

# CORPORATE GOVERNANCE

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名誉

良心

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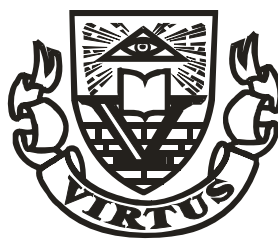
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## **FOREWORD:** **An Educational Outlook**

Over the last few years corporate governance has become a growing area of public interest and academic research. In the meantime several universities offer not only undergraduate modules but whole LLM or MBA streams in this topic. More and more PhD students specialise in this area borne by the fact that outstanding academics dedicate their research to corporate governance issues. Corporate governance journals such as the journal “Corporate Ownership and Control” and international conferences offer platforms for inspiring discussions and that the research in this area is internationally recognised.

The financial crises of Enron, WorldCom and Parmalat at the beginning of the 21<sup>st</sup> century have heated up the discussion about the proper governance of companies. Corporate governance is a highly topical subject which concerns the management of large companies and the way in which they use their power and influence in society today. It encompasses a wide range of issues extending from company law to business ethics.

Generally the term corporate governance deals with issues borne by the separation of ownership and control. To solve agency problems between shareholders and their management, between majority and minority shareholders as well as between shareholders and other stakeholders the importance of monitoring institutions which range from supervisory boards to external monitors such as institutional investors is stressed. The recent past has seen several corporate governance codes published by companies, interest groups, agencies, regulators or supranational organisations such as the OECD. All these mechanisms should guarantee an alignment of the interests of the owners and the management of corporations.

This textbook tries to cover several topics in the interdisciplinary area of corporate governance. In addition to an illustration of the legal and regulatory response to corporate governance problems, voluntary agreements in form of codes will be discussed. The theoretical foundation of corporate governance is based on agency theory, transaction cost economics, resource dependence theory and stakeholder theory. The latter focuses on the relative differences of a stakeholder-oriented corporate governance system compared to a shareholder-oriented one. Stakeholders can be classified in outside and inside stakeholders such as employees.

Boards of directors, respectively supervisory boards, are seen as a linking part between the different interest groups within a company to guarantee “good governance”. A board is seen as an economic institution that can help solving the agency problems inherent in managing an organisation. We have to differ between one-tier board systems in Anglo-Saxon Common Law countries, and the two-tier board structure characteristically for Continental European and

Asian Civil Law states. Both take an allegedly different route to solve the multiple agency problems. In a wide section about international corporate systems the differences within certain countries are analysed. But despite differences in corporate governance systems we can observe that the problems of corporate governance are globally uniform, and therefore the necessity for solving the latter.

This textbook tries to address all these problems and draft possible solutions. It should provide academics, students and practitioners with an:

- understanding of the theoretical basis of the principles and development of corporate governance;
- awareness and understanding of some of the current academic and policy issues around the themes of corporate governance;
- understanding of the theoretical and practical aspects of corporate governance to a range of contemporary law, economics and business problems;
- understanding the relevance of the governance of corporations within the wider social, political and economic context;
- understanding how corporate governance problems are addressed within the different corporate governance systems;
- ability to identify how law and economics are jointly relevant to the theoretical and practical aspects of corporate governance.

We are very proud of declaring about support and participation in writing this book by corporate governance experts from 20 countries of the world. They are experts both from developed and developing countries providing readers of this book with an international comparative analysis of corporate governance practices and corporate governance essentials. Efforts of more than 40 corporate governance experts have found its implementation in this book. We hope that our international team did utmost to deliver the corporate governance essentials to students and many other readers.

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## **FOREWORD:** **An Academic Outlook**

For the last four decades, Corporate Governance has been a thriving process of learning and practice, which started in countries within the common law tradition, to be followed with pervasive enthusiasm from academics and practitioners all around the world. Not surprisingly, such a process demanded journals to bring together scholars and students, as well as books to give account of well-grounded achievements and lay bare manifold challenges to be solved ahead in the future.

Those forty years have been framing a distinctive approach, and so Corporate Governance became a serious endeavor that fulfilled the expectations of both scientific standards and recognized academic status. To claim a mainstream definition of a subject so young, and still in search of its epistemological foundations, would sound farfetched. Because of that, I will only recall a functional one that highlights the main tasks and problems with which Corporate Governance deals: it is a field of learning and practice about organizations concerned with the Founding Charter, the ownership structure, control and decision rights, the role of the Board of Directors and the Management, the conflicts of interests that arise from the interrelationships of owners, directors, managers, creditors and, to a lesser extent other stakeholders, the regulatory and reputational environments, as well as the avoidance of rent-seeking, soft-budget constraints and tunneling<sup>1</sup>.

If we slow down and take stock, Corporate Governance is nowadays at a crossroads: the public and the private realms are overlapping so much in most developing countries that there would be no likely success in fostering good governance in the private sector without doing it firstly in the public sector.

To all intents and purposes, this book entails the best of two worlds: it comes out with a timely academic schedule that intends to give a broad review of the essential issues of Corporate Governance, but at the same time it provides with a wealth of empirical evidence to become acquainted with techniques of analysis and a treasury of worthy findings to set up a handy tool-kit for practitioners and academics.

The reader will take advantage of a book that soon after being published will stand out among others not only because of its innovative approach but also it is the finest outcome of a group of authors that set an example of what an epistemic community means outright. Albeit the result of team-working, there

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<sup>1</sup> Apreda, R. (2005) The Semantics of Governance. Corporate Ownership and Control, volume 3, issue 2, pp. 45-53.

was a craftsman behind the curtains, the driver such an accomplishment. I am glad to acknowledge the empowering role of Dr. Alex Kostyuk. Academics and practitioners from every place are grateful to him for his long-standing efforts to enhance better governance principles around the global world.

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