FOREWORD

Corporate governance has risen in importance in recent decades, partly because of a series of corporate scandals that exposed ethical lapses in several large companies and partly because of the dismantling of the Soviet Union and the movement toward a market economy in dozens of countries. The interests of shareholders and other stakeholders have become more prominent in discussions of corporate policies and procedures.

This book examines corporate governance practices in eleven emerging countries. Several chapters focus on legal frameworks, ownership structures, capital markets, the market for corporate control, functions of the board of directors, board structure, directors' remuneration practices, protection of shareholder rights, shareholder activism, and corporate social responsibility. Country studies of Slovenia, Jordan, Kuwait, Uganda, India, Malaysia, and Mexico examine some or all of these subjects. The advantage of having a similar structure that examines the same topics is that it makes it easier to compare practices between countries.

The chapter on Turkey takes a different approach. This chapter examines the pyramidal ownership of vertically integrated groups of corporations and how that structure affects capital structure and dividend payout policies. When control mechanisms such as stock pyramids, cross-ownership structures and dual class equity financing schemes are present, the result can be high agency costs. The author conducts an empirical study of 150 non-financial and group affiliated firms listed on the Istanbul Stock Exchange and found that there is a positive relationship between the control wedge variable and dividends paid to subsidiaries. Affiliated firms at the bottom of the pyramid utilize more internal debt from companies that are members of the group, and less external bank debt.

The chapter on corporate governance in Morocco looks at the various models of corporate governance that have evolved and the principles that are being adopted and implemented, along with the legal framework. Large, public companies often have agency problems because of the separation of ownership and control. The study also found that a large segment of the Moroccan business community is unfamiliar with good corporate governance principles.

The chapter on South Africa focuses on basic concepts and principles as applied in that country. Many corporate governance principles are legislated, including the rules for board committees and audit committees. Codes of corporate governance are also discussed, as is the concept of social responsibility.

The book provides an examination of a good mix of corporate governance approaches and practices in diverse emerging countries.

Prof. Dr. Robert W. McGee
Department of Accounting
College of Business & Economics
Fayetteville State University (USA)

From the academic point of view, corporate governance has become an established part of mainstream accounting, finance, economic and management research over the last decade. The reason behind the increase attention is that corporate governance research has policy implications. It aims to inform regulators (and managers) about the potential benefits of having a better quality of corporate governance system. From the practitioner's point of view, recent corporate scandals brought into question the ability of the current corporate governance framework to control corporate activities. This also increases the discussion among different stakeholders on the need of a good governance system that predicts and prevents corporations from such scandals and collapses. Although, there is a considerable research on corporate governance in developed countries, corporate governance practice in emerging markets is still under-researched.

Given the increased importance of corporate governance over recent years, this book is a vital asset for practitioners, academics and policymakers alike. It represents an important contribution to the raising debate about corporate governance in ten emerging countries: Slovenia; Kuwait; Jordan; Turkey; Morocco; South Africa; Uganda; India; Malaysia and Mexico. This book is edited by a team of scholars with expertise in the field of corporate governance and emphasis on emerging markets: Robert McGee, Khaled Hussainey and Yaroslav Mozghovyi.

A total of 16 co-authors (representing 10 countries) contributed to this book. The book contains 8 theoretical and descriptive chapters on the corporate governance practice in the emerging economies and 2 empirical chapters on the impact of corporate governance mechanisms on capital structure in Turkey and on firm value in Malaysia.

Overall, we strongly believe that this book offers in-depth analyses of the current practice of corporate governance in some interesting emerging contexts and novel empirical evidence on the impact of corporate governance mechanisms on both capital structure and firm value in emerging economies.

Prof. Dr. Khaled Hussainey
Faculty of Business and Law
Portsmouth Business School
University of Portsmouth (UK)

The majority of highly cited research on corporate governance was written based on the evidence from the developed markets, including peculiarities of the Anglo-Saxon, German and Japanese corporate governance models.

At the same time, numerous emerging economies showed a considerable growth rates in recent decades and some of them became a world superpowers in terms of economic and political influence. Other developing countries play important roles on the regional level and are interesting for the researchers in the field of finance and corporate governance.

Each of emerging countries has its own way of development of national standards, codes and approaches to corporate governance. Some of them are based on well-established examples of the Anglo-Saxon model; some inherit characteristics of several other existing models, some try to develop completely new approaches. A number of countries attempt to develop corporate governance system following the same evolutionary path as their developed model-countries did. Others try to skip some steps and implement the best experiences and approaches based on the evidence obtained with successes and failures of their predecessors.

It is interesting to admit how seemingly similar standards and approaches provide completely different results in different emerging markets. Some best practices might work perfectly in one country and be useless or distorted in another.

Thus, it was the aim of this book to collect examples of the various approaches to building corporate governance in the emerging countries with different background, level of economic development, culture and location.

We have succeeded in gathering a great team of contributors, each of whom shared their expertise on a particular emerging economy. An output material on 10 emerging countries will be definitely interesting for the academics, students and policymakers in understanding the behavior of similar mechanisms of corporate governance in different backgrounds and conditions.

Dr. Yaroslav Mozghovyi
Virtus Global Center for Corporate Governance (Ukraine)