EDITORIAL: Adapting Anglo-American corporate governance concepts in non-Anglo-American environments

Dear readers!

Welcome to this issue of Corporate Governance and Sustainability Review. This issue contains 5 articles covering the wine industry, microfinance institutions, cooperative banking and board disclosure and independence, and organizational citizenship and reputation.

The first article, by *Bruno Marsigalia, Renato Giovannini, Emanuela Palumbo* looks at family businesses and the Italian wine industry. Family businesses are the most common form of financial organizing and in non-Anglo-American countries, comprise as the most common form of corporate ownership through business groups (Colpan et al., 2010). The authors note that Italian wine companies are primarily owned by family firms, ahead of cooperatives and nonfamily owned companies. *In vino veritas,* the wine industry has been a font of management and governance research interest. This work complements research conducted by Bresciani et al. (2016) into the role of families in the French and Italian wine industry, Kidman and Fish (2007) into HR practices of Australian wine companies and Galbreath's (2011) assessment of the impact of climate change for wine industry participants.

For Marsigalia et al., this research takes us to the financial performance and sustainability of family-owned wine companies. They find that:

"Family firms have both greater longevity and higher financial returns. The cooperatives have very good financial performance and a lower company history".

Family businesses, especially those that have not undergone professionalization, retain their uniqueness in that the dynamic of family-owners remain influential in the present and future direction and strategy of the company. Sometimes, it is difficult – especially to outsiders – to differentiate where the family starts, and when the business begins. More often than not, they overlap making it a challenging terrain to negotiate for outsiders. These key ideas about family firms have been considered too by Sikandar and Mahmood (2018), Ulrich (2018), Colarossi, Giorgino, Steri and Viviani (2008).

One of the findings the authors saw was *"a positive correlation between the number of successors managing the firm and the type of successors, thus a dynasty or a cousin's direction corresponds to a larger amount of successors actually managing the firm. The amount of family members is correlated to the average age of the board, thus more family directors tend to have a higher average age."* (Marsigalia et al., 2019, p. 13)

By this time, the business has emerged to become a multi-generational business reaching the third generation or the cousin stage (Gersick et al., 1997). This maturity signals the future sustainability of the wine company and the increasing importance of outside professionals. The conundrum in a multi-generational family business has always been the limited gene pool of future managers. There may be more owners than ever, but owners that are also managers must professionalize and depersonalize lest family issues interfere into the business issues.

The authors make the finding that non-family member managers not only provide the needed professionalism but also play the mediator role in family conflicts:

"To maximize returns the top wine firms also provide a non-family CEO, but a majority of the board members belong to the founder's family. A CEO external to the family allows to act as a mediator and reducing possible conflicts, above all in proximity of the generational transitions (Barbera & Hasso, 2013; Salvato & Corbetta, 2013)."

This brings us back to the governance maxim of who owns, controls. But by ceding some management control to the outside non-family manager, the longevity of the firm is assured.

The second article in this issue, by *Hlupeko Dube and Zvitambo Kudakwashe* discusses the impact of corporate governance codes in micro-finance institutions from Zimbabwe, a country recently recovering from an authoritarian regime.

One of the earliest corporate governance reports was the UK's Cadbury Report (1992) which promulgated the responsibilities of boards and was widely influential in Anglo-American countries. Globalization, and with it, increased international investment appetite from predominantly Anglo-American institutional investors saw higher and volatile capital market flows (Davis & Marquis, 2005). The collapse of Enron and WorldCom, and the Asian Financial Crisis of 1997 saw the wider dispersion of corporate governance codes backed by the International Financial Corporation for greater corporate and board responsibility and shareholder protection. Around 133 laws, regulations and codes have now been adopted[1].

But similar to any Western concept or product transplanted in a non-Western country, issues of integration, adaptability and relevance remain. The authors have noted the influence of Zimbabwe's biggest neighbour, South Africa and its King Report IV (2016) on corporate governance conception in the country. The authors also look at the three theories underpinning the current framework around corporate governance codes: agency, stakeholder and stewardship. While the literature review in this article is a useful summary, the authors note that microfinance institutions may require their own code.

The third article, by *J. Vaz Ferreira*, looks at corporate governance in a Portuguese cooperative bank. Cooperatives provide a "third-way" of organizing – not family-owned, not corporate-owned but owned by a wider pool of stakeholders. Indeed, the Latin phrase *quot homines tot sententiae*, comes to mind when governing a cooperative. *Vaz Fereira* notes this negotiated angle or contested cooperation amongst many stakeholders:

"Cooperativism emerges as a different way of dealing with the same problem of relationship with society and other interest groups". The *"importance of cooperation is steadily increasing".* Everyday, there are new developments in cooperation between individuals and companies (Greve, 2002, p. 7). Cooperation emerges as a way for the company to interact with other stakeholders and to improve its competitiveness, as it ensures the link between at least two entities through value-added activities, sharing strategic objectives without necessarily linking them of capital (Greve, 2002).

Corporate governance in banks has been researched by many scholars before (Kostyuk, Pizzo & Mizuno, 2012; Ungureanu, 2008; Barako & Tower, 2007). At the same time corporate governance in cooperative banks is still a field of research which needs further attention from scholars.

Similar to the first article, the cooperative structure has a long-term outlook but more importantly, capital is diffused in this structure. This article provides an insight into stakeholder governance in a familiar form. We look forward to more research into the cooperative governance research area.

The fourth article in this issue, by *Nidhi Sharma Sahore and Anshul Verma,* analyses the annual reports of Indian companies to assess their disclosure practices and board independence through the presence of independent directors. Indian companies are largely owned by families outside of state-owned enterprises, and the inclusion of independent directors on insider boards are, arguably, the most notable Western corporate governance mechanism introduced in the country.

Their findings note the influence of the US Sarbanes Oxley Act 2002 on the introduction of independent directors on Indian boards and the impact this has on a company's disclosure practices:

"board independence as a governance proxy became more of a mandate or compliance and hence gradually lost its importance in impacting voluntary corporate disclosures…voluntary financial disclosures are likely to be more if there are proportionately more independent directors in the boards".
Previous studies have tried to fix the link between the board of directors and financial disclosure. As a whole, these studies considered links between various practices of the board of directors and financial disclosure and company performance (Muttakin & Ullah, 2012; Kostyuk, 2003; Davidson & Rowe, 2004).

The last paper in this issue of the journal is empirical and is devoted to the issue of organizational justice. The author of the paper, *Viwe Mrwebi* reported empirical results which demonstrated that four independent variables of the study namely trustworthiness of management, extrinsic rewards, intrinsic rewards, organizational transparency and organizational climate influenced perceptions of organisational justice in the South African financial services industry which ultimately have an impact on organizational citizenship behaviour and reputable employee retention. These issues have been integrated with corporate governance on the board

[1] https://www.ifc.org/wps/wcm/connect/Topics_Ext_Content/IFC_External_Corporate_Site/IFC+CG

level and explored before by Akanmidu (2017), Ledimo, (2014), Collin (2008), Guerra, Fischmann and Machado Filho (2008).

The five articles in this issue share the commonality that they are showing the structural adjustments being made in each country to adapt Anglo-American corporate governance concepts in largely non-Anglo-American environments (with the exception of the last article on South Africa). Corporate governance is here to stay though the local perspectives on them are yielding varying results. Good governance is an important function in a modern, functional society. Corporations, companies and organizations have a role to play in ensuring their governance practices not only meets community standards, but exceeds them.

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