EDITORIAL: Participatory corporate governance for sustainability and accountability

Dear readers!

We are thrilled to announce the release of the second issue of the Journal of Governance and Regulation for 2024! This issue contributes to the existing body of literature and the critical discourse surrounding corporate governance (CG), providing fresh theoretical and empirical insights into the modern challenges and forthcoming advancements within the realms of corporate sustainability and accountability.

CG and associated regulations have experienced substantial changes in recent decades. These changes are a result of evolving socio-political, cultural, and economic landscapes in various countries, which have influenced both the internal and external sustainability practices of corporations. CG was traditionally viewed as regulatory governance, based on the rule of law. It involved a fair legal system and impartial enforcement, enabling government-affiliated accountability authorities to evaluate the efficiency and effectiveness of a corporation's performance. CG aimed to maximise profits and fulfil shareholder objectives, focusing on financial sustainability, management, and auditing methods designed for internal shareholders. However, the simplistic and piecemeal nature of these organisational and financial sustainability strategies led to widespread managerial misbehaviour, administrative audit scams, and accounting irregularities, particularly in public sector institutions and state-owned enterprises. These problems, stemming from inadequate governance, accountability, and regulatory frameworks, impacted not only financial results and shareholder value but also harmed organisational transparency, social legitimacy, and market reputation. Many were barred from both international and local investment markets by governmental and public accountability agencies, signalling the beginning of the decline of the previously dominant CG models that were solely concerned with internal and financial sustainability aspects. This era, preceding the consideration of external and non-financial sustainability factors — such as socio-political, cultural, and environmental concerns — aligned with the global shift towards embracing globalisation, technological progress, and modernisation within diverse models of business and societal success.

Amidst this transition, the concept of corporate sustainable governance (SG) has emerged, integrating internal aspects like organisational, structural, and financial sustainability with external elements such as socio-political, cultural, and environmental sustainability. Worldwide, policymakers and regulators are pushing for a move from traditional CG to an SG model. This paradigm shift, attuned to political subtleties, departs from the exclusive pursuit of shareholder profits to include broader concerns of sustainability and responsibility within corporate planning, targeting both commercial prosperity and social well-being. SG has shifted its focus from a shareholder-centric approach to a more inclusive stakeholder-oriented strategy, taking into account the interests of investors, employees, customers, suppliers, citizens, and society at large. Additionally, governments are enacting policies, directives, and regulations to improve corporate transparency and accountability regarding environmental, social, and governance (ESG) matters, thereby encouraging sustainable business practices. SG practices have evolved beyond mere internal controls and financial sustainability audits to include environmental, political, cultural, and social elements of corporate sustainability and accountability. This broader approach to SG has positively impacted society and improved citizens' quality of life, extending beyond just financial metrics. However, global financiers such as the World Bank, the International Monetary Fund, and the European Union have acknowledged that integrating these aspects into an SG framework alone is not enough, especially considering significant financial upheavals, the COVID-19 pandemic, and geopolitical events like Russia's invasion of Ukraine. Consequently, they are guiding organisations, especially those involved in sustainability, smart cities, and urban development, towards adopting corporate participatory governance (PG) models.

Amidst the global financing demand, CG has shifted from a purely regulatory approach to a participatory, multi-tiered sustainability model focused on accountability. In this advanced model, governments, financiers, and public accountability organisations enforce corporate transparency and sustainability via established key performance indicators (KPIs). PG encompasses diverse layers of corporate sustainability practices: political-economic, institutional-field, and micro-organisational, encompassing participatory accountability within corporate sustainability reporting, management accounting, auditing, and cost management. Each facet of PG is deemed a crucial component of a corporate sustainability framework propelled by accountability. Accountability-based participatory CG represents a collaborative or inter-organisational strategy that emphasises the collection, monitoring, and auditing of specific KPIs to guarantee corporate sustainability and authenticity. This approach has transformed the conventional practice of SG into a comprehensive array of sustainability KPIs, instituted by both central and local governments. By leveraging sophisticated enterprise resource planning (ERP) technologies, this governance model is managed by skilled management accountants, essential for its successful implementation. Firms adopting this model of governance evaluate their performance against sustainability KPIs, aiding in their recognition as contributors to
smart/sustainable cities. This governance method is gaining traction among corporations that value transparency, accountability, and social responsibility.

The Egyptian government’s experience serves as a significant example, where the 2030 sustainable urban development strategy and the 2016 urban governance legislation have guided government entities, including city councils and related state-owned enterprises in urban development, to adopt an accountability-based PG approach. This participatory, multi-tiered approach has established situational links and institutional dynamics reflecting the influence of political and field-level forces in forming organisational sustainability and accountability practices at the micro-level. Moreover, it has cultivated transformational links or recursive dynamics, highlighting the effect of CG participatory reporting at the organisational micro-level on political and field-level decision-making. The adoption of innovative PG models has transformed governance from a passive instrument to an active political agent in corporate sustainability and public accountability. Scholars in CG and regulation are encouraged to concentrate on this emerging field of PG to enhance the existing understanding and knowledge through broader theoretical and empirical insights, particularly as the concept of PG is at the beginning stages of institutionalisation within corporations. PG’s collaborative practices, processes, and structures remain underexplored in the corporate sustainability and accountability context, necessitating further examination of PG as a form of SG and a vehicle for advancing sustainability and accountability.

In closing, we are confident that this edition of the journal will serve as an illuminating resource, providing important perspectives and strategies to tackle both current and forthcoming obstacles in the rigorous arena of CG and regulation. We extend our heartfelt gratitude to the authors, reviewers, and editorial staff for their joint endeavours in crafting this distinguished and remarkable edition for the academic community of CG.

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REFERENCES


