EDITORIAL: Implications of different corporate governance models in emerging and developing economies

Dear readers!

On behalf of the editorial team, I am extremely honoured to introduce you to the Special Issue of Volume 11 (2022) of the *Journal of Governance and Regulation*. As you may be aware, a number of corporate governance regulations have been implemented around the world including the principles-based approach to corporate governance in the United Kingdom (UK) and the rules-based approach to corporate governance in the United States (USA). In Continental Europe, the two-tier board model is dominant while the Japanese business network model and the Asian family-based model contribute to the list (Larcker & Tayan, 2021; Farag, Mallin, & Ow-Yong, 2018; Mallin, 2018; Judge, 2010). However, the effectiveness of these different corporate governance regulations in ensuring accountability is not yet clear in emerging and developing economies.

This new special issue focuses on the differential impacts of different governance and regulation on accountability in emerging and developing economies. The first study '*Corporate governance mechanism and earnings quality: Is firm size a moderating variable?*' co-authored by *Badingatus Solikhah*, *Agus Wahyudin*, *Mamdouh Abdulaziz Saleh Al-Faryan*, *Nadia Novita Iranda*, *Ain Hajawiyah*, and *Chia-Ming Sun* analyse the influence of independent commissioner, audit committee, managerial ownership, and institutional ownership on earnings quality and whether firm size moderate the relationships. The authors find no association between the traditional corporate governance mechanism and earnings quality. They, however, report that firm size is a channel through which managerial ownership and institutional ownership improve earnings quality. The contribution of this study is that ownership types instead of the traditional corporate governance mechanisms improve accountability from the perspective of earnings quality in Indonesia.

In their study '*Sudden loss, corporate governance structure, and big bath behaviour: Evidence from Egypt*', *Shereen Mohamed* and *Rasha Elbolok* investigate the effect of sudden loss on corporate governance structure (CGS), and its implications on earnings management technique "big bath" in the Egyptian context. The authors find that sudden loss increases changes in loss firms' CGS and that sudden loss is likely to increase big bath behaviour in loss firms. An important addition to the literature is that the findings of this study can guide managers to improve corporate governance and thereby guarantee transparent and high-quality financial information to investors for decision making.

Ghada Tayem in her study '*Ownership, control, group affiliations, and wealth concentration: The case of a developing market*' assesses ownership and control of Jordanian listed firms by identifying group affiliations, control enhancing mechanisms, and the wealth of controlling owners. The author finds that while one-third of the study sample listed firms are group-affiliated; the majority of the firms are controlled by families followed by foreigners and a small number of firms controlled by the state. She also finds that family and foreign investors use pyramids to enhance their control of business groups thereby creating a wedge between cash flow and control rights with pronounced use of pyramids among foreign firms. In addition, 22 per cent of corporate assets are controlled by top family and foreign owners with half of this control being exercised by foreign investors originating from the Gulf region. Her latter finding is highly relevant because it shows the influence that Arab Gulf region has on capital formation in the Middle East and North Africa (MENA) region.

Shatha Mahfouz, *Mutia Sobihah Abd Halim*, *Ayu Suriawaty Bahkia*, and *Noryati Alias* in their study '*Mediating role of employee commitment in the relationship between transactional leader and employee performance*' examine the channel through which transactional leadership style improves employee performance. Their most important finding is that

employee commitment is a channel through which transactional leadership improves employee performance. An important contribution of this study is that the finding can guide transactional leaders to improve employee commitment if they are to achieve employee performance in an organisational setting.

'*Fraud risk judgement measurement scale development*' co-authored by *Lufti Julian*, *Razana Juhaida Johari*, *Jamaliah Said*, and *Ludovicus Sensi Wondabio* seeks to propose a scale for measuring the performance of internal auditors' fraud risk judgment. While there are financial statement-related fraud risk judgement scales for external auditors, similar scales for internal auditors who are not normally accountants are non-existence. The authors use explanatory factor analysis and confirmatory factor analysis and conclude that the developed fraud risk judgement scale is valid and reliable to use by non-accountants. The contribution of this study is that internal auditors who do not have an accounting background can use the scale and make fraud risk judgement.

The study '*Signaling effect of fiscal reforms during political uncertainty: A game theory approach*' co-authored by *Sarah El-Khishin* and *Dina Kassab* examines how rules and institutions and monetary-fiscal coordination setup impact welfare outcomes during political uncertainty. Their most important findings are that 1) rules and commitments contribute to decreasing time inconsistency; 2) the more control the fiscal authority has over monetary policy, the more undesirable welfare outcomes, especially during political instability; and 3) central bank independence signals fiscal discipline and produces relatively more desired outcomes during times of political uncertainty. The findings have important implications for developing countries where fiscal dominance and more dependence on discretionary interventions are probably the more prevailing setups to secure growth rates and financing gaps.

In brief, all the papers published in this special issue provide insight and enhance our understanding of the differential impacts of different governance and regulation on accountability in emerging and developing economies. The papers published in this special issue contribute to recent research by Abdou, Ellelly, Elamer, Hussainey, and Yazdifar (2021), Casciello, Maffei, and Meucci (2021), Boghdady (2019), Simon, Smith, and Zimbelman (2018), and Elghuweel, Ntim, Opong, and Avison (2017).

We are grateful to our contributing authors, reviewers, editorial team and the support team for making this special issue possible. We hope that readers will find this special issue interesting and enjoy reading.

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