

MAPPING THE GROWTH AND DIRECTION OF CORPORATE GOVERNANCE RESEARCH: A BROAD OVERVIEW OF LITERATURE BETWEEN 1930 AND 2014

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Abstract

In the past two decades, corporate governance (CG) literature has grown in leaps and bounds. The quick succession with which some corporate scandals surfaced in the early 2000s and their extensive media coverage have prodded the social science researchers to go back to their story boards and examine the reasons for such scandals. Interestingly, corporate behaviour was no more the exclusive preserve of micro-economists and finance researchers. Instead, researchers from different disciplines like philosophy, psychology, sociology and law too joined in examining issues related to what is today popularly known as corporate governance. Each scholar tested hypothesis and offered explanations in a language native to her own discipline. Given the pervasiveness of the social sciences, very soon corporate governance begun to be explained and understood in an increasingly multi-disciplinary perspective. Each discipline brought in its own unique flavour in picking and explaining the nuances of corporate governance. With so many disciplines contributing to a single overarching theme, it is no surprise that today there is a surfeit of corporate governance literature and more continues to get added every single day. This paper reviews the growth and development of CG literature over the past eight decades. In doing so, it studies 1789 published research papers to track how literature organized itself to build the CG discourse.

Key Words: Corporate Governance, Literature Overview, Evolution of Corporate Governance Research

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Introduction

Way back in the early 2000s, in the aftermath of the Enron debacle, when corporate governance (CG) has entered the research lexicon and also became a 'must write' story for the pink journalists, very little was heard or known of the concept in most countries, both developing and developed. Most authors, both academic and non-academic, built their first set of arguments drawing largely from the then bible of CG, The Adrian Cadbury Report.

Academicians from different disciplines jumped onto the new gravy train of management literature and each discipline attempted at appropriating the concept of CG unto itself. While finance researchers looked at CG from a financial performance perspective, the accounting fraternity tried to appropriate CG citing checks and balances as its exclusive territory. On the other hand, moral philosophers built the moral undertone to explain fiduciary responsibilities; political economists cited growing internationalization as the reason to converge to global best practices; behavioural economists argued that governance outcomes are largely driven by behaviours of individuals who run

the corporations; stakeholder theorists have added a whole host of constituents, including the shareholders, as those having stakes in corporations; CSR theorists have vehemently argued the need for corporations to display humane emotions; firm theorists and economists have tried to strengthen the understanding of CG through their expositions on firm theory; legal theorists have looked at CG from the prism of contracts and associated value expropriation; and regulation theorists have advocated the need for regulation, both statutory and self-regulation and the list continues⁵.

Today, a novice researcher of corporate governance finds herself in a fairly advantageous situation. She has multiple starting points to choose

⁵ As more and more journals are getting published each passing year, the demand for content has increased. Today, researchers find it easier to share their perspective via multiple platforms and in multiple forms. With inter-disciplinary research taking huge strides in the recent past, it is no surprise that business researchers attempt at probing CG problems with a scientist's microscope. So of late, we have witnessed the growth and acceptance of hitherto unrelated terminology in CG research.

from. Based on where her research interests lie and her penchant to contextualize, she may pick from an array of CG sub-areas, for example, impact of ownership structures on firm performance, or say roles played by boards, or maybe she can look if regulatory bodies are successful in harnessing corporate anomalies and so on. Even within the selected sub-area, she still has multiple choices to pick from. Today, there is neither a dearth of governance literature nor that of a good starting point. Also, given that most sub-areas have, over the years, developed a literature lineage of their own, novice researchers do not find the need to depart much from their chosen sub-field to patronize an understanding of the precedents of the parent discipline. This the author feels slows down the scholar's process of intellectual assimilation early on in her research career. This is also the reason why most scholars graduate to become passive followers later on in their research careers. A sense of history if built into the research process helps the scholar sharpen her research skills as the direction of the discipline becomes more conspicuous. It also helps the researcher in shunning mindless usage of statistical tools and publishing work that largely remains unconsumed by a vast majority of her peers.

In this paper, I try to scan the extant literature on CG and make an attempt at chronicling its growth. While the initial research interest in CG may seem to have been built post the failures of corporate giants like Enron, Tyco International, Adelphia, Parmalat and the lot, in reality, as a concept it entered the contemporary academic lexicon way back in the 1930s with Berle and Means' separation of ownership and control argument⁶. However, it is important to

⁶ Readers may note that Berle and Means were not the first scholars to have forwarded the separation hypothesis. The original father of the separation hypothesis is Adam Smith who in 1776, in his epic tome, *An Inquiry into the Nature and Causes of The Wealth of Nations*, clearly articulated that the separation of ownership and control is the primary reason for all CG issues, thus:

"The directors of such companies [joint stock], however, being the managers rather of other people's money than of their own, it cannot well be expected that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master's honour, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail, more or less, in the management of the affairs of such a company. It is upon this account that joint stock companies for foreign trade have seldom been able to maintain the competition against private adventurers. They have accordingly, very seldom succeeded without an exclusive privilege, and frequently have not succeeded with one. Without an exclusive privilege, they have commonly mismanaged the trade. With an exclusive privilege, they have both mismanaged and confined it."

note that right from the time the corporate form of business started, CG existed, though mute in its manifestation. If we push Berle and Means' separation hypothesis a bit backwards, CG had its predecessor in the theory of property rights and its delineation hypothesis. Likewise, one can go as far back as evolution of the homosapiens to contextualize current day governance problems.

For the purpose of this review, let us drop our anchor at the Berle and Means' hypothesis not only because it sheds a more contemporary light on today's CG problems but also because this hypothesis has been the starting point for the initial set of governance researchers.

A total of 1789 publications that include books, research papers and popular articles spanning eight decades of CG research, dating back to as far as the year 1932 to the current day and published in publications of repute have been picked for the purpose of this review. To a large extent, articles that reinforce established evidences and as a result add little value to the broader CG discourse have been dropped out of the collection⁷. The idea is not to overwhelm the reader with the stockpile of extant literature but to carve out the path and direction that CG research undertook in the past eight decades.

After a thorough sifting and sorting of the extant literature, I feel that CG literature has grown in *two phases* and over *five periods*. Generally understood, phase and period can be synonymous. However, for the sake of this paper I have tried to subtly distinguish them. *Phase*, for the purpose of this study indicates 'turning points' in CG research and therefore has a temporal and spatial connotation. A phase could include more than one contiguous time periods. As of today, I document two such turning points that have leapfrogged CG research in multiple directions. On the other hand, *period* has temporal and pattern connotation. I postulate that during a certain period CG literature has followed a certain pattern only to alter or extend its course in the subsequent period.⁸

⁷ Suffice it to say that there are over 50000 research papers around the concept of CG. Of the stated number over two thirds are published in national, regional and school sponsored journals. Consumers of most such publications are by and large limited to peers contributing to these journals. The author has extensively studied the quality of published papers and is not surprised that most papers duplicate work done by contributing peers. Therefore, there is no new knowledge creation in CG. And for that matter, even papers published in peer reviewed international journals have not gone beyond the spectrum of 'ownership, board, audit, performance and capital markets' research. Such papers are published only to serve the archaic 'publish or perish' mandate adopted by academic institutions.

⁸ This paper tries to build a sense of history in the way CG research has evolved over the past eight decades. For more incisive and extremely well-researched reviews, please

As will be discussed below, the five periods are subsumed in two phases. In the first phase spanning about seven decades (1930-1998) the actual crux of CG literature got developed. For a social science discipline to grow and make its impact felt, this is undoubtedly a very long time. The second phase (1999-2014) has largely focused on comparing the suitability of the extant governance models in the wake of globalization and a newer set of issues pervading modern corporations.

In the initial stages of literature scan, I consumed papers in no particular chronological order. Papers were picked at random and read for the perspective or findings they were to provide. In all this randomness though, I found that there emerged a certain pattern. Most papers either liberally picked from the Berle and Means' separation argument or extended it.⁹ In more ways than one they tried to establish the supremacy of the capital oriented Anglo-Saxonic governance model, and rightly so.¹⁰

As I kept reading papers with more application, it was evident that despite the separation hypothesis being the original starting point for research, many sub-starting points began to emerge ushering in the growth of several sub-disciplines within the CG literature. Over the past two decades though, researchers have increasingly published on these sub-disciplines and most research output simply fails to inspire. Also, the excessive focus by academics on empirical research, in a bid to be counted as serious researchers, has led to a steep decline in augmenting incisive arguments around CG literature.

In a mad rush to publish papers, especially to remain relevant and survive the rigors of academia, academicians have done a huge disservice to the growth of CG literature. Duplication of empirical research abounds in CG. Papers have replicated previous publications by making cosmetic changes, like a small alteration in the statistical model used, or studying a different industry, or by changing a variable here or there or simply by manipulating sample sizes. Of what intellectual or scholarly consequence is a paper that examines how a sample of 87 firms in the manufacturing industry located in region 'X' performed against four accounting variables with a certain board composition vis-à-vis how a sample of 350 mid-sized companies in region 'Y' performed against five accounting and one

market variable with the promoter also being the chairman of the board? As long as these are early studies in literature, they are relevant as they expose the subsequent researchers to the pointed differences that may or may not exist in such samples, industries, variables, locations chosen. However, when researchers who attempt similar studies four decades after the first such study, I feel, add to the unwanted burden to the extant literature. So while the so-called research output, in terms of volume, grows in leaps and bounds, our understanding of the research area remains stationary. Most research output, I contend therefore, is inconsequential in that it does not contribute a speck in furthering the understanding of CG discourse.

It is therefore, authors like Bowen (1953), Demsetz (1985), Friedman (1970), Alchian and Demsetz (1972), Jensen and Mekcling (1976), Fama and Jensen (1983), Freeman (1988), Arthur (1989), Oliver Hart (1995, 2001), Shleifer and Vishny (1997), Barzel (1997), Blair (1998), La Porta et al (1999), Bebchuk and Roe (1999), Roe (1994, 2003), Rajan and Zingales (2000, 2001), Jacoby (2001) who either fully or partially succeed in changing the direction of the discourse.

In addition, a whole host of CG recommendation reports published in the decade of 90s viz., Cadbury Committee Report (UK, 1992), Dey Report (Canada, 1994), Vienot Report (France, 1995), Greenbury Committee Report (UK, 1995), Peters Report (Netherlands, 1997), Hampel Report (UK, 1998), Olivencia Report (Spain, 1998), Cardon Report (Belgium, 1998), Mertzanis Report (Greece, 1999), IAIM Guidelines (Ireland, 1999), Preda Report (Italy, 1999), Turnbull Report (UK, 1999), Cromme Commission Code (Germany, 2001), Nørby Commission Report (Denmark, 2001), Kumara Mangalam Committee Report (India, 2000), have spawned renewed interest in the examination of CG from a country perspective. While the originality of most of these reports is questionable, as some of them seem to be *content farmed* from earlier reports, yet, the reader may reckon that to a large extent these reports have been successful in nudging researchers to probe country-specific governance models. For a brief period, this helped researchers outside the US and UK markets to look at which governance models their home country's CG is patterned on. However, once the initial modelling was done, researchers got back on to their replication studies mode by appropriating hypothesis from published papers and contextualizing them to their research settings. For example, if a paper published by an American researcher examined if board committees have had any impact on firm performance, her Indian counterpart would examine the same issue albeit with the Indian market as her context. In reality, the Indian market might not fully mimic the behaviour of the American market. Yet, a study is done, results reported and paper published. In the length of the

refer Shleifer and Vishny (1997), Denis, D.K. (2001), Tirole, J. (2005), Adams et al., (2009).

⁹ Technically, these papers made sense as there was no parallel or competing notion of CG other than the Berle and Means' hypothesis on which literature could be reasonably strongly built.

¹⁰ In the second phase, as articulated in this paper, this model though was to be the centre of all governance maladies. Subsequently, researchers scurried around to find alternative competing governance models to explain away the vagaries of market-oriented governance model.

paper, I might be arguing on the same lines, just to expose the futility of a bulk of the scholarly output.

Two Phases, Five Periods of CG Research

CG literature as has been mentioned earlier has grown in two phases, over five periods spanning eight decades of research (see Figs. 1 and 2). Unlike other research areas, CG has the distinction of both

‘outside-in’ (assimilating and appropriating research of other disciplines unto itself; for example, social responsibility or say corporate law,) and *‘inside-out’* (spawning newer and newer sub-disciplines, like capital markets, accounting and audit, regulation, etc.) research. It is like a huge vortex that assimilates from, re-adjusts with and seeds other research areas.

Figure 1. Direction of CG Research during 1930-2014

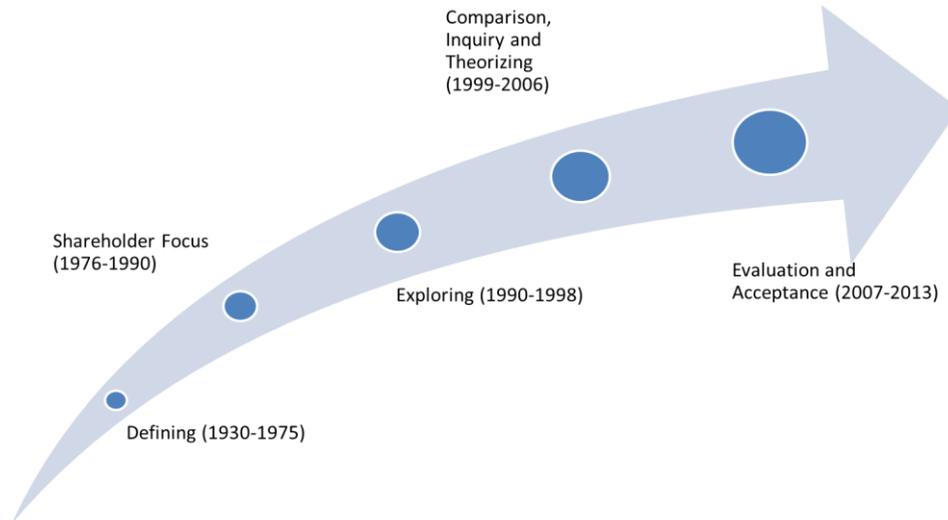


Figure 2. Broad areas of research during each period between 1930 and 2014

Defining	Shareholder Focus	Exploring	Comparison, Inquiry and Theorizing	Evaluation and Acceptance
Berle and Means' Hypothesis	Agency Theory	Boards	Stakeholder Debates	TBL Reporting
Conflicts of Interest Theory	Anglo-Saxonic Markets as fundamental premise	Reports/Codes	Comparative Governance	Social Citizenship
Performance vis-à-vis Locus of Control	OS/CS vs. Firm Performance Studies; Performance Arguments	Relationship-oriented Model	Country Studies	Islamic CG
CSR	Business Ethics	Disclosure	East Asian Crisis	Corporate Crime
		CEO Duality	Convergence Theories	FDI and Country Attractiveness
		Accounting & Auditing Practices	Legal Structures and Compliance	
1930-75	1976-90	1991-98	1999-06	2007-13
First Phase			Second Phase	

First Phase (1930-1998)

Between 1930 and 1998, CG research has more or less followed an organic script with the first period attempting to build the foundations for future research, the second period focusing on dominant research themes and the third period exploring themes

other than the ones researched in the past. So essentially, the first phase of governance research comprises of the following periods – *defining* (1930-1975), *shareholder focus* (1976-1990) and *exploring* (1992-1998).

For a large part during this phase, CG research moved uni-directionally. Researchers conveniently

assumed Anglo-Saxonic model to be the de facto governance model and most research centred around shareholders' gains and fiduciary responsibilities of boards. There could be multiple reasons for this research sclerosis. Social science researchers are as good as their access to relevant data. Market-oriented economies are more forthcoming in disseminating firm-level information, not because they practice it as a virtue but because of mandatory disclosures that they have to oblige to. Therefore a researcher in the lookout for both primary and secondary data is the happiest stakeholder given the level of access she has to of such data.

Given the ready availability of data in market-oriented economies, researchers churned more and more research output and therefore contributed to the unsaid advocacy of the primacy of capitalistic economies. It is also relevant to note that they had ready access to good quality research journals in which they could publish and reach out to larger audiences. On the other hand, researchers from other countries, especially from relationship-oriented economies and developing or under-developed countries had relatively neither free access to data nor to journals.¹¹ And those that published in international journals, found a better acceptance to their work, if they modelled it around contemporary thinking.

Suffice it to say that 'publish or perish' policy adopted by the academic world, globally, has to a large extent contributed to the burgeoning growth of CG research literature and unfortunately a major part of research output that found its way into journals lacked novelty in the true sense. Treatment and contemporariness of research far outweighed novelty and therefore led to a haphazard and valueless development of CG literature.

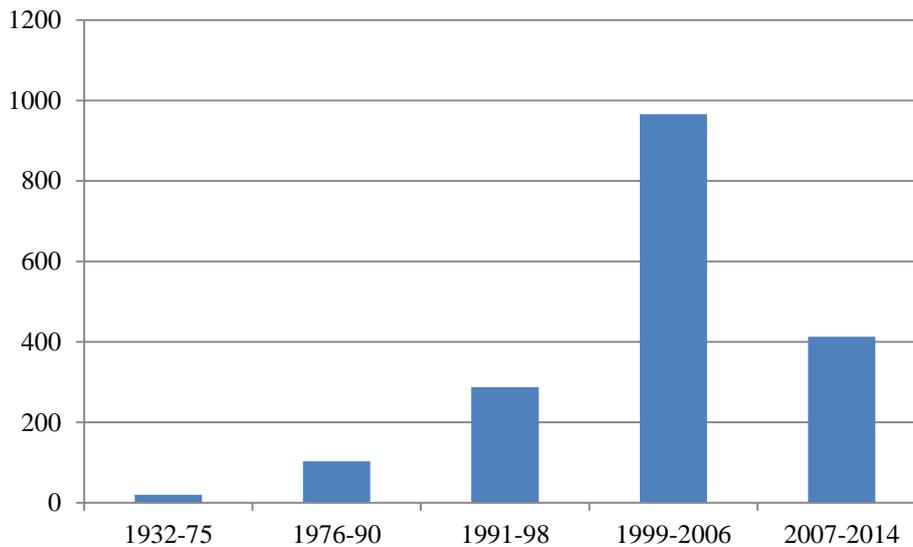
In the following sub-sections, an attempt is made to highlight the dominant sub-themes that dictated CG literature in each of the three periods during this phase. It is important to note that the periods do not follow a uniform time frame. Instead, they follow an observable pattern. Each pattern is succeeded by another, only when the starting point of the succeeding pattern has helped researchers break away from the previous period's starting point, to

¹¹ This is also the phase when serious academics and budding researchers found US or UK as their primary labor markets. This phase is characterized by the movement of academics/researchers from developing countries to that of developed ones. On the other hand, post the year 2000, it is seen that most developing countries have to some extent been successful in plugging brain drain by establishing the requisite infrastructure to help their home grown researchers to engage in meaningful research. Migration and reverse migration/stapled migration of academics is an interesting phenomenon to be studied. However, it is not within the scope of this paper, and so barring a few generalized statements, this paper does not deal with it.

start a slightly new line of thinking. This however does not preclude the assumptions made by previous period. Research in CG follows a certain continuum across these periods, with each new period ushering in a newer direction shaping future research output. Also, it may be noted that this paper will not give equal space to each of the periods, primarily because of the volume of research available in each period (see figure 3).¹² As far as possible, each of the periods would be dealt with at justifiable levels to flesh out the 'pattern' behaviour that they exhibit.

¹² Readers are to remain informed that the chart does not list the sum total of all CG papers published during the said periods. The author has picked a sample of 1789 research papers for the purpose of this study. The chart therefore indicates the number of papers published, from the sample, in each such period. The readers may also notice that the period between 1996 and 2000 saw an incredibly huge CG research output and this period's publications far outnumber the sum of the papers published during the first phase (1930-1998) and the last period (2007-2014). One can safely attribute the high volume of research output during 1996 and 2000 to the post-Enron, post-SOX phenomenon and the East Asian crisis. However, following the initial interest in East Asian crisis, CG research output seems to have tapered down to a considerable level post 2007.

Figure 3. No. of CG papers published during each defined period



Defining (1932-1975)

The first reference point for most CG papers lies in the ‘separation of ownership and control’ hypothesis articulated by Berle and Means (1932). The authors in their paper “The Modern Corporation and Private Property” have argued that US corporations were growing bigger and bigger, both in terms of size and needs and therefore the promoter of the company could no more manage the corporation all by herself. Professionals with special skills were on-boarded to manage the ever growing corporations. And this is where the roots of corporate mis-governance lay. The interests of the managers were not in alignment with those of the promoters. This led to a conflict of interest. The manager by virtue of being in the thick of day-to-day operations had more information than the promoter. This helped her create information asymmetries and benefit from them.

On a closer scrutiny of CG research, post Berle and Means’ argument, it is found that for about four decades from the time they published their work, there were not many takers who extended their line of argument. There could be multiple reasons for such neglect, most important among them being lack of delineation in management and economics research. Business research by and large was the realm of micro-economists and therefore ‘theory of firm’ was predominantly discussed and the larger issue of governance unassumingly neglected.

While management research, during this period, tried to articulate the primacy of the market system and the demands it placed on corporations, firm theorists dismissed the role of markets and instead emphasized on the importance of authority and direction that characterize the boundaries of the firm (Coase, 1937). The argument for the firm theorists did not lie in individual behaviour but in the nature of the firm per se. A firm is a sum total of its systems,

policies, procedures and rules. So one cannot depart way too beyond the character of the firm to create governance challenges by herself.¹³

Even while the discourse on the role of markets vis-à-vis the boundaries of firms was still building up, some other strands of literature strengthened to contextualize what are today widely believed to be important CG issues. Property right theorists stand out in laying the foundation for the current CG discourse by deconstructing rights that individuals have over a piece of property¹⁴ into either as economic rights or legal rights or a combination of both (Alchian 1965, Cheung 1969). In essence, they argue that the rights that individuals have on their assets or property is never absolute. The owners of property must make attempts to maximize their gains from their holdings and also it is incumbent upon them to protect themselves from being expropriated by other individuals. So essentially the governance issues lie in clearly understanding the attributes of the property owned by them and conferring appropriate decision rights to specialists that are hired to maximize the value of the property.

At around the same time, Bowen (1953) through his book “Social Responsibilities of the Businessman” tried to impress upon the fact that businesses do not exist in isolation. There are stakeholders that lie outside the internal boundaries of the firm and actions taken by firms might have a bearing on their welfare. It is therefore important that firms behave in socially responsible ways. Two decades hence, Friedman (1970) argued that the

¹³ Modern day CG literature has heavily discounted the Coasian arguments in favour of the ‘market efficacy’ argument.

¹⁴ In the context of the paper, property could be assumed to be a firm or shares in a firm or some level of ownership in a firm.

social responsibility of business is to increase profits and therefore firms should not be unduly weighed down by the burden of non-pecuniary societal demands.

Barring the property rights and social responsibility arguments none of the other arguments found any major traction in mainstream literature to supplement Berle and Means' *separation* hypothesis to contextualize CG. So after a major lull, CG research resurfaced in the late 1960s in major economic journals viz., *American Economic Review*, *Quarterly Journal of Economics*, *Economic Journal* and the like in what may termed as a tacit acceptance of the primacy of Berle and Means' hypothesis. Ownership structure became the focal point of research. Researchers attempted at deconstructing contemporary ownership and control structures and examined their impact on firm performance. In addition to understanding who owned corporations it was also important to examine if the owners really gave away control to managers and if they did whether manager controlled firms outperformed owner controlled firms. Most studies concluded that owner controlled firms performed better than manager-controlled ones (for e.g., Kamerschen 1968, Monsen et al 1968, Radice 1971, Boudreaux 1973, and Sorensen 1974). However some researchers found that there were no significant differences between owner-controlled and manager-controlled firms (Elliot 1972, Holl 1975), while some others found that manager-controlled firms performed better than the owner-controlled ones (Ware 1975). Conflicts of interest theory that came to dictate the *separation* hypothesis found its appropriate explanation in the empirical findings - be it in the control of conflicts through the incentive alignment mechanism or by way of efficient market functioning.¹⁵ These studies somehow set the tone for the huge growth in current CG literature by blurring the boundaries between economics and business management researchers. Suffice it to say, *performance* or *impact* studies have to a large extent defined the shape of future CG literature and continue to dominate to this day in various manifestations.

Some seminal work like that of Alchian and Demsetz's (1972) characterization of the firm as a web of contractual relations and Ross' (1973) explanation of agency theory got lost under the heap of the more attractive empirical findings of *impact* research.

In summary, the period between 1932 and 1975 was characterized by the tussle to define and contextualize CG. Economists tried to explain their understanding of CG rooted in their nuanced research

training. While different definitions were offered by different researchers, one can conclusively argue that the *separation hypothesis* offered by Berle and Means and the *conflict of interest theory* built both by Berle and Means and other property rights researchers has come to define the future of CG research.

Shareholder Focus (1976-1990)

The year 1976 in many ways resembles that of the year 1932. While Berle and Means can be credited of introducing CG to the future generation of researchers, Jensen and Meckling (J&M) through their path breaking article "*Theory of the firm: managerial behaviour, agency costs and ownership structure*" in 1976 steered CG literature to whole new heights.¹⁶ Their discussion of the famous principal-agent problem -- a refined extension of the *separation* hypothesis -- builds on the assumption that the agents (managers) would behave opportunistically to further their personal objectives and therefore the principals (owners) have to incur certain costs viz., monitoring costs, bonding costs and residual loss to align the agents' objectives with that of the principals' thereby reducing conflicts in interest. Interestingly, more and more empirical studies made their way into mainstream CG literature following J&M's principal-agent theory. While the methods, samples and tools adopted by researchers remained different, what is striking is the unilateral convergence of all the studies towards establishing the primacy of the '*separation*' hypothesis. Studies emphasized the rapid growth of ownership dispersion and professional managers as the cause for all governance maladies. Performance arguments were built around this period with researchers finding enough evidence to extend the market efficiency argument or J&M agency cost hypothesis in more ways than one.

Some studies have concluded that firms in which managers owned substantial equity performed well indicating the convergence of interests between the owners and the managers. This argument is popularly known as the *incentive alignment* argument (see Steer and Cable, 1978; Thonet and Poensgen, 1979; Jacquemin and Ghellinck, 1980; Holderness and Sheehan, 1985; Lewellen et al, 1985). Some others have evidenced that firms that are characterized by high owner equity-holdings have performed better. Large blockholders are motivated to control management and therefore are better monitors (see Shleifer and Vishny 1986; Pound 1988).

The seeds of empirical research in CG were sown during this period with researchers showing remarkable inquisitiveness in understanding the different behaviours of individuals along the principal

¹⁵ Incentive alignment argument and efficient market hypothesis gained more traction in the subsequent periods as CG literature matured. It is however important to note that these arguments were fleshed out as early as in the late 1960s and early 1970s in the cited studies.

¹⁶ Agency theorists existed prior to Jensen and Meckling, for e.g., Ross (1973) but Jensen and Meckling's paper attracted unprecedented traction and therefore established them as the frontrunners in agency theory research.

–agent spectrum and by ably condensing such behaviours in patterns that can be explained with economic rationale. In addition, they have also extended our understanding of how the markets behave in response to, or as a method of disciplining, managerial actions. Be it the *entrenchment hypothesis* that argues that higher equity ownership negatively impacts firm performance (see Morck et al, 1988; Jarrell and Poulsen, 1987; Holderness and Sheehan, 1988; Agarwal and Mandelkar 1990) or the *cost of capital argument* that claims higher equity concentration increases the cost of capital thereby stunting firm performance (Fama and Jensen, 1983), or the *takeover premium argument* that managers are motivated to perform well to make hostile takeovers costlier (see Stulz, 1988; Stulz, Walkling and Song, 1990) researchers have tried to build varied perspectives into our understanding of the dominant CG issues of the time.

Through the length of this period the fundamental premise of the existence of Anglo-Saxonic markets with excessive focus on shareholder value maximization has been the dominant silhouette within which CG research was conducted. Most research output bordered around building a case for the need for stronger mechanisms to discipline unaligned and deviant managers. In studying the performance of firms, researchers have deconstructed firm ownership in three ways - *form* (capital structure), *class* (equity owning groups) and *locus of control* (location and degree of control enjoyed by the owners or managers). The focus of research in all of them has been in examining and understanding if shareholder value is maximized or expropriated. From unearthing the capital structure choice puzzle (Myers, 1984) to establishing relationship between debt ratio and managerial shareholding (Friend and Lang, 1988); from studying if ownership structure has a positive, negative or no relationship with firm performance to regressing the impact of ownership classes like large blockholders, institutional investors, financial institutions on firm performance (Cable, 1985; Demsetz and Lehn, 1985; Brickley et al 1988, Agrawal and Mandelkar, 1990); from exploring if strong-owner controlled firms performed better than weak-owner controlled firms vis-à-vis manager controlled firms (Holl, 1977; Steer and Cable, 1978; Bothwell, 1980; Madden, 1982; Cubbin and Leach, 1983 amongst others) --- most studies during this period have firmly established the current day suspicion that has come to characterize managerial behaviour and rightly so.

While only a small sample of empirical studies are mentioned in this paper, it would not be an exaggeration to contend that regression analysis of one or the other ownership variable on firm performance dotted the CG literature landscape. Herzel (1990) decried the excessive and incorrect use of statistical tools in contemporary CG research and cautioned CG researchers from rushing towards

generalizations given the lack of new and significant information from such studies.

In addition, substantial literature on *business ethics* and *boardroom impact* started building up around the same period lending support to the performance empiricists' assertion of shareholder value expropriation by managers. Whether it is a quick survey conducted by of 1200 US readers to gain a perspective on how they perceive contemporary managerial action or Hull's (1979) exposition on varieties of ethical theories, the importance of the ethics in explaining the nuances of shareholder value expropriation was not lost on CG literature. Perhaps, the loudest cry in proposing ethical behaviour was made by George K Saul (1981) of the US Army in his *Academy of Management Review* paper titled "Business Ethics: Where are we going?" where he proposes a manager's guide to ethical decision making and also exhorts business schools to proactively embrace the teaching of ethics in their curricula.

Vance's (1978) study of boardroom attributes to contextualize CG was perhaps amongst the first concrete studies to have been made on board versus performance. Subsequently numerous studies poured into CG literature bringing with them the richness of different perspectives but the focus essentially hovering around the assumption of diverse ownership and the primacy of shareholder value. In examining the proxy contests for board directorships and their impact on performance (Dodd and Warner, 1983; DeAngelo, 1988, Harris and Raviv, 1988), or studying the composition of boards that registered or paid for greenmail (Kosnik, 1987) or even articulating the role of boards (Mueller, 1981; Molz, 1985) the period between 1976 and 1990 successfully built the foundation for future board impact studies.

Exploring (1990-1998)

The last period of the first phase i.e., 1990-1998 has seen a dramatic increasing in contributions to CG literature and more importantly helped build a truly rounded perspective of the concept of CG.¹⁷ While in the previous periods, CG was mostly an exclusive preserve of micro-economists and ethicists predominantly based out of the Western world, this period saw contributions from political economists, sociologists, regulation researchers, finance and behavioural finance experts, macro- and development economists, stakeholder theorists, accounting and audit researchers and business philosophers spread across different geographies of the world.

Literature on corporate governance that got built during this time assumed the form of exploration and testing. Constructs that emerged in the previous two periods were tested for generalization on a larger

¹⁷ Notwithstanding the tautological empirical studies that add little value to the richness of CG discourse.

scale across different market forms. This form of exploratory research has been both a boon and bane to CG literature. While it helped bulking up research output and developed a quick understanding of contrasting governance models practised worldwide, it also paved the way for mindless and anachronistic mapping of established CG studies to different local contexts.

The myth of the diverse ownership structure, and therefore the Anglo-Saxonic market, was busted during this period and researchers have increasingly realized that even in the most so-called market-oriented economies, ownership concentration was common and therefore the assumption of managerial expropriation of shareholder value was more exaggerated in the previous periods than was needed. However, ready availability of corporate financial data in market-oriented economies incentivized researchers to quickly analyse data statistically and publish their papers. An unprecedented number of papers studying the impact of ownership structure on firm performance made way into mainstream CG literature. While some helped build incisive insights, most studies replicated existing studies by looking at different datasets, samples, industries or time periods.¹⁸ While the research output scored on the 'publish or perish' mandate, it added little value in forming broad generalizations of corporate behaviour.

Relationship-oriented model of governance manifested itself with different features viz., ownership concentration, absence of strong capital markets, cross-shareholdings, two tier board structures, etc., in various interesting studies (see Packer and Ryser, 1992; Prowse, 1992; Osano, 1997 amongst others) and offered a contrasting view to the extant Anglo-Saxonic governance model. This certainly has been the most definitive contribution to the understanding of global CG. While in the earlier periods CG research was largely contextualized to the Western Anglo-Saxonic assumption of diverse ownership and its concomitant CG issues, the founding and articulation of a new model posed a healthy threat to the dominance of one-sided CG literature. In more ways than one, it helped in opening up the CG debate thereby leading to building a rich CG research repository. The German, Korean, Japanese and French models offered a layered understanding of relationship-oriented CG mechanisms. While each model is unique in itself, it contributes to the larger theme of relationship model of CG. Interestingly, this period lay the foundation for future CG debate on the advantage and supremacy of one model over the other.

The period beginning 1990 brought to the surface many CG scandals that gained notorious

popularity with news media giving each scandal unprecedented column-inch space fuelling academic research on the importance of corporate stewardship and fiduciary responsibilities (see Donaldson and Davis, 1991; Hawley and Williams, 1997). Researchers began looking more closely at board compositions and how they influence various corporate actions (see for e.g., Mallette and Fowler, 1992), how boards in different countries fare against each other (Demb and Neubauer, 1992), if boards need to self-regulate or if legislation would help them perform their duties well (see Stiles 1993), role played by the board in strategy formulations (Tricker, 1994), significance of co-deterministic boards (Hopt, 1994), market valuation of companies with smaller boards (Yermack, 1996), impact of CG on board entrenchment (Sundaramurthy et al, 1996), role of outside directors in corporate control (Mayers et al, 1997; John and Senbet, 1998), board efficiency (Huther, 1997), impact of board size and structure on firm performance (Vafeas and Theodorou, 1998; Eisenberg et al, 1998), board-stakeholder relationships (Huse, 1998) among other board related studies. This led to a substantial interest in extending our knowledge of boards and their contribution to CG.

While board studies influenced CG research considerably, researchers were quick to identify an interesting development in the corporate world. Anglo-Saxonic markets seemed to have CEOs who also occupied the chairperson's position on the board in effect creating an interesting reporting relationship. As chairperson of the board, the CEO is in a unique position of reporting to herself and also largely accountable to herself. Researchers studied CEO duality very closely to examine if such duality offered any private benefits of control to the CEO or if it has had any significant impact on firm governance and performance (Forker, 1992; Conyon, 1997; Brickley et al, 1997).

This period also saw interesting developments in the space of corporate regulation. CG recommendations and codes were proposed or were adopted in most countries globally during this time and by themselves contributed heavily to the extant CG literature. The uniqueness of most such codes is suspect given that they offer similar recommendations despite contextual differences in existing governance practices. The near similarity of such reports though indicates at the common issues that are plaguing CG globally. In addition, their analyses and some early studies of their impact on companies (see Stiles and Taylor, 1993) set the tone for *code impact verification*¹⁹ research engaged in the subsequent phase.

¹⁸ So what essentially could have been suggestive research to the corporate stakeholders soon ended up becoming tautological research largely avoided by those whom the studies were meant for.

¹⁹ By code impact verification research I indicate at studies that were undertaken to check if the CG codes were complied with by subject companies and the associated impact such compliance had on the performance of firms.

CG codes in conjunction with CG scandals provoked a good deal of accounting related research and studies examining extant accounting practices and impact of discretionary disclosures (Forker, 1992; Lewellen et al, 1996; Frost, 1997) entered mainstream CG literature thereby improving the general quality of CG debate.

In addition, some country-specific governance studies endeavoured during this period set the context for a deeper probe into the CG models of transition economies in the subsequent phase. Early studies on transition countries that moved from state-controlled enterprises to privatization either through mass voucherization programmes or through direct stake sales gained good traction in CG literature (see Boycko et al, 1994; Dittus, 1996; Palda, 1997; Konings, 1997; Wintrobe, 1998) and helped us gain a well-rounded understanding of the extant models of CG and their associated problems.

To sum up, the period between 1990 and 1998 offered a diverse understanding of the concept of CG primarily because of the exploratory methods adopted by researchers. In many ways, newer nuances got fleshed out during this period and the richness of CG literature manifests itself in the sheer breadth that it offers.

Second Phase (1999-2014)

In the early part of 1999, an incredible amount of research on CG was published with most papers attempting to compare extant governance models and trying to establish the relevance of competing and new governance models. The departing points for future research were already set in the previous phase. CG researchers during this period engaged in probing earlier strands of research more deeply and comparing them against different study contexts. The last decade and a half saw an increasing growth in foreign direct investments globally. Capital found its way into countries that offered attractive rates of return. In addition, countries with vibrant capital markets and robust legal infrastructure saw more inflows than those that failed on either or both counts. From a researcher's perspective, this kind of a scenario offered a research goldmine on a platter. Studies could be contextualized around the 'demand for' and 'lack of' corporate governance as a reason for the inflow and flight of capital. The efficacy of product markets was less delved upon to explain corporate performance or failure. Instead the focus was on explaining every nuance of corporate performance from the prism of corporate governance. A part of the reason could be that more and more mainstream journals found their way into academic libraries of developing and under-developed countries during this phase. With ready access to CG literature, researchers globally, found an easy start to contribute their understanding of the concept. In doing so, extant models got contextualized to different economic

ecosystems, and anachronistically so. While on the one hand, the breakneck speed with which global CG literature grew helped us quickly understand and appreciate the huge variance in CG systems across the world, on the other hand, the quality of such understanding got poorer and poorer as replicative studies²⁰ simply failed to add any significant value to conceptual generalizations.

This phase though has exhibited some remarkable characteristics in the way literature organized itself. In addition to sample contextualized replicative empirical studies, researchers engaged on a larger debate to thrash out the features and advantages of one governance model over the other. This led to a wholesome shaping up of comparative CG literature. However, with more and more research output coming out of the portals of Western academia, CG theorists have advocated the imminence of convergence of CG models. Path dependence theorists provided their rebuttal with their argument citing historical reasons for divergence. The first period during this phase was that of *comparison, inquiry and theorizing* (1999-2006). The period following this i.e., *evaluation and acceptance* (2007-2014) tacitly accepted the fact that different models can co-exist and thrive together. As the paper is being written, the arguments and comparison of one model's supremacy over the others remain but in a more muted form. Researchers have come to realize that some socialistic economies may never possibly transition to capitalistic ones and vice versa. So advocating market efficiency hypothesis as the panacea for all corporate governance issues might not be relevant for all economies.

Comparison, Inquiry and Theorizing (1999-2006)

East Asian crisis, Eastern European transition and Newly Independent States (NIS) formed the dominant sub-themes of CG research during this period. East Asian banking crisis of 1997 busted the 'Asian economic miracle' myth by taking down with it multiple East Asian economies and exposed the gaping hollowness in the CG systems adopted by the failed nations. The financial collapse of Thai *baht* and the inability of Thailand to honour its international debt burden and the widespread panic exhibited by foreign investors by withdrawing credit spread like a financial contagion and exposed systemic weaknesses in currency management not only in Thailand but other East Asian nations like Indonesia, South Korea, Philippines, Malaysia and Laos. Crony capitalism, government directed bank lending, debt

²⁰ Numerous studies that dealt with the impact of governance variables on firm performance are a class of replicative research. While the initial studies helped one understand how CG mechanisms influence corporate performance, the latter studies add to the literature but fail to provide any significant insight.

mismanagement emerged as the focal points for CG research. The crisis was interpreted in different ways by researchers belonging to different sub-disciplines. However, an interesting contribution to CG literature was in the form of nuancing CG both from a micro and macro-economic perspective. Firm behaviour studies now assumed a larger canvas and macro-economics subtly got integrated with CG thereby re-contextualizing future research output.

Retrospective studies to identify the root-cause of the crisis were undertaken and signals of bad governance flagged. For e.g., Kawai et al (2000) study the movement of corporate foreign debt in countries like Indonesia, Malaysia, Philippines, Thailand and South Korea and evidence that firms with lower profitability borrowed more from foreign creditors than ones that were more profitable, indicating that foreign credit found itself parked in the wrong companies. Post-crisis diagnostic studies -- ascribing the failure of the East Asian corporations to the pyramidal and family or insider controlled ownership structures (Claessens et al, 2000; Lemmon and Lins, 2001; Wiwattanakantang, 2001; Du and Dai, 2005), examining the lack of legal protection and associated CG issues (Tabalujan, 2002; Mitton, 2002), describing the role played by banks in the reform process (Choe and Lee, 2003), denouncing weak CG systems in East Asian countries (Johnson et al, 2000; Dickinson and Mullineux, 2001), extended our understanding of the salient features of corporate ownership in those nations.

Beginning 1990, many Central and East European nations for example Poland, Hungary, Slovenia, Czech Republic, Romania and Bulgaria among others shed state control of economy and transitioned to market economies. Privatization, liberalization, macro-economic stabilization, globalization, legal reforms and corporate restructuring emerged as the dominant themes during the transition process. While some initial studies on post-transition performance were done in the previous period, studies done during this period reflected the true impact of privatization on the transition economies. In addition, governance variables used in other studies could more appropriately be mapped to transition economies during this period as CG maturity seemed to pervade corporations more effectively than in the previous period. CG discourse on transition economies witnessed an incredible breadth in that it discussed larger issues like that of social consequences of reforms in transitional economies (Kumssa and Jones, 1999); CG practices in post-privatized economies (Bohinc and Bainbridge, 2001; Uvalic, 2001); progress, development and reform of the post-transition financial and institutional systems (Estrin, 2001); performance (Walsh and Whelan, 2001; Estrin et al, 2001; Grosfeld and Tressel, 2001; Angelucci et al, 2002; Hrovatin and Ursic, 2002); and mass privatization (Tchipev, 2003; Backhaus, 2003) amongst others.

The period was also notable for its investigation and documentation of the CG journey of both transition-oriented Russia and the NIS countries. Both country specific CG studies as well as studies at an aggregated level found traction in academic literature. Russian and Ukrainian studies (Buck et al, 1999; Vasilyev, 1999; Hedlund, 2000; Perotti and Gelfer, 2001; McCarthy and Puffer, 2002; Pivovarsky, 2003; Puffer and McCarthy, 2003; Buck, 2003; Zhaka, 2005) though found more prominence as their appeal far outweighed the smaller NIS nations.

This period has been the most productive amongst all periods in terms of research coverage, cross-disciplinary pollination of ideas, cross-functional complementarities as fleshed out by management researchers, comparative governance analysis and commentary, framework farming and theoretical generalizations. Separation hypothesis of Berle and Means and the conflicts of interest theory articulated in the early 1930s finally seemed to pervade corporations across geographies and most country-specific studies irrespective of the national economic context have chosen the Anglo-Saxonic model to explain away phenomenon observed in their results. Whether emerging economies or under-developed ones, the canvas of market oriented CG model remained stationary and factory models of country-specific CG impact studies were undertaken. Barring the African continent, save for a few countries, most countries had their own CG scholarship built during this period. A range of issues like investor protection, disclosures, role of boards, CEO compensation and duality, role of institutional investors and block holders, regulation, influence of capital markets, insider trading, political structures and institutions were examined in addition to the impact of ownership, capital and board structures on firm performance.

China-focused CG research attracted the attention of both native Chinese academicians as well as their Western counterparts. Studies examining the transition of state-owned enterprises to private ones; the performance of state-owned enterprises in themselves or in comparison to public firms; CEO duality and associated CG issues; CEO compensation and its impact on CG and the role of politics in shaping and reshaping CG in China, amongst others, helped us gain a perspective on the interesting CG developments in the country (Xu and Wang, 1999; Huchet and Richet, 1999; Shirley and Xu, 2000; Parker, 2000; Liu and Woo, 2001; Lin, 2001; Schipani and Junhai, 2002; Wei et al 2002; Watanbe, 2002; Bai et al, 2004; Aivazian et al, 2005; Liu, 2005; Liu and Sun, 2005; Wei et al, 2005; Liu, 2005; Su, 2005; Chen et al, 2005; Allen, 2005 among others).

Alongside the economic arguments of corporate governance, a huge amount of literature contextualizing the importance or irrelevance of stakeholders and stakeholder theory (see Sternberg, 1999; Beaver, 1999; Cragg, 2002; Boatright, 2002;

Culpan and Trussel, 2005), the rigidity of path dependent behaviour as an explanation to institutional persistence and the reasons thereof (see Bebchuk and Roe, 1999; Hedlund, 2000; Carney and Gedajlovic, 2001; Zukowski, 2004; Buckand Shahrim, 2005), the impact of politics and political systems on various CG variables and firm behaviour (Pagano and Volpin, 2001 and 2005; Gourevitch et al, 2003; Bonardi et al, 2005; Dinc, 2005; Bell and Trillas, 2005), and a wide variety of review, comparison and trends-based studies touching various aspects along the CG research spectrum (see Bevan et al, 1999; Emmons and Schimid, 1999; Cheffins, 2000; Gilson, 2000; Berndt, 2000; Gregory, 2001; Denis, 2001; Vinten, 2001; Osterloh and Frey, 2003; Perotti, 2003; Dennis and McConnell, 2003; Hofstede, 2004; Gillen, 2006; Jungmann, 2006) augmented the richness in CG debate.

Research output during this period therefore contributed heavily to the comparison of the different governance models of the time and succeeded in fleshing out insights from multiple perspectives thus making theoretical generalizations both easy and difficult.

Evaluation and Acceptance (2007-2014)

Novelty, to a large extent, has eluded CG research in the recent times. Studies with meaningful insights have been few and far between. Country-studies got extended along dimensions that were not studied earlier and the primacy of market-oriented model of governance is being advocated more vehemently than ever. Early researchers of CG that included economists, sociologists, philosophers, legal experts and political commentators moved on after building the boundaries of CG research. Current day CG literature is largely a reiteration of concepts thrashed out by them. Concepts like triple bottom-line reporting, social citizenship (Moreno, 2010), Islamic CG (Ismail and Tohirin, 2010) and corporate crime (Brody and Luo, 2009; Tomasic, 2011) though have entered the CG lexicon and only future research would highlight if they are worthy of longer discourses.²¹

CG research during this period has failed to depart far from the classic *board-ownership structure-capital structure-institutional investor-firm performance* framework. However, some interesting new dimensions continue to get built around the framework to understand current CG contexts. For e.g., renewed focus on female representation on boards and gender studies (Henrekson and Stenkula, 2009), employee representation in executive positions (Conchon, 2011), BoD dynamics in family owned firms (Oba et al, 2010), or the peculiarities of Nordic

boards and board committees (Lekvall, 2012) has come to characterize latest board related CG research.²² In addition, reviews of CG systems (Epstein, 2012) and of variables that characterize CG mechanisms (Hiester, 2012), or discussions of the reasons for corporate flaws and failure (Hopkin, 2012; Sharfman, 2012) are creating new starting points for future research. Researchers though implicitly indicate at the acceptance of the Western models of boards and board committees as the right recipe to provide oversight and governance. Also, some new strands of study establishing linkages between different business functions and CG have started slipping into CG literature. For e.g., studies like the relationship between innovation and CG (O'Connor and Rafferty, 2012), the role of communication in CG (Davis and Lukomnik, 2012), the impact of media on CG (Bednar, 2012; Dash, 2012), linkage between intellectual capital and CG (Saifeddine et al, 2009), etc are veering CG research in multiple directions. Whether insights obtained from such studies have useful practical implications to business and policy makers currently seem to be questionable though. As the literature gets further reshaped with more and more cross-disciplinary researchers contributing to the CG discourse from the context of their parent disciplines, newer insights are likely to emerge and those that dominate for a longer period would set the context and direction for future research.

The period between 2007 and 2014 has seen researchers evaluating, reconciling and accepting the different facets of CG. In addition, it has also seen researchers trying to investigate and establish both conceptual and practical connects between CG and other related or unrelated corporate functions.

Conclusion

CG literature owes its huge growth to the scholarly inquisitiveness shown by researchers belonging to different disciplines. Not being recognized as a separate discipline in itself has its advantages as seen in the breadth that CG research has to offer. No social science theme in the past eight decades has attracted as much attention from various disciplines as CG. Also, no social science theme has benefited as much as CG in concerted research cross-pollination efforts made by scholars. CG literature has grown richer by seeking and assimilating perspectives from a wide array of scholarship – economics, philosophy, politics, sociology, law, finance, and management to list a few.

Today, more and more CG-centric research papers seem to be pouring in into academic literature

²¹ All these concepts have an established and independent research lineage outside of CG literature. Today, they are being increasingly probed from a CG perspective.

²² Studies on these themes have been published in the previous periods. However, the freshness and insight of these reports/studies have renewed academic interest on these themes.

than ever. Not every paper would have 'corporate governance' in its keyword, but the context remains very much CG focused. CG has become both invisible and all pervading. As a classification keyword in journal papers CG may no longer find a separate existence, yet the essence of most management and economics papers broadly indicate the pervasiveness of the concept.

While on the one hand our understanding of CG has grown richer in more ways than one, yet on the other hand 'replication' studies have out-contextualized the sharpness of the CG discourse. Anachronistic contextualization of published studies coupled with needless investigation into phenomenon that are either well-established or are self-evident simply adds unnecessary layers of burden to the CG literature. This then masks issues that need immediate research attention and prohibits the scope to fan and build contemporary issues into the debate thereby pushing the CG discussion a few years backwards. The richness and sharpness thus gained from contributions made by different disciplines is therefore offset by inadvertent research duplication that adds no value to the larger debate. However, it would be interesting to see if in the years to come CG literature succeeds in shedding its path dependent behaviour and opens up arguments that help decision makers look beyond the obvious. The future of CG research would be much brighter only if the excesses of duplicative 'impact studies' give way to more rounded and sharper debates. At least then, academic researchers can claim that their research provides insights that can be picked by business decision-makers and policy makers – the stakeholders that matter the most -- for improving the quality of global corporate governance.

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