

How CGIR contributes to the development of corporate governance:

One mission, various formats.

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What kind of papers does Corporate Governance: An International Review (CGIR) publish? Does CGIR publish only empirical papers or also accept conceptual ones? Is my study suitable for publication in CGIR? These are typical questions we receive from scholars who are considering submitting a paper to the journal and want to have a better understanding of its mission and scope. The editors' responsibilities obviously include answering these --- and other --- questions from potential submitters, along with continually improving the journal's website so that it becomes a useful tool for the editorial team, the authors, and the readers of the journal.

We have decided to write this editorial to help address the persistent requests for more details on the style of the journal. In particular, we focus on the various types (or formats) of papers that CGIR welcomes. As stated in the authors' guidelines, CGIR solicits six different types of articles: (i) empirical, (ii) conceptual, (iii) review, (iv) perspective, (v) commentary and, from this issue onward, (vi) point and counterpoint. We now provide more details and information on each format.

(i) **Empirical studies** published in CGIR should aim at constructing or testing theories about the antecedents or the consequences of corporate governance mechanisms and processes. CGIR particularly encourages the submission of multi-country studies because they often generate interesting international corporate governance insights; however, we also welcome single-country studies if sufficient new insights on the underlying theory and/or empirical methodology are generated. This means that the study should explain if the results can hold across several types or categories of governance systems, or if they are affected strongly by some national institutions, and/or provide significant new methods related innovations regarding the empirical testing of

international corporate governance theories. We solicit both quantitative method papers aimed at testing theoretical hypotheses about the relationships between key constructs, and qualitative method studies aimed at building new theoretical insights (Zattoni, Douglas, Judge 2013). In both cases, empirical studies should be characterized by a rigorous data collection and analysis in order to reach the publication standards of the journal. Most of the studies submitted to CGIR are in fact empirical studies and, consequently, they are the most frequently published format. For example, in volume 20 (2012), 28 out of 32 articles published were empirical studies.

(ii) **Conceptual articles** are aimed at developing new theoretical insights and relationships regarding the antecedents or the consequences of corporate governance mechanisms and processes. These articles develop theoretical frameworks and propositions that can be empirically tested. The new theoretical insights can be generated in several ways, e.g. by combining different theoretical insights, by exploring logical paradoxes in the literature, by challenging existing theories (like the dominant agency theory), or by synthesizing recent insights into a new theory. Conceptual studies – like the empirical ones – should explain in which governance systems the new theoretical insights can apply and/or how national institutions affect them. But even though CGIR welcomes conceptual papers, we receive few such conceptual papers, and only very few of them reach the publication stage because the submitted studies often tend to be purely descriptive and do not provide a strong theoretical contribution. For this reason, it is not surprising that only one conceptual paper has been published in 2012 (i.e. Cuevas-Rodriguez, Gomez-Mejia, Wiseman, 2012).

(iii) **Review articles** are aimed at summarizing a stream of research on a specific topic, identifying gaps in the literature, and highlighting the most promising directions for future studies. Review articles should go beyond a mere synthesis of the literature, they should analyse the various theoretical frameworks applied and the set of empirical methods adopted, and – based on a careful and detailed analysis – should identify gaps and help scholars to develop future research agenda. Again, although CGIR welcomes review studies, the journal does not receive many of these and

publishes just a few of them. As a result, in 2012, the journal published only one review article that investigated the editorial process and decisions at CGIR (Zattoni and Van Ees, 2012).

(iv) **Perspective articles** are aimed at challenging the existing theoretical, methodological or practical paradigms in corporate governance literature. Scholars are invited to present their own perspective on corporate governance building on literature, logic, empirical and also anecdotal evidence. Perspective articles should be supported by a sound logic and empirical evidence, and should be able to challenge corporate governance scholars and practitioners to think in new and different ways. The perspective articles are intriguing pieces that can be written effectively by scholars and practitioners who have been engaged in actual practice of corporate governance. Perspective articles are not weak conceptual papers, but rather challenge existing corporate governance paradigms and practices in one or more national settings. We do expect to publish at least one perspective paper every year as it is very difficult to write a challenging article on corporate governance practices and theories. It is so not surprising to find, then, that in 2012, CGIR published only one perspective article aimed at challenging the dominant idea that corporate governance systems will converge to the Anglo-Saxon model (Henrekson and Jakobsson, 2012).

(v) **Commentaries** are short essays focused on a specific topic. Since the special issue on executive compensation published in 2012, we started to invite governance scholars with rigorous and relevant publications in the specific topic of the special issue to write commentaries aimed at taking stock of the research accumulated on that topic, and to highlight future avenues of research. We typically invite these scholars to first present their ideas at the developmental workshop where working papers submitted to the special issue are presented and discussed, and then to formalize their ideas in a short commentary (about 3,000 words) published in the special issue. In this way, their insights can help submitting scholars to improve their studies during the review process and eventually reach the publication stage in the journal. In sum, commentaries written by reputed scholars in the field are another way through which CGIR would like to contribute to the development of corporate governance studies and practices. In 2012, CGIR published one

commentary (Geletkanycz and Sanders, 2012) in the special issue on executive compensation, but since then a few commentaries have also been solicited by guest editors in order to enrich the contribution of the special issue.

(vi) **Point and counterpoint articles** consist of two papers written by different authors that present opposing views on a current topic that is being debated in the international corporate governance community. Proposals for “point and counterpoint” articles can be advanced by reputed scholars in the topic, or can be the result of invitation from the editorial team. We foresee several possibilities for point and counterpoint articles on corporate governance, as there are several topics (e.g. compensation practices, institutional investors’ role, shareholders’ power and interests, board role and effectiveness) where scholars from different disciplines or from different governance systems can provide different, and sometimes also opposing, views.

The articles published in this issue touch several important topics and are written using different formats. They are an example of how different formats can contribute to enrich the dialogue among corporate governance scholars and practitioners.

The first paper, an empirical study by Fogel, Lee, Lee and Palmberg, investigates the influence of foreign investors as actors of change in a national governance system. For this research objective, they collected and analyzed longitudinal data (1990-2008) about ownership and voting rights of Swedish listed companies. The results show that the acquisition of equity stakes by foreign institutional investors did not lead automatically to an increase in the performance of Swedish companies. Foreign investors had a positive effect on firm performance only when they acquired a critical influence on voting power at the expense of largest domestic shareholders. These findings show that corporate governance practices are culturally embedded as controlling shareholders of large companies are vested by local values; this explains why the old practices cannot be easily changed even if the new ones can produce large efficiency gains.

The second paper is a perspective paper on business elites and institutional embeddedness in the UK code-issuing process. Haxhi, van Ees and Sorge analyze the UK process behind the issue of codes of good governance by focusing on the key actors, their power and their interplay. They argue that the “comply-or-explain” principle that is at the base of the UK codes, together with the large number of codes issued along the time, is a reflection of the diversity and permissiveness of the UK society and shows its ability to absorb contested corporate practices in a way that protect the status quo. By exploring the strategic behavior of the UK business elites in response to the pressure to reform corporate governance practices, the study offers a political perspective on how the national context affects the code-issuing process. As such, the study shows that the development of good governance practices cannot be understood without considering the interests and the behavior of national elites.

In the third paper Imke Kappes and Thomas Schmid explore if family firms are more long-term oriented than non family firms. Building on agency theory, they developed a theoretical framework and hypotheses on how family involvement affects the time horizons of companies. They test the framework and the related hypotheses using a longitudinal dataset of 701 German companies in the period between 1995 and 2009. The results show that family firms experience lower time-horizon agency problems than non-family firms, and that this is particularly pronounced during periods characterized by an increase in the pressure on short-term performance. These findings support the view that family firms differ from other firms, and so the assumptions of agency theory should be adapted when applied to this specific context. The study also indicates that the utility function of family members, e.g. the concern to satisfy the needs of future generations, can strongly affect the decision making at the top, and the long term orientation in particular.

The last two articles are a point and a counterpoint on the possibility for China to transition from relation-based to rule-based governance. The article written by Shaomin Li supports the positive thesis, while the article written by Kun Luen Alex Lau and Angus Young is negative about the transition. Li’s thesis is based on the view that when the scale of a national economy is small,

the relation-based governance is an efficient mechanism, while the same governance mechanism will become costly and inefficient as economic activity expands. Thus, with an increase in the scale of the economy, eventually there will be a shift from relation-based to rule-based governance because this is the most efficient mechanism when the scale and scope of the economy is large. Rule-based governance needs institutional (i.e. legal and information) infrastructures that are costly to develop, but once they are developed, they can provide their services at almost no cost. Also, from a social justice theory perspective, the transition is inevitable as a relation-based governance system is not equitable. From this perspective, the main obstacle to the transition is not the cultural heritage, but the political forces (the government and its officials) that benefit from the relation-based system. As the relation-based system will limit further economic development and will create more inequality, the Chinese officials will be forced to accept the inevitability of the transition to the new system. In sum, China's transition from relation-based to rule-based governance is a question of when and how.

In the related article, Lau and Young develop the opposite thesis. They argue that China will not completely transition from a relation-based to a rule-based governance system because of its cultural heritage and entrenched value system. China is an ancient civilization and possesses a rich cultural heritage with a strong emphasis on reciprocity, trust and mutual obligation. In this cultural context, the personal relationships matter a lot and people tend to behave with a long term orientation. Moreover, the Chinese governance system is characterized by paternalism and a hierarchical structure. This is true in family firms and in state-owned companies, as in both cases it is assumed – based on the Confucian normative order – that leaders will act in the best interests of the people. In sum, the authors argue that China will not transition from relation-based to rule-based governance system because relational governance is deeply entrenched in the Confucian cultural roots of China.

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