EDITORIAL: New perspectives of corporate governance, regulation and markets: Is there a need for a new theory on them?

Dear readers!

The last two decades have been a matrix of changes or the fuse to explosively reveal the fallacies (or incompatibilities with the contemporary dynamic status quo of the corporate environment) of the past and present. In the field of regulation, corporate governance, and markets the theories, practices, and principles are now under scrutiny from academicians, regulators, and practitioners.

Two major shifts of perspectives can be observed. The first is the shift from the domination of agency theory (Jensen & Meckling, 1976; Fama & Jensen, 1983; Jensen, 1993) in the '70s and '80s to the adoption of an adjusted stakeholder theory. Although stakeholder[1] theory (Vinten, 2001) has been developed in parallel with agency theory, the latter has dominated almost completely both the academia and regulatory bodies (Duarte & Leal, 2021; Almutairi & Quttainah, 2019; Boubaker, 2007). Since the avalanche of corporate scandals in the early '00s and the environmental scandals (e.g., VW and diesel engines) there was a drive to amend the perspective of regulators and markets and to adopt a wider and more long-term focus on corporate governance, strategy, and the development of relations with stakeholders (even marketing has shifted towards a more stakeholder-long term approach). That signals a shift from groups of stakeholders to issues (environmental, social, and political). One of the most such important initiatives is the environmental, social, governance (ESG) criteria of investing in the capital markets. This initiative has gained significant momentum over the last two decades.

The domination of the agency theory has led to a legal-regulatory convergence worldwide. An example of that was the imitation of the Sarbanes-Oxley Act and its provisions-mechanisms and approaches to almost all the legal-regulatory systems of the developed and developing countries. This convergence trend led Carati and Tourani (2000) to argue that the two major corporate governance systems (Anglo-Saxon and Continental Europe's system) are converging and support previous research by Pérez Carrillo (2009), Del Brio, Maia-Ramires, and Perote (2006), and Melis (2003). Other scholars have suggested that the convergence has been achieved only on the legal-regulatory level (Lazarides, 2017) and not on the fundamentals (financial, ownership, social, etc.). So, there is a dichotomy of regulation and governance.

This acknowledgement of this dichotomy is the second shift of perspective. Small and medium enterprises (SMEs) are striving to compete with large multinational corporations with access to capital markets, human-intellectual capital, economies of scale, political power, access to credit rating agencies, etc. The corporate governance principles and structures are not as suitable to SMEs and they are a cause of issues-problems-costs and not the guidelines to success and stability. Hence, the need to develop a corporate governance theory and regulation that combines ESG like approaches and the peculiarities of the SMEs is high especially today.

In the current issue of the *Risk Governance & Control: Financial Markets & Institutions* journal these issues are been discussed. *Noomen Chaabane* is arguing that even though human capital is a critical component in the knowledge economy, investors do not take

[1] The term "stakeholder" first appeared in 1963 in an internal memo from the Stanford Research Institute (now SRI International) (Donaldson, 1992).

into account its importance. *Linas Jurkšas, Deimantė Teresienė,* and *Rasa Kanapickiene* are investigating the cross-market linkages. *Simon Man Shing So* is focusing on the ownership issue and its impact on value per share in relation to environmental protection standards. *Ola Nilsson* stresses the argument that legislators' push for changes in this context is that they want to see a faster flow of information from the Credit Rating Agencies (CRAs) but they receive even less information than before due to the risk-averse mentality of CRAs. *Athanasios Noulas, Ioannis Papanastasiou,* and *Simeon Papadopoulos* argue that during crises market participants tend to have the same behavior.

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