CORPORATE GOVERNANCE REFORMS: BETWEEN INSTRUMENTALITY AND INSTITUTIONAL DRIVERS

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Abstract

Previous studies suggest that improvement in market confidence through credible signals to appropriate stakeholders is one of the primary motives for corporate governance reforms. Proponents of this view argue that corporate governance reforms, and by extension corporate governance disclosures by firms, is less imperative in a developing economy due to absence of demand for such disclosures and reforms. It seems that these arguments are not general and are only tenable in specific market settings. This study generates further insights on the motives for corporate governance reforms. The study finds that corporate governance reforms in settings with less market incentives such as Swaziland are motivated in ways that are different from documented evidence in existing literature.

Keywords: Corporate Governance Reforms, Motives, Developing Economy, Swaziland

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1. Introduction

This paper aims to investigate the motives for corporate governance reforms in a setting with less incentive for such. Discussions of corporate governance issues have become centre stage in many disciplines and have taken different forms and dimensions, which reflect the apparent difficulties in defining or agreeing boundaries on the issues of corporate governance. Existing perceptions appeared polarized in most cases, not only in terms of its models but also in its definitions. If we take the definition first, because it helps us to shape the context for the argument in this paper, we find that there are likely as many definitions as authors who bother to venture a thought on the subject. There are definitions that constrained its meaning within the purview of the firm and its constituents alone, and on the other extreme, there is a growing number of academics who see the pervasiveness of corporate governance, especially as it relates to its applications at governmental and national levels. There are definitions that are based on stakeholder and shareholders; static and dynamic; short term and long term; developed and developing economic; macro and micro; and private and public enterprise dimensions (see Filatotchev and Allcock, 2010; Aguilera, Filatotchev, Gospel and Jackson, 2008).

The major theoretical paradigm in the discourse of corporate government to date remains Agency theory (Filatotchev and Allcock, 2010), but, recently, apart from stewardship and stakeholder perspectives, there is a growing interest in the application of institutional and organizational theoretical perspectives. However, while these are ongoing at firm level, it is less so at the state level. Besides the extents of their influence in the growing governance discourses is still negligible.

The purpose of this paper, therefore, is to generate further insights on the motives for corporate governance reforms from an institutional perspective. Previous studies suggest that improvement in market confidence through credible signals to appropriate stakeholders is one of the primary motives for corporate governance reforms and consequently firm disclosures. For example, companies disclose voluntarily for several reasons including, capital market transaction, corporate control contest, stock compensation, litigation cost and proprietary cost (Collett and Hrasky, 2005; Healy and Palepu, 2001). Furthermore, strategic disclosure arguments have also been advanced, whereby firms use disclosure as a strategic instrument to take advantage of market opportunity in form of cheaper cost of capital (Karamanou and Vafeas, 2005; Anderson, Mansi and Reeb, 2003; Leuz and Verrecchia, 2000; Sengupta, 1998; Botosan, 1997), lower operating costs, improve competitiveness, and attract investment - instrumentality driver (Aguilera, Rupp, Williams and Ganapathi, 2007). Firms in the developed markets have real market incentives to have obvious corporate governance mechanisms and markets may reward such transparency because there is a demand for it. It is therefore reasonable to expect corporate governance reforms in the scale experienced in these jurisdictions. But the case is somewhat different in settings with poorly functioning markets and challenging developmental infrastructures.

It seems that the arguments regarding the market incentives for instituting corporate governance reforms are not general and are only tenable in specific market settings. This therefore questions the motives for instituting these reforms in settings other than those with ample incentives for beneficial governance reforms, unlike in jurisdictions characterized with poor market infrastructure, political infancy, poor economic growth and severe human capital challenges. Using institutional theoretical lens, and multi-level analysis, this study argues that drivers for corporate governance reforms are heterogeneous and therefore discretely different, but institutionally driven. Furthermore, it argues that the corporate governance reforms in these settings are determined more by developmental contingencies (Aguilera et al., 2008) and by instrumentalist (Aguilera et al., 2007) motives, both of which are, strictly speaking, embedded in the external influence on the organizational field (Di Maggio and Powell, 1983; Pfeffer and Salancik, 1978). An exposition of these motives is important in appropriately categorizing the nature of corporate governance mechanisms in these settings, which until now is scarce in the literature but which may be representative of situation in the majority of developing countries.

The understanding of the impact of the external pressures on corporate governance reforms motives is also essential not only in terms of their policy implications which have developmental importance for these countries, but also in terms of their value for money assessment in settings where corruption remains a real problem with huge capacity to eclipse laudable development initiatives. This study therefore shifts the focus of the current corporate governance discourses towards national governments and probes their decisions to adopt corporate governance reforms.

In doing this, it extrapolates institutional theoretical perspectives beyond its usual firm context to a national government context, specifically in a setting with challenging developmental features. This approach is also important in order to show the limitations of current paradigm in governance discourses and avoid the pitfalls from a 'one size fits all' approach, which current approach could lead to, due to the overriding theoretical paradigm. Along this line, Aguilera et al. (2008) noted that agency theory does not permit adequate 'contextualization of discourse', while Filatotchev and Allcock (2010: 21) thought that it is unable to "accurately compare and explain the diversity of corporate governance arrangement across different organizational and institutional context". These deficiencies could easily lead to wrong prognosis of the governance demand and solution proffered, especially in the case of developing economies (Kabir and Adelopo, 2012). This is why a grasp of the key factors motivating corporate governance reforms should be understood clearly and properly contextualized. This will also further the discourse on corporate governance convergence in many ways, not least in the sense of the universality or otherwise of corporate governance drivers and how this could impact on the choice of governance mechanisms and bundles with due recognition of their complementarities, substitutability and dimensions (Ward, Brown and Rodriguez, 2009).

The rest of the study proceeds as follows; in the next section, we provide a discussion of institutional theory and its recent application in the corporate governance discourse. Here we focused on the Di Maggio and Powell (1983)'s isomorphism. After this, we present a context for the study and provide background information on the context. We then argue, in the following section, that corporate governance development in our focal country follows the continuum suggested by Di Maggio and Powell but also that it fits within the propositions of contingency model (Aguilera et al., 2008) and instrumentalist motives (Aguilera et al., 2007). We provide survey evidence to back our claims. The last section draws out the implications and conclusions and made suggestions for future studies.

2. Institutional Theory and its Relevance in Corporate Governance

The study of firms' external environment has received huge attention in the literature in many disciplines not least in organizational study and management, but not sufficiently within corporate governance discourse (Hambrick, Werder and Zajac, 2008) at least from an accounting and finance perspective. Consideration of the institutional environments of firms is likely to yield gains and enhance clarity on the theory of the firm, a severely contested concept which is insufficiently constructed within institutional frames compared to its economic and financial views. However, it will be wrong to think of a homogenous view of firms' external institutions. Indeed, institutional debates are equally very contentious and diverse. One such broad arguments relates to the nature of the interactions between firms in an organizational field, and whether their behaviours converge or diverge over time and what, if known, are responsible for this, and their effects on organizational strategy, structure and outcomes.

Institutionalists see the universe from a social lens in which each individual actor takes its place within the socially constructed reality (Carruthers, 1995). This gives rise to multi-layered analytic view of reality, comprising the individual, firms and organizational fields (Di Maggio and Powell, 1983; Pfeffer and Salancik, 1978). The firm as a social actor comprises a nexus of social interactions and exchanges facilitated through social ties and diffusion (Granovetter, 1983). These social interactions provide space for the embeddedness of other realities (Granovetter, 2005), such as the economic objectives of the firm. Thus the firm, as a social institution, provides avenue for the construction, refinement, dissemination and enforcement of shared values. But as Tonoyan, Strohmeyer, Habib and Perlitz (2010) argued, these values are not only internally constructed; they are also eminently fluid due to external forces. These forces; internal and external, inadvertently shape the firm, and affect its strategy, structures, and consequently its outcomes. It is this realization that appeared taken for granted in the majority of previous studies on corporate governance, which see reality from the economic view of the universe alone, which, of course, does not present a complete picture of the firm.

Recent arguments by authors such as Aguilera and Jackson (2003), Aguilera et al. (2007), Filatotchev and Allcock (2010) and some few others reflect the importance of considering the organizational and institutional context of corporate governance debates and these have enriched the discussion on many crucial issues. This includes, for example, consideration of the motives, governance mechanisms and bundles, and debates over complementarity/substitution of mechanisms, and the merit and practicality or otherwise of corporate governance convergence. Although institutional contextualization of corporate governance is universally applicable, they result in different outcomes. Previously, Aguilera et al. (2008) examined the organizational interdependencies focusing on the costs, contingencies and complementarities of different corporate governance practices. They argued that "different aspects of the organization and its environment may also impact the role of corporate governance practices" (p.478).

Consequently, corporate governance roles and mechanisms are seen to depend on firms' life cycle (Filatotchev, Toms and Wright, 2006) and are argued to reflect current needs of the firms, which make them dynamic as oppose to a static structures. Furthermore, organization's ability to bear the various governance costs including systemic, opportunity, proprietary and reputational (see Aguilera et al., 2008 for detail analysis) are different and could account for differences in governance structures and mechanisms with impacts on outcomes. However, while their focus was on the organizational dynamics and its impact on governance mechanisms and outcomes, we are not aware of previous studies that have focused on understanding the different institutional dynamics that account for corporate governance reforms and structure in a developing economy. Thus, our focus in this paper is on how the consideration of the institutional context of the debate could privilege insight into the motives for corporate governance reforms in a setting with poor economic incentives.

Hambrick et al. (2008: 382) observed that "corporate governance does not begin and end with principals, agents, and the (in) completeness of contracts. There is considerable opportunity and need to explore the extensive web of institutional actors that influence governance practices in contemporary societies". Their view is consistent with Filatotchev and Allcock's (2010:21) observations that agency theoretical approach which dominates the discourse in corporate governance has paid little attention to the "distinct context in which firms are embedded".

This study takes clues from these important observations and adopts Di Maggio and Powell's (1983) seminal work on institutional isomorphism to refine our understanding on the external pressures that are shaping the adoption of corporate governance practices particularly in an environment where it is, perhaps, unlikely to lead to any real form of efficiency. For example, why would a country with poor and inefficient stock market with just few odd listed companies invest in instituting corporate governance codes? What factors are considered in the decisions by developing economies to adopt a model of corporate governance rather another? Our argument is therefore distinct from the general 'moralistic' contention about accountability and business ethics; instead we are concerned about the motives for corporate governance reforms, in developing countries context, which appear taken for granted in the literature.

Our choice of Di Maggio and Powell's (1983) analysis is due to the influential insight they generated from their consideration of the external pressures that shapes firms behaviours. Di Maggio and Powell (1983) (henceforth D and P) curiously observed that firms in a similar organizational field move towards a homogenous configuration even as they make frantic effort to differentiate themselves through innovation and strategic decisions. They suggested that firms are always in a continuum of organizational reconfiguration, and this process would reach its optimum where a further investment in reinvention[1] produces zero additional efficiency. And as firms in the organizational fields reach this optimal state, they converge towards homogenous features. To D and P, firms are in constant need to maintain societal legitimacy and this desire pushes them, unconsciously, towards uniform behaviours and outcomes. They argued that institutional rather than competitive isomorphism provides a cogent explanation for the observed drive towards homogeneity in the organizational field and later identified three distinct isomorphic forces responsible for this; coercive, mimetic and normative isomorphism.

Coercive isomorphic pressures are external forces on a focal organization by organization(s) upon which they are dependent for their resources. These pressures could be formal or informal; direct or indirect. They could be mandatory or persuasive. They arise out of the need of the focal organization to maintain legitimacy within its operating environment, particularly with its most important stakeholders, at times referred to as its conferring publics (Adelopo, Jallow and Scott, 2012). Annual reports, budget cycles, reporting structures, accounting regulations and standards that companies have to produce are features of coercive mechanisms. The requirement to produce these statements or reports is uniform and obligatory amongst firms of certain sizes and they all have to produce one or more of these depending on the requirements of their conferring publics in order to secure, maintain or manage their legitimacy with them, otherwise their legitimacy may be at risk (O'Donovan, 2002). Economic and Social Research Council (ESRC) funding in the UK and how it has inadvertently resulted into homogenous practices by universities, for example, in staff training and support towards successful funding applications is another example.

Furthermore, the source of this coercion could be multiple; firm level, industry, regional, national and international in nature. It is also possible that the coercive forces are transitory, i.e. they could change over time depending on the state of the focal organization and the nature of interdependency between the focal firm and their benefactors. This is consistent with Aguilera et al.'s (2008) idea of firms' contingency factors, as they go through a typical life cycle. So that the coercive pressures on an Initial Public Offering (IPO) firm will be different to the pressures on a more established firm.

Secondly, firms move towards homogenous features due to mimetic isomorphic pressures. These are forces which stem from organizational ambiguity and uncertainty about future expectations and strategy. Poor understanding of technologies, goal ambiguity and environment created uncertainty are prelude to firms' mimetic isomorphic behaviours. Organizations in such field therefore respond to this perceived uncertainty, which may threaten their continued societal legitimacy, through contingency device e.g. by "imitating" firms in the same organizational fields that the focal company considers more successful and more legitimate. D and P argued that social actors could shape themselves structurally and strategically to be similar to these successful firms through modeling, even without the knowledge of the modeled firms. Furthermore, the models could be diffused unintentionally and deliberately through employee transfer, staff turnover, and consultancy among other means. According to D and P, "new organizations are modeled upon old successful ones" (p.152).

Lastly, D and P defined normative pressure as those that stem from the impact of professionalism that lead to uniformity in organizational structure and forms. They see "professionalism as the collective struggle of members of an occupation to define the condition and method of their work to control … and to establish a cognitive base and legitimation for their occupational autonomy" (p.152). Increase professionalism could lead to more structured and uniform approach to training as every entrant into a profession have to pass their professional examinations which serve as conditioning device to ensure uniformity in knowledge, perception and values. D and P made specific note of the level of homogeneity that is currently observed in management in organizations. They considered that firms copy themselves through their employment profiling. This involves employment of filtering process in order to determine the fit between the new employee and the existing caliber of staff.

It is worthy of note that severe criticisms have trailed D and P's propositions especially by intuitionalists that consider that firms move towards divergence rather than convergence. For example, Hambrick, Finkelstein, Cho and Jackson (2004:307-308) noted that while D and P were "correct about the forces that give rise to isomorphism", they failed to "anticipate several major macro-social trends that caused those forces all to move in directions that diminished, rather than accentuated, isomorphism". Furthermore, Ashworth, Boyne and Delbridge (2007) argued that D and P neglected three issues that are important in order to test the validity of their institutional theoretical propositions. Firstly, there is insufficient clarity on what they meant by conformity. According to Ashworth et al. (2007:169), conformity could mean compliance or convergences both of which were implied by D and P but were not discussed; neither in their seminal work nor in subsequent major books on institutional theory (see Scott, 2001; Powell and Di Maggio, 1991). Secondly, clearer understanding of institutional theory requires a "measurement of changes in a variety of organizational characteristics rather than a single feature of the firm. And lastly, they argued that institutional theory, as currently constructed, is silent on which organizational features are more open to institutional pressures, suggesting that "organizational culture and strategic stance may be relatively impervious to isomorphic pressures" (p.171) compared to structure and processes which may be "more open to influences from the institutional environment" (p.171). One other criticism of D and P proposition is inherent in their presentations of these isomorphic forces which were meant to be separate but are also overlapping. These seemingly inconsistencies have been a source of criticism by those who see firms diverging rather converging.

However, despite its defects, D and P propositions have been hugely useful in clarifying the role of the institution in many economic activities and on issues that have hitherto been constructed completely within economic and financial views. The application of their institutional isomorphic theory has been beneficial in explaining misunderstood phenomenon that may have been restricted within narrow theoretical constructs. In particular, in this paper, we aspire to revisit the motives for corporate governance reforms and venture institutional theoretical explanation to make meaning of why corporate governance reforms are embarked upon in jurisdictions that have less incentive for their introduction.

To achieve our objectives, it is important to expand D and P's idea of an organizational field. According to D and P, it refers to "those organizations that, in the aggregate, constitute a recognised area of institutional life……" (p.148). In other words, an organizational field is not restricted to competing firms or firms in some kind of organizational network alone. Instead, organizational field refers to "the totality of relevant actors" (p.148). For example, according to D and P, the structure of an organizational field "cannot be determined a priori but must be defined on the basis of empirical investigation" (P.148). Consequently, it is reasonable to argue that D and P originally conceived the application of the idea of isomorphic pressure beyond the mere collection of firms in an industry as an organizational field. This is perhaps one of the reasons why their ideas have received wide applications in many management field compare to institutionally motivated theories such as resource dependency theory (Pfeffer and Salancik, 1978; Hillman, Withers and Collins, 2009), and it is therefore not surprising that studies have applied their idea in cross-country investigations, including for example, Guler, Guillen, and Macpherson (2002) on diffusion of organizational practices across countries; Glick and Rose (1999) on currency crises; and Frank, Hironaka and Schofer (2000) on policies to protect the environment. In this study we apply D and P's model to explain the motive for national corporate governance reform. The study proceeds by providing information on the country context.

3. Information about the Country Context

Swaziland presents a curious and unique setting to research the application of D and P's institutional isomorphism. The country adopted the corporate governance codes that supposedly should guide corporate behavior and disclosures by listed companies recently. For instance, Swaziland Stock Exchange (SSX) adopted a number of principles and guidelines from South African King II Report on corporate governance as a benchmark for listed companies. Very soon, Swaziland is going to follow King III Report which came into effect in 2010 in South Africa. This is also to enhance market participation by the citizen and divest state ownership of enterprise to private hands. Another objective of this was to attract foreign investment into the economy. However, since its establishment in 1990, over 20 years ago, there are only 6 listed stocks on the Swaziland Stock Exchange most of which are government own parastatals. Swaziland is still largely a traditional society with great attachment to land ownership; agriculture and subsistence farming remains the mainstay for the majority of the people with government as the largest employer of labour. This has huge impact on the health of the economy with over 60% of the GDP being labour cost.

Although there are large and medium size companies, the majority of Swaziland corporate landscape is dominated by very small, family owned business, which employs only a small fraction of the labour force in the country. There is obvious presence of multinational enterprises majority of which are subsidiaries of South African companies especially in the banking sector.

Table 1 shows some economic performance indicators of the country compare to its Southern African neighbours. Swaziland has one of the lowest GDP in the region in 2010.

Table 1. Descriptive Statistics of Some of the Countries in the Southern Africa

Country	World Bank Economic Classifications	GDP (2010)	GNI per capital	External debt % GNI
Botswana	UMIC	$14,857,275,330	$6,790	12%
Lesotho	LMIC	$2,132,495,561	$1,040	24%
Namibia	UMIC	$12,170,331,922	$4,500	Not Available
South Africa	UMIC	$363,703,902,727	$6,090	13%
Swaziland	**LMIC**	**$3,645,267,040**	**$2,630**	**17%**
Zimbabwe	LIC	$7,474,000,000	$460	72%
Note: UMIC refers to Upper Middle Income Country, LMIC = Lower Middle Income Country, LIC = Lower Income Country				

(Source: World Bank Development Indicator, 2011)

Swaziland has one of the weakest economies in the region; despite the population with age 0-14 and 15-64 constituting 37.8% and 58.6% of the population respectively, but she has the highest incidence of HIV/AIDS in the region. The problem of HIV/AIDS has succeeded in decimating her youthful population, wiping out its productive potential and instead increasing its dependent on the central government for the provision of health and antiretroviral drugs. Table 2 shows a consistent fall in foreign direct investment (FDI) into the country over the years, falling to a miserable 2.54% of GDP in 2010 compared to 7.84% in 2002.

Table 2. FDI inflow as a percentage of GDP

	2002	2003	2004	2005	2006	2007	2008	2009	2010
Botswana	12.01	9.53	7.44	4.80	6.67	5.23	6.64	2.19	3.56
Lesotho	4.44	4.63	4.50	5.10	4.14	6.61	6.87	5.87	5.49
Namibia	Not Available	0.67	1.34	2.29	0.39	1.93	4.56	5.34	7.05
South Africa	1.33	0.47	0.32	2.64	-0.07	2.00	3.50	1.89	0.43
Swaziland	**7.84**	**-3.39**	**3.05**	**-1.82**	**4.53**	**1.27**	**3.73**	**2.24**	**2.54**
Zimbabwe	0.41	0.07	0.15	1.84	0.77	1.37	1.17	1.80	1.41

(Source: World Bank Development Indicator, 2011)

Apart from the social breakdown and economic difficulties, Swaziland presents a case of political infancy. A country rule by a constitutional monarch, King Mswati III but with dual government apparatus whereby the traditional rulers wield significant political power concurrently with the parliamentary system of government inherited from the British colonial rulers. The King combines all the three roles of the arms of government (legislative, executive, and judicial) and has the final say on all administrative and political resolutions in the country.

Amidst all these contrasts, the country has instituted corporate governance reforms and required the few listed companies to disclose compliance with the governance codes in their annual reports. Private companies and government parastatals have to fulfill similar requirements. This presents a curious case giving the poor investment incentives and the dismal contribution of private sector to the country's economy. It is however important to understand the drivers for these reforms and contextualize it properly in order to aid policy recommendations. This is the main objective of this paper. The next section presents the data and methods employ in this study.

4. Research Design

In order to help us answer our exploratory research question of what are the drivers for corporate governance reforms in Swaziland, guided by our theoretical frame, we developed a survey instrument which was administered on carefully selected respondents. We chose to develop a new survey instrument rather than adopt or adapt existing ones (Saunders, Lewis and Thornhill, 2007) because the issues addressed are context specific, therefore using existing instruments would not serve the purpose of the investigations. Because of the specialized nature of the issue addressed, purposive sample method was used focusing on respondent that are accountants and auditors or have accounting and auditing background. Previous studies have adopted this sampling technique (see Kaye and Johnson, 1999; Shaw, 1999). Accountants and auditors were used in the study because it is believed that they have sufficient knowledge and awareness on the issue under investigation. The choice was also facilitated due to access to the contact details of the potential respondent through the Swaziland's Institute of Accountants' website, as well as accounting academics.

The questions on the survey instruments were carefully design to elicit appropriate response from the respondent and were pilot tested to ensure its content validity before administration on the respondents. Following pilot testing, few amendments were made to the instrument mainly on avoiding technical terms. This involved replacing coercive, mimetic and normative isomorphism with economic, external, location and human resources drivers, since these are easily understandable and could enhance response. Furthermore on the content validity of the instrument, we followed Churchill (1995) suggestions which included conducting series of interviews involving respondent with similar features as the intended respondent. This allowed us to access the understandability of the instrument. We were able to test the instrument on respondents that closely match our targeted audience because one of the researchers is an academic in South Africa and anecdotal evidence suggest that a good number of Swazi accountants and auditors train in South Africa.

The questions were underpinned by findings from the literature and are intended to help us answer our research questions. We focused on the economic drivers and the coercive, mimetic and normative isomorphic factors. Questions under the economic drivers sought to establish whether respondents believe that Swaziland was mature for the type and kind of corporate governance reforms and to find out the main economic drivers for the reform-instrumentality driver. Respondents were therefore asked to rank a number of suggested economic motives for corporate governance reforms in the country. The second set of seventeen questions sought to establish the external drivers for corporate governance reforms and these questions were designed to help answer whether corporate governance reforms in Swaziland fits D and P's coercive, mimetic and normative pressures. See appendix for a detail list of the items in the questionnaire.

Our respondents were carefully selected. We obtained the email addresses of accountants (including chartered accountants) and registered auditors in Swaziland and send emails to all the contacts. In all 156 questionnaires were sent out via email, 16 bounced back suggesting that either the email addresses were wrong or no longer in use. Thus 140 email questionnaires were delivered during our first round of emails. Two follow up emails were sent as a reminder with an attached questionnaire, as with the first round, 16 emails bounced back during the second and third round of emails sent out. Overall, 58 usable responses were received representing 41% response rate which is more than the 12-20% (Churchill, 1995) acceptable response rate for a study of this kind. The response rate was tested for non-response bias. We used the late response as a surrogate for non-response and conducted a chi square test which showed that there are no non-response biases in the data. In the next section, we present the data analysis and findings from the survey.

5. Findings and Analysis

The data analysis involved thematic analysis of the outcome of the survey. First we present findings from the preliminary and screening questions and followed these with findings on other questions in the instruments.

Is Swaziland Mature for the Type and Style of Corporate Governance Reforms?

The first question explored the suitability of the current corporate governance reforms in the country and sought to establish if respondents thought the country was mature enough for the type and style of corporate governance reforms. Table 3 summarized the finding on this issue.

Table 3. Question 1 - How would you describe the maturity of Swaziland's economy for the type and style of corporate governance reforms?

The maturity of Swaziland economy	Immature/Very immature	Mature/ very mature	Don't know
Please give your assessment of the maturity of Swaziland's economy for the type and style of corporate governance reforms	39	7	2
%	67	12	3

This result suggests that majority of the respondent believed that Swaziland is implementing an inappropriate corporate governance reform in that they do not think that the country is mature enough for it.

Is corporate governance important in Swaziland?

This is another preliminary question designed to explore the suitability of corporate governance reforms in Swaziland. Whilst Question1 established the immaturity of the country economy for the type and style of corporate governance reforms its currently implementing, this present question is aimed at exploring the importance of corporate governance in the country. This is because although the current approach may be faulty, the country still needs a corporate governance reform but may be not in the fashion currently being implemented. Question 2Bi and Question 2Bii explored this further. The response is presented in the Table 4 below.

Table 4. Question 2 - Corporate Governance Importance in Swaziland

Panel A: Question 2Bi	Agree/ Strongly agree	Disagree/ Strongly disagree	Uncertain or no Opinion
Corporate governance is only necessary in a country with significant number of listed companies on the stock exchange	11	47	Nil
%	19	81	
Panel B: Question 2Bii	Agree/ Strongly agree	Disagree/ Strongly disagree	Uncertain or no Opinion
Corporate governance is very important in Swaziland	45	13	Nil
%	78	22	

The outcome of the survey on the question suggests that majority of the respondents believe that although Swaziland may not have a huge number of listed stock on its exchange, corporate governance reform is still very important. Table 4 panel B shows that 78% feel that it is important to have a corporate governance reform. This view may also be informed by the fact that whilst private sector constitutes a negligible component of the government revenue, the public sector is the most important sector in the economy. Having established the importance of corporate governance in the country a number of questions were posed to the respondents with the intention of exploring the motives for this reform as perceived by them. These are analysed below.

Economic (instrumentalist) drivers for corporate governance reforms in Swaziland

The literature suggests that economic motive is one of the main drivers for firms' corporate governance disclosures. This could be in the form of more patronage or cheaper cost of capital. Similarly, there are suggestions that national governments could also be influenced by economic motive, especially attracting foreign direct investment (FDI), in implementing reforms such as corporate governance reforms. Aguilera et al. (2007) referred to this as the instrumentalist motive arising from competitive desire. In this study, we explore if corporate governance in Swaziland is motivated by economic considerations and the desire to use corporate governance to gain competitive advantage. We used two questions (Q2A and Q2Biii) to explore this because Mitchell (1996) suggested that the use of an alternative form of a question aids the reliability of the instrument. Consequently, in Q2A we asked respondents to rank a number of suggestions according to their importance as an economic driver for corporate governance reforms in the country, with one of the options being FDI, and in Q2Biii we asked them if they thought corporate governance reforms were influenced by the need to attract FDI into the country. The Tables 5 and 6 present the outcome of these investigations.

Table 5. Question 2A - Economic Drivers of corporate governance reforms in Swaziland

Economic Drivers	Number of Respondents				
	Ranked				
	1	*2*	*3*	*Total 1-3*	*Rank*
Economic Development	17	15	11	43	2nd
Attract Foreign Direct Investment (FDI)	**20**	**18**	**12**	**50**	**1st**
Signal Transparency and Accountability	16	10	16	42	3rd
Foreign Loan and Supports	15	10	15	40	4th
Millennium Development Goals	6	13	9	28	7th
Political Stability	8	6	9	23	8th
Irrelevant to Swaziland	Nil	Nil	15	15	9th
Global Acceptability	20	6	3	29	6th
Democracy	18	2	16	36	5th

The respondents' opinions on both questions Q2A and Q2Biii support the perception that corporate governance reform in Swaziland is driven by economic motive, and this is consistent with the view that countries implement corporate governance reforms as an instrument to improve their competitiveness. FDI was ranked as the main economic motives followed by economic development objective. The result in Table 6 supports this with 67% of the respondents agreeing that corporate governance reform in the country is influenced by the need to attract FDI. This view is particularly true for developing economies due to the need to build sufficient capital stock for developmental purpose. Earlier in Table 2 we showed that Swaziland has experienced consistent fall in FDI compare to majority of the countries in the South African region.

Table 6. Question 2Biii - Corporate governance reforms in Swaziland is influenced by the need to attract FDI

Question 2Biii	Agree/ Strongly agree	Disagree/ Strongly disagree	Uncertain or no Opinion
Corporate governance reforms in Swaziland is influenced by the need to attract FDI	39	13	6
%	67	22	10

External Drivers (Isomorphic Pressures) for Corporate Governance Reforms in Swaziland

Institutional theorists suggest that the firms are influenced by both internal and external factors. Di Maggio and Powell (1983) moved this further and identified three isomorphic pressures: coercive, mimetic and normative, that leads to homogeneity in firms behaviours.

Coercive Pressures

Our study extrapolates D and P's isomorphic pressures on national governments motive for corporate governance reforms. For this purpose and consistent with Gourevitch (1978), we looked at the impact of international organizations on domestic policies. To explore this, we asked respondents a number of related questions, results of which are presented in the Table 7. We find that majority of our respondent agree that international organizations as well as bilateral and multilateral organizations played influential roles in Swaziland's choice of corporate governance reforms.

Table 7. Questions 3Ai, 3Aii, 3Aiii

Panel A: Question 3Ai	Agree/ Strongly agree	Disagree/ Strongly disagree	Uncertain or no Opinion
Corporate governance in Swaziland is driven due to international pressure	43	13	2
%	74	22	3
Panel B: Question 3Aii	Agree/ Strongly agree	Disagree/ Strongly disagree	Uncertain or no Opinion
International organizations are key influence in Swaziland's corporate governance reforms	51	5	2
%	88	9	3
Panel C: Question 3Aiii	Agree/ Strongly agree	Disagree/ Strongly disagree	Uncertain or no Opinion
Regional bilateral and multilateral organizations are crucial in Swaziland's choice of corporate governance reforms	46	11	1
%	79	19	2

To be more specific, we identified a number of international organizations and regional organizations and asked respondents to express their opinions on the level of influence these organizations have on the choice of corporate governance reforms in Swaziland. Two international organizations stand out as being most influential on Swaziland's choice of corporate governance reforms. All our 58 respondents believe that Swaziland's choice of corporate governance reforms is influenced by the International Monetary Fund (IMF) and 49 respondents (84%) believe that it is also influenced by the World Bank (WB) (see Table 8). This finding is consistent with Soederberg (2003) in respect of the dominant role of the international organization in influencing the choice of corporate governance globally.

Table 8. Names of organizations that influence Swaziland's corporate governance reforms (Panel A: Questions 3B)

Which of the following organizations do you think influenced Swaziland's corporate governance reforms?	Influential / high influential	No influence / Low influence / very low influence
International labour organization (ILO)	34	24
International Monetary Fund (IMF)	**58**	**Nil**
The Swaziland Trade and Labour Union	34	24
The World Bank (WB)	**49**	**9**
Organization for Economic Cooperation and Development (OECD)	38	22
United Nations Conference on Trade and Development (UNCTAD)	36	22

We also find that South African Custom Union (SACU) and South African Development Community (SADC) are the two most influential regional organizations which influenced Swaziland's choice of corporate governance reforms (see Table 9). These findings are consistent with external pressures argument that underlies D and P's institutional convergence notions. The bodies have the potentials to benefit Swaziland. For example, the IMF and WB provide developmental loans and financial supports to member states. Similarly, the SACU and SADC are important sources of huge financial and developmental benefits to member states and are therefore influential in the choice corporate governance and internal policies of member states.

Table 9. Names of organizations that influence Swaziland's choice of corporate governance reforms (Panel B:Questions 3C)

Which of the following organizations do you think influenced Swaziland's choice of corporate governance reforms?	Influential/ high influential	No influence Low influence/very low influence
South African Custom Union (SACU)	**45**	**13**
South African Development Community (SADC)	**44**	**14**
New Partnership for Africa's Development (NEPAD)	38	20
Common Market for Eastern and Southern Africa (COMESA)	39	19
African Union (AU)	31	27
Others (e.g. Commonwealth)	14	15

Mimetic Pressures

D and P suggested that focal organization imitate similar organization that they considered to be better performing especially in a situation of uncertainty or strategic ambiguity. To explore this, we asked respondents a number of related questions and also asked them to ranks countries that they considered to be influential in Swaziland's choice of corporate governance reforms. Respondent agree that countries do imitate one another and majority of respondents believe that the choice of corporate governance reforms in Swaziland is largely influenced by developments in South Africa (see Table 10). Swaziland has adopted the South African King report II and would soon adopt the latest version as its own corporate governance code. This is a clear indication of where the influence is coming from and how it is shaping the corporate governance in the country.

Table 10. Names of countries that influence Swaziland's choice of corporate governance reforms

Countries have greatest influence on Swaziland's choice of corporate governance reforms	Number of Respondents				
	Ranked				
	1	*2*	*3*	*Total 1-3*	*Rank*
USA	14	16	23	53	2nd
UK	13	16	20	49	3rd
South Africa	**36**	**13**	**8**	**57**	**1st**
Nigeria	Nil	Nil	13	13	9th
Taiwan	10	12	10	32	4th
Russia	Nil	Nil	14	14	8th
China (Main Land China)	Nil	7	13	20	6th
Egypt	Nil	3	13	16	7th
Mozambique	6	9	8	23	5th
Others (e.g. Arab States)	Nil	Nil	12	12	10th

Normative Pressures

D and P describe normative pressure as those arising due to professionalism and managerial conditioning in order to achieve fits with the current practice in an organizational field. Normative isomorphism may appear vague at the national or country level but it could be better appreciated from its impacts on human resources development and broadly on a nation's social capital. We identified the role of Swaziland Institute of Accountant (SIA) and its affiliation with international and regional professional associations as sources of normative influence for corporate governance in the country. Respondents were asked to list the names of professional associations that are considered most influential in Swaziland's corporate governance reforms. Table 11 presents our findings.

Table 11. Professional associations influence Swaziland's corporate governance reforms

Name of the Professional Associations	Number of Respondents
The Swaziland Institute of Accountants (SIA)	52
Chamber of Commerce	24
Swaziland Law Society	31
International Bar Association	6
Federation of Swaziland Employers & Chamber of Commerce (FSE&CC)	33
Swaziland Association of Architects, Engineers & Surveyors	4
Institute of Personal & Training Managers	17
Swaziland Association of Auditors	38
Institute of Directors (RSA)	23
Banks Associations	16
Swaziland National Association of Teachers	2
ACCA	12
SAICA (South African Institute of Chartered Accountant	15
CIMA	9

Increase professionalism could lead to more structured and uniform approach to training as every entrant into a profession have to pass their formal professional examinations which are conditioning device to ensure consistencies and uniformity in knowledge, perception and values. Specifically in accounting, Swaziland Institute of Accountant (SIA) established through Act No 5 in 1985 is the only professional accounting body in the country. SIA is a full member of the International Federation of Accountants (IFAC) as well as the Eastern, Central and Southern African Federation of Accountants (ECSAFA). Apart from qualifying examinations, the SIA also provides regular training and technical updates, and members have to undertake continuous professional developments (CPD). This suggests practicing accounting professionals in the country have common minimum level of knowledge and skills sets, which act as a conditioning device. Consequently, increased global awareness in corporate governance is easily transferred into the country through association with IFAC and ECSAFA. The other normative influence is through the change in the syllabus of the international professional accountancy body such as the ACCA, which reflect current ethical and corporate governance development globally.

Conclusion

This study sets out to explore the drivers for corporate governance reforms in a country with less incentive for it. The study extrapolates Di Maggio and Powell (1983) on national governments motives for corporate governance reforms. Using questionnaires administered on accountants and registered auditors in Swaziland, the study found evidence that suggest that corporate governance in the country is motivated by instrumentalist reasons whereby reforms are embarked upon as a signal to international observers in order to attract foreign direct investments. It documents finding that supports the notion that national governments in these settings adopt corporate governance reforms to enjoy competitive advantage consistent with the instrumentalist arguments. Secondly, the study found that IMF and the WB are two international organizations that have significant influence in countries' choice of corporate governance reforms and this was found to be the case in Swaziland as well. It is therefore not surprising to note that Swaziland has recently agreed to have the IMF led assessment on the level of transparency and disclosures in the country. This is through the Reports on the Observance of Standards and Codes initiative. Furthermore, the study found that the SACU and SADC are two influential regional organizations that impacts on Swaziland's choice of corporate governance reforms.

It also documents evidence of coercive, mimetic and normative pressures on the choice of a focal country to adopt corporate governance reforms. The coercive forces stem from international organizations such as the IMF and WB, and regional organizations such as the SACU and SADC while the mimetic force is largely from South Africa. The normative pressure for corporate governance reforms in the country appears to emerge from the greater global awareness on corporate governance and due to the country's professional affiliation with international and regional accounting professional organizations. Thus corporate governance reforms appear to be adopted for contingency purpose due to developmental uncertainty.

It is important to identify that national corporate governance reforms are institutionally determined however, that these institutional factors are heterogeneous. In order to understand the mix and blend of the corporate governance mechanism to adopt in a country, it is crucial to have a clear understanding of the major drivers of the reforms. This is also important in order to contextualize the growing debate on the desirability or otherwise of corporate governance convergence.

This study suggests that arguments on the market incentives for instituting corporate governance reforms are not general and are only tenable in specific market settings. This therefore questions the motives for instituting these reforms in setting other than those with ample incentives for beneficial governance reforms compare to jurisdictions characterized with poor market infrastructure and political infancy.

This study's finding has significant policy implications and potentials to improve our understandings of corporate governance practices in an unusual institutional setting and identifies future opportunities for corporate governance research. This study opens up a number of potential options for future research in order to further crystalise our thoughts on the determinants of optimal corporate governance mix and bundles and indeed on variables that shapes the meaning and implications of corporate governance in difference context. Future studies may therefore wish to explore the role of different social actors in alluding meaning and context to corporate governance and how this may influence governance mechanism. Such research may explore the intersection in the views and perceptions of such actor with diverse background to uncover their latent differences and use this to broaden the discourse on whether and how country specific antecedents and training inform individuals' views on corporate governance reforms within a national context. Furthermore, while this present study has focused on a single country, future studies may seek to explore the comparative values of different governance mechanisms within an institutional context with a view to unpacking the effects of other salient institutional factors such as culture, varieties of capital and national path dependence on choice of corporate governance reforms especially in a developing country context. This will expand the discourse on the impact of institutional framework on national reforms initiatives beyond the usual shareholders' projection and legal orientation that is so popular in existing literature.

Note

[1] Organizational Reinvention has been used synonymously with its reconfiguration in this paper

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Appendix

Dear Respondents,
Thank you for your time in answering the questions below, which should only take about 10minutes. The study is about Understanding the Key Drivers for Corporate Governance Reforms in Swaziland. We assure you on the confidentiality of the information provided which is strictly for the purpose of this research. We would be glad to share our finding with you if you require. Your time is highly valued and appreciated.

(1) Please give your assessment of the maturity of Swaziland economy for the type and style of corporate governance reforms. With a (X) mark, please indicate the option which reflects your views:

VM = Very Mature, M=Mature, D= Don't Know, IM =Immature, VIM= Very Immature.

How would you describe the maturity of the Swazi economy for the style and type of corporate governance reforms?	VM	M	D	IM	VIM

(2) Economic Drivers:

(2. A) Please RANK the following drivers for corporate governance reforms in Swaziland according to their importance. (Rank with Number e.g. 1, 2, 3,….)

Economic Development	
Attract Foreign Direct Investment (FDI)	
Signal Transparency and Accountability	
Foreign Loan and Supports	
Millennium Development Goals	
Political Stability	
Irrelevant to Swaziland	
Global Acceptability	
Democracy	

To what degree do you personally agree/disagree with the following statements? With a (X) mark, please indicate the option, which reflects your views: SA = Strongly Agree, A=Agree, D = Disagree, SD = Strongly Disagree, U = Uncertain or No Opinion

(2. B)

Corporate governance is only necessary in a country with significant number of listed companies on the Stock Exchange	SA	A	D	SD	U
Corporate governance is very important in Swaziland	SA	A	D	SD	U
Corporate governance reforms in Swaziland is influenced by the need to attract Foreign Direct Investment (FDI)	SA	A	D	SD	U

(3) External Drivers:
(3. A)

Corporate governance in Swaziland is driven due to international pressures	SA	A	D	SD	U
International organizations are key influence in Swaziland's corporate governance reforms	SA	A	D	SD	U
Regional Bilateral and Multilateral organizations are crucial in Swaziland's choice of corporate governance reform	SA	A	D	SD	U

With the following statements, please select in order of influence high to low influence with a (X) mark: HI= High Influence, I= Influential; No influence, LI= Low influence and VLI= Very Low Influence

(3.B) Which of the following organizations do you think influenced Swaziland's corporate governance reforms?

International Labour Organization (ILO)	HI	I	N	LI	VLI
International Monetary Fund (IMF)	HI	I	N	LI	VLI
The Swaziland Trade and Labour Unions	HI	I	N	LI	VLI

World Bank (WB)	HI	I	N	LI	VLI
Organization for Economic Cooperation and Development (OECD)	HI	I	N	LI	VLI
United Nations Conference on Trade and Development (UNCTAD)	HI	I	N	LI	VLI

(3.C) Which of the following organizations do you think influenced Swaziland's choice of corporate governance reforms?

South African Custom Union (SACU)	HI	I	N	LI	VLI
South African Development Community (SADC)	HI	I	N	LI	VLI
New Partnership for Africa's Development (NEPAD)	HI	I	N	LI	VLI
Common Market for Eastern and Southern Africa (COMESA)	HI	I	N	LI	VLI
African Union (AU)	HI	I	N	LI	VLI
Others (please include)	HI	I	N	LI	VLI

To what degree do you personally agree/disagree with the following statements? With a (X) mark, please indicate the option, which reflects your views: SA = Strongly Agree, D = Disagree A = Agree, SD = Strongly Disagree, U = Uncertain or No Opinion

(4) Location Drivers:
(4. A)

Geographical location of a country could affect its choice of corporate governance reforms	SA	A	D	SD	U
It is easier to imitate neighbouring countries than other countries	SA	A	D	SD	U
Countries copy practices in other countries that are closer to them	SA	A	D	SD	U
Countries follow practices in other countries that are considered better	SA	A	D	SD	U
Choice of corporate governance could be due to imitating practices in other countries	SA	A	D	SD	U

Which of the following countries has greatest influence on Swaziland's choice of corporate governance reforms? Please RANK in order of influence. (Rank with Number e.g. 1, 2, 3…)

- ☐ USA
- ☐ UK
- ☐ South Africa
- ☐ Nigeria
- ☐ Taiwan
- ☐ Russia
- ☐ China (Mainland China)
- ☐ Egypt
- ☐ Mozambique
- ☐ Others (please specify…………………………………..)

To what degree do you personally agree/disagree with the following statements? With a cross (X) mark, please indicate the option, which reflects your views: SA = Strongly Agree, D = Disagree A = Agree, SD = Strongly Disagree, U = Uncertain or No Opinion

(5) Human Resources Drivers:

Country's choice of corporate governance reforms is influenced by the quality of human resources development	SA	A	D	SD	U

	SA	A	D	SD	U
Professional associations are very important in building required manpower stock for development					
Uniformity in training and education is important in ensuring high quality manpower development					
Professional bodies in Swaziland have benefited from International Affiliations and membership					
Increased professionalism in Swaziland has been a key factor in corporate governance reforms in Swaziland					

List key professional association that you considered influential in Swaziland corporate governance reforms:
1)
2)
3)
4)
5)

	SA	A	D	SD	U
The level of awareness about corporate governance within Swaziland Institute of Accountants members is very high					

If you would like to receive a copy of the research findings, please provide your e-mail address below:
E-mail:

Thank you for your time