out, and the board of directors is increasingly becoming the core of corporate governance. As modern companies grow in size, ownership becomes more dispersed, and the influence of individual shareholders on the company diminishes. Moreover, the cost of convening a meeting with dispersed shareholders to discuss company matters is high, leading to a decrease in the enthusiasm for convening shareholders' meetings. At

the same time, due to the separation of ownership and management rights, those who are most familiar with the company's operations and market conditions are often the board of directors, serving as the executive body of the company, and the managers who assist the board of directors, rather than the shareholders who are the owners of the company. As a result, the actual control of the company has effectively fallen into the hands of the company's managers. [7] Shareholders in companies often exhibit "rational apathy" towards the company's management and affairs. They tend to vote based on proposals put forward by the company's actual managers, and typically support these proposals. In this situation, the core of corporate governance gradually shifts from the shareholders' meeting to the board of directors.

Furthermore, the board of directors is controlled by the controlling shareholder and becomes a tool for the controlling shareholder to manipulate the company. Articles 42 and 103 of China's Company Law provide regulations on the voting rights of shareholders in limited liability companies and joint stock companies, establishing two important voting principles: one share, one vote and majority rule based on capital. The principle of majority rule empowers the controlling shareholder with decision-making power, appointment and dismissal power, and operational management power over the company. At the same time, the voting rights of minority shareholders often do not play a crucial role in the formation of decisions. As a result, minority shareholders tend to have a significant "free-rider" mentality and often go along with the decisions of the majority shareholders. This further exacerbates the control of the controlling shareholder over the company. [8]

According to China's Company Law, the board of directors is elected by the shareholders' meeting, and shareholders have the right to nominate directors. In practice, the controlling shareholder often nominates and appoints the majority of directors on the board. In this situation, the controlling shareholder can effectively control the composition, appointment, or removal of board members by controlling the voting rights in the shareholders' meeting. As a result, they can gain control over the board of directors, manipulate board resolutions, and gradually turn the board into a tool for the controlling shareholder to manipulate the company. [9] Moreover, since managers are appointed and removed by the board of directors, controlling the board of directors is equivalent to controlling the managers. This allows the controlling shareholder to achieve comprehensive control over the company at multiple levels, from the shareholders' meeting to the board of directors and then to the management level.

Lastly, the board of directors is undermined by the management, and its power gradually diminishes, becoming a "rubber stamp" for the management. According to China's Company Law, managers are appointed and dismissed by the board of directors and are responsible for implementing the board's resolutions. The power of managers comes from the board of directors, and they are supposed to execute the board's resolutions while being supervised and bound by the board. However, in practice, the interaction between managers and the board often deviates from legislative expectations. According to a survey conducted by the China Entrepreneur Survey System, two-thirds of the surveyed companies have the chairman also serving as the company's manager. [10] This leads to a concentration of decision-making power and operational control, and even to some extent, allows the management, which should be supervised by the board of directors, to control the board and override its supervisory role. At the same time, in this situation, managers may also exploit their positions to bribe directors, leading to collusion between the board and

management that harms the interests of the company. Additionally, as full-time employees of the company, managers are responsible for the day-to-day affairs of the company, big and small, while the board of directors is constrained by factors such as time, information, and financial resources, and does not convene regularly. Due to the infrequent and short duration of board meetings each year, directors have limited time to engage in detailed discussions on significant matters of the company. Furthermore, in many cases, directors may not be as familiar with the company's operations as the managers. While directors have the right to access company documents, this right is often underutilized due to time constraints. As a result, the majority of information relied upon by directors during decision-making is provided by the managers. In most situations, board members cannot engage in detailed discussions and decision-making within the limited time frame and often agree with the suggestions put forth by the management. All these factors contribute to the management overriding the decision-making and supervisory powers of the board, essentially making the board a mere "rubber stamp" for the management.

3. The Necessity of Abolishing the Mandatory Collective Voting Power of the Board of Directors

However, despite the idealized system envisioned by legislators, where collective decision-making by the board of directors is seen as embodying enterprise democracy, scientific decision-making, and checks and balances, the reality is that the collective decision-making approach of boards may not achieve the intended effects and can even run counter to the legislators' intentions. Scholars who have studied the voting patterns in shareholder meetings and board meetings have found that in practice, resolutions rarely receive dissenting votes, with the majority of cases showing deference to the initial opinions of the company's management team. Meaningful discussions and opposing votes are rare, and shareholder meetings and board meetings are increasingly becoming mere rubber stamps. [11] In light of this situation, some scholars have proposed abolishing the mandatory collective voting and allowing the voting method to be determined by the company's articles of association. Their main reasons for this proposal are as follows.

Firstly, collective decision-making does not necessarily result in scientific decisions. With the increasing complexity, sophistication, specialization, and internationalization of modern business transactions, corporate governance requires more expertise and business judgment. Although directors are considered the elite of the company, their operational capabilities and familiarity with internal conditions and the business environment may not be as strong as those of the chairman or CEO. In addition, there may be disparities in professional knowledge among directors within the board. External directors may lack understanding of company operations, while internal directors may lack knowledge of accounting, law, and other specialized fields held by external directors. These circumstances can lead to other directors blindly following individuals with relevant expertise, making the board of directors appear to make collective decisions when, in reality, it may be the decision of just one person. [12] Secondly, due to the prevalent concentration of ownership in Chinese companies, the voting of minority shareholders may not have a significant impact on the decisions made by major shareholders. As a result, minority shareholders may develop a "free-rider" mentality when voting, leading to the formalization of board decisions. Furthermore, when legislators envisioned collective decision-making as a means to achieve more scientific decision-making outcomes, they may have overlooked the

potential negative effects that collective decision-making can bring. In other words, collective decision-making also increases the risk of decision-making mistakes to some extent. The size of the collective, the knowledge structure of its members, the degree of information exchange within the collective, the procedures and rules of collective voting, and other factors all influence the scientific nature of collective decision-making. [13] In a sense, collective decision-making amplifies the decision-making risks brought about by these factors, leading to decision-making mistakes.

Secondly, collective decision-making leads to low operational efficiency in companies. One significant reason for the low operational efficiency in China is the excessively long chain of decision-making. A typical operational decision-making process involves multiple rounds of discussions, starting from the proposal, followed by departmental discussions, decision-making by the executive meeting of the general manager, and finally reaching the board of directors for a decision. In general, this process involves at least 4-5 rounds of decision-making. If it is a decision for a subsidiary company, it may require even more rounds of discussions, possibly reaching 8-10 rounds when reporting to the parent company. This results in a high number of internal company meetings and complex decision-making hierarchy. As a consequence, not only does it hinder the efficiency of decision-making in response to the market, but it also makes decision confidentiality difficult to maintain. [14] The issues of decision-making efficiency and decision confidentiality are particularly prominent in listed companies. According to legal design, the board of directors, which is supposed to be at the top of the decision-making hierarchy, is the most critical decision-making body and the ultimate authority that oversees decisions at various levels within the organization. However, due to convoluted institutional design, the board of directors, which should be the “ultimate decision-making body,” has essentially transformed into a “formalistic decision-making body.”

Why is board decision-making formalistic? Some viewpoints suggest that this might be a reflection of the board's insignificance and a manifestation of the traditional patriarchal culture in China, which undervalues democratic practices in the boardroom. With a history of thousands of years of centralized governance culture, Chinese companies still place importance on decision-making elites such as the chairman of the board and the general manager, while not prioritizing other democratic institutions. Additionally, China has a strong emphasis on “face” and a culture of relationships. Under the influence of these hidden cultural traditions and customs, people tend to seek personal gain and avoid harm. Harmony between individuals is highly valued, making it difficult to express dissenting opinions openly or to vote against and directly confront others. When all directors are granted independent voting rights and are allowed to express dissenting opinions regarding decisions predetermined by the chairman and the general manager, nobody is willing to risk offending the chairman or the general manager by raising objections. This is similar to the situation in ancient autocratic systems where loyal officials who dared to speak up were extremely rare. It can be seen that under the current elite system, mandatorily granting decision-making power to board members is essentially empowering them to challenge the authority of the chairman and the general manager. For internal directors, unless there are other significant conflicts, this is highly unlikely.

Why are the directors silent? The business community has put forward another view. This is because before the decision-making stage, the company has already had numerous discussions on the matter at hand, and internal directors no longer need to

speak at the board meeting. Only external directors or independent directors, who are not involved in the company's day-to-day operations, need to express their opinions as they encounter the proposal for the first time at the board meeting. Regardless of the reasons for the directors' silence, the "silent majority" undoubtedly leads to a "formalized" board, and the corresponding provisions in company law become mere words.

Thirdly, collective decision-making can lead to unclear responsibility for decision-making errors in companies. Clear legal responsibilities and strict mechanisms for accountability are important institutional safeguards to ensure that corporate governance entities fulfill their respective obligations and continuously improve corporate governance effectiveness. Traditional corporate law regulations emphasize collective governance accountability while neglecting individual responsibility differences. The important guarantee for the effectiveness of corporate governance is the accountability mechanism of governance entities. Only through strict accountability can sufficient pressure be exerted on governance entities to ensure their effective fulfillment of legal obligations. However, the practical accountability in corporate governance fails to achieve this institutional vision. Currently, Chinese company law only stipulates the fiduciary duty and diligence duty of directors, supervisors, and senior management personnel. These duties are directed towards all managers of the company and are a common requirement for all management personnel, but they fail to reflect the differences in specific legal obligations borne by different managers due to different job conditions. However, the collective decision-making system may result in unclear or unreasonable distribution of responsibilities for corporate governance entities. Under the collective decision-making mechanism, the legal responsibilities for violating corporate governance obligations are often framed as collective responsibilities, with only a few individual cases attributing blame to absenteeism from meetings or refusal to sign resolutions. However, in cases where the board of directors is controlled by major shareholders, and board members are hindered by the influence of major shareholders, the chairman, and senior management, they may be unwilling or afraid to express their opinions, and there are rarely any opposing votes. As a result, the individual or specific responsibilities that should have belonged to certain individuals are transferred to the entire board of directors. This reflects the notion of "collective punishment and joint accountability." [15] This collective responsibility may result in unclear or unreasonable allocation of responsibilities for governance entities, on the one hand, increasing the burden on certain members of the board of directors, which can undermine their motivation to participate in corporate governance. On the other hand, it reduces the responsibility of actual decision-makers, making it easier for them to exploit collective responsibility to lighten their own burden and harm the interests of the company.

Fourthly, from a deeper perspective, Chinese local cultural resources have inherent resistance to democratic-style collective decision-making to some extent. As mentioned earlier, in traditional Chinese society, the patriarchal system, elite decision-making, guanxi-oriented social networks, and "face" culture profoundly influence behavior patterns and mindset in China. Even after experiencing tremendous social changes, these cultural elements still possess strong adaptability to the modern context and continue to subtly influence the construction of various Chinese organizations. [16] This local cultural resource mainly affects the collective decision-making of the board of directors in two aspects: on the one hand, the behavioral patterns of the patriarchal system and elite decision-making potentially influence the decision-

making behavior of the board of directors. Under the influence of the patriarchal system, people are accustomed to obeying parental authority. The leadership within the patriarchal system emphasizes the rule of individuals to a certain extent and tends to concentrate decision-making power. The CEO or chairman of the board, compared to ordinary directors, assumes more personal responsibility, and correspondingly, “he also has more power to dominate the actions of the board.” [17] At the same time, influenced by this centralized culture, people tend to prefer elite decision-making over democratic discussions. However, there also exist within the board of directors the “elite among elites” in the form of the chairman or CEO, and board members may also have a tendency to obey the elite. Therefore, in the Chinese context, the nature of board decision-making is essentially elite decision-making under patriarchal leadership. The corporate collective decision-making system modeled after Western democratic representation lacks the cultural foundation for implementation in China. On the other hand, the traditional *guanxi*-based society and face culture in China undermine the supervisory role of collective decision-making. Relationships are an important factor influencing investors’ choice of board members, and there is a high probability that board members are acquainted with each other. Such personal relationships greatly weaken the effectiveness of supervision. Furthermore, influenced by the culture of saving face, board members tend to avoid questioning or opposing others’ opinions, unless it involves their own significant interests. Even when expressing dissent, they do so in a very tactful manner. [18]

In summary, the collective voting right of the board of directors is not flawless, and it still has certain shortcomings. Therefore, some scholars in the academic community have proposed abolishing the collective voting right of the board. Scholar Zhao Xudong believes that there are too many rigid clauses currently stipulated in China’s Company Law, and reforms are urgently needed. He suggests: “granting more discretion to the legal norms of corporate governance, maximally expanding the autonomy of corporate governance, mobilizing the creativity of corporate self-governance, fully unleashing its autonomy, energy, and intrinsic driving force, thus achieving the best goals and effects of corporate governance.” Regarding how to make resolutions on internal production and operational matters within the company, the procedures for resolutions, the required majority proportion, and other aspects all fall under the purview of internal company affairs. They can be regulated by the company’s articles of association based on the specific circumstances of each company. The Company Law only needs to provide guiding or advocacy norms to demonstrate examples of company autonomy, for the company to choose to apply as appropriate. [19] Scholar Jiang Daxing believes that influenced by factors such as China’s centralized mindset and face culture, the decision-making of the board of directors often tends to be elite governance rather than democratic decision-making. Therefore, abolishing the mandatory provision of collective decision-making by the board of directors can shorten the decision-making chain within companies and enhance efficiency. [20] The author believes that the arguments in the academic community are reasonable and should be taken into consideration during the revision of the Company Law. The form of company decision-making can be fully regulated by the company’s articles of association, and there is no need for mandatory provisions in the Company Law. The essence of company decision-making should be restored to enhance decision-making effectiveness and maximize the company’s ability to adapt flexibly to the ever-changing market conditions.

4. The Board of Directors as a Democratic Discussion Body

Based on the previous discussions, the board of directors, as the decision-making authority for daily operational matters, often fails to fulfill the legislator's intended role. Therefore, it is worth pondering the actual role played by the board of directors in corporate governance. What role does the collective decision-making system actually play in practice?

Some scholars have proposed that the practical significance of collective decision-making by the board of directors is as a ritual to respect shareholders' equity and as a venue for directors to exchange information. [21] On the one hand, as representatives elected by the shareholders' meeting, the board of directors represents the control exerted by investors over the company and embodies the authority of investors within the company. Collective decision-making demonstrates recognition and respect for this control. Through the reporting mechanism of the board of directors to the shareholders' meeting, the connection between investors and the company is strengthened, allowing investors to tangibly feel their control over the company. Therefore, the board of directors to some extent serves as a ritual that highlights investors' authority. On the other hand, since dissenting voices seldom occur in the actual collective decision-making of the board of directors, apart from ensuring compliance with legal requirements, another important function of collective decision-making is to facilitate information exchange. [22] Through collective discussions, directors within the board of directors share information, which may not necessarily alter the predetermined decision but can provide a basis for decision-makers to modify or adjust the decision details to some extent. The board of directors creates an internal platform for information exchange within the company, allowing shareholders to acquire information about directors and executives appointed by the board of directors. Shareholders can make preliminary evaluations of their management actions for future accountability. Therefore, information exchange may be the true purpose or significance of the collective decision-making system of the board of directors.

As a borrowed concept from the Western model, the collective decision-making model of the board of directors in companies reflects to some extent the influence of Western democratic political thought on corporate governance. However, corporate governance is different from political governance, as it primarily involves cooperative games among the stakeholders rather than competitive games. [23] This is reflected in the rarity of dissenting votes in collective decision-making in companies, while dissenting votes are more common in Western democratic politics. Competitive games emphasize individual rationality and are based on competition. They assume that participants can't reach effective agreements or actions and, therefore, act individually with the ultimate goal of maximizing their own interests. Cooperative games are based on the view that reciprocity is inherent in human nature, emphasizing collective rationality and being built on a foundation of cooperation. [24] It assumes that participants can reach effective agreements through negotiation and pursue outcomes that are most beneficial for the collective through collective action. Corporate governance is a form of cooperative game. Companies have a strong cooperative nature as their founders often choose or incorporate like-minded individuals to create or govern the company. While there may be differing opinions among the owners on certain details, due to the close relationship between the overall interests of the company and their individual interests, shareholders or directors can, in most cases, reach consensus with other shareholders or directors through

communication and negotiation. It can be said that cooperative games form the foundation of the relationships between entities in corporate governance, which also explains why there is less opposition in collective decision-making within the board of directors. In this case, the most important function of collective resolutions is to exchange information, and an excessive emphasis on the role of collective decision-making in the board of directors can, in fact, weaken its function of information exchange. Based on the above, the author believes that the mandatory decision-making power of the board of directors should be abolished. Instead, the decision-making power should be limited to specific matters determined by the company's articles of association and delegated to the "core elites" of corporate governance, such as the chairman or CEO, allowing the board of directors to transform into a democratic discussion body.

The Company Law can be seen to some extent as a long-term and stable form of the Contract Law. Directors/managers are variations/reflections of the agency mechanism within the company. The current Company Law's provisions on collective decision-making by the board of directors contradict the agency mechanism logically. When shareholders, as principals, choose directors or managers as their agents, they tend to select individuals they trust during the appointment process. However, the collective decision-making mechanism reflects distrust towards agents. Agents are unable to engage in transactions independently and are constrained by the mechanism of collective decision-making. Therefore, a better approach is to transfer voting rights to the authorized entity, namely the chairman or CEO. This not only aligns with China's tradition of patriarchal governance and the elitist requirements for corporate governance but also helps improve corporate efficiency. Moreover, when voting rights are transferred, the roles of the chairman and CEO, which are easily controlled by majority shareholders, become clearer in decision-making within the company. Stringent legal responsibilities can compel the chairman or CEO to make cautious decisions, thus curbing the infringement of minority shareholders' rights by controlling shareholders. Additionally, issues of agent abuse can be addressed through mechanisms such as a pre-appointment process for the chairman or shareholders, in-process corporate supervision, and post-litigation mechanisms such as shareholder lawsuits and representative litigation.

5. Conclusions

The institutional choice of corporate governance model may appear to be a legal and technical issue, but in reality, it is influenced by many factors. In addition to considering economic factors, the potential impact of local resources on institutional design should also be taken into account. In China, traditional cultural traditions such as "paternalism", "elite decision-making", "guanxi society", and "face culture" have had a profound and intrinsic impact on the actual operation of corporate governance structures. The current Chinese Company Law stipulates that the board of directors must make collective decisions to achieve the goals of scientific decision-making and supervision. However, the author believes that the mandatory requirement of collective decision-making by the board of directors has certain issues: collective decisions are not necessarily scientific; this may not only hinder the decision-making efficiency of the company but also lead to unclear decision-making responsibilities and potential abuse by those who control the board of directors. More importantly, this model does not align with Chinese cultural traditions and practical circumstances. Therefore, it is recommended to abolish the mandatory collective decision-making

power and provide legislators with more flexibility to allow companies to determine their own voting methods through the articles of association, depending on specific circumstances. This will allow the board of directors to better fulfill its essential role in providing intellectual support to decision-makers, strengthen decision-making responsibilities, and curtail the manipulation of the board of directors by controlling shareholders.

Conflicts of Interest

The author declares that there is no conflict of interest regarding the publication of this article.

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