The Development of Good Corporate Governance Research Around the World

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Abstract- This article explores global development in corporate governance research, highlighting its importance for effective management and responsible decision-making. The three pillars of corporate governance implementation are government and regulatory agencies, the business community, and wider stakeholders. Effective corporate governance practices lead to increased profits and service protection. However, there is an ongoing debate about the comprehensive definition of corporate governance. Furthermore, this article addresses agency problems between shareholders, managers, and boards of directors as key issues in corporate governance. It highlights the need for improvement in governance mechanisms to tackle these challenges. Different corporate governance systems are examined, including the Anglo-Saxon, Germanic, Latin, Japanese, and Malaysian systems. Good corporate governance ensures fairness and equitable treatment of stakeholders. Understanding these systems enhances global governance practices.

Index Terms- corporate governance, development, management, regulatory agencies, stakeholders.

I. Introduction

Corporate governance is of paramount importance in the business world as it serves as the foundation for effective management and responsible decision-making within organizations. By establishing a framework of principles, policies, and practices, corporate governance ensures transparency, accountability, fairness, and ethical behavior.

An organization must have Good Corporate Governance (CGC) since it necessitates a well- functioning governance system that fosters shareholder confidence and ensures equitable treatment of all stakeholders. A properly operating system provides shareholders with reliable protections, guaranteeing equitable, efficient, and transparent investment. Moreover, it ensures that management consistently acts in the best interest of the entire company (Mahrani & Soewarno, 2018). To implement Good Corporate Governance (CGC), the collaborative backing of three interconnected foundations is essential: the government and its regulatory bodies, the active engagement of the business community in the market, and the broader community as consumers of the products and services offered by businesses (Wibowo, 2010).
Each pillar must adhere to the following fundamental principles: - The government and its agencies establish statutory regulations to foster a robust, efficient, and transparent business environment, ensuring consistent enforcement of laws and regulations. - The business community, as active participants in the market, adopts Good Corporate Governance (CGC) as a fundamental framework for conducting their operations. - The wider community, as consumers of business products and services, as well as stakeholders impacted by the company's existence, demonstrate care and exercise objective and responsible social oversight (Wibowo, 2010).

There is a belief that when an organization consistently upholds good corporate values, it leads to the continued protection of its services, ultimately resulting in increased profits over time (Gesiye Angaye & Gwilliam, 2008). A company that implements effective corporate governance (GCG) practices is likely to experience the benefits of a board that surpasses its role in policy- making and actively works towards ensuring a strong financial performance with good profits. (Gesiye Angaye & Gwilliam, 2008).

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Corporate governance is a mechanism aimed at governing the interactions among diverse stakeholders, with the purpose of averting or reducing substantial issues (Br Damanik, 2021). The topic of corporate governance is currently under discussion as a potential solution for addressing challenges in the management and accountability of contemporary companies. Corporate governance encompasses a set of mechanisms employed to mitigate agency problems, wherein managers may act solely in their own self-interests at the expense of the company's owner. Such behavior can arise due to managers possessing privileged information about the company that is not accessible to the owner, leading to a situation of information asymmetry (Arlita et al., 2019). In the business world, including the field of accounting, there is ongoing debate about corporate governance. Different parties such as international organizations, academia, regulators, and businesses have been discussing this topic extensively. Nonetheless, a widely acknowledged and all-encompassing definition of corporate governance is yet to be established. consequently, the accurate definition and boundaries of corporate governance remain subjects of ongoing discussion and disagreement.
However, the generally accepted interpretation of corporate governance can be expressed in alternative terms: "Corporate governance refers to the framework that oversees and manages the direction of businesses. It determines the distribution of rights and obligations among different entities within the organization, including the board, executives, shareholders, and other stakeholders. Moreover, it defines the regulations and protocols for making decisions regarding the company's operations." (Tawfeeq et al., 2014).

The corporate governance scandal has shed light on various concerns that have greatly influenced the approach taken by the Indonesian Government in improving the system. One crucial factor that necessitated the enhancement of corporate governance mechanisms was the existence of agency issues between shareholders and managers, as well as between shareholders and the board of directors. Managers have faced criticism for their lack of accountability in business practices, displaying a lack of ownership as if they were not truly invested in the company. Additionally, significant shareholders, who bear the primary responsibility of company ownership, have been accused of exerting pressure based on their own personal interests. (Alnasser, 2012).

II. RESEARCH METHODOLOGY

For the purpose of this research, the chosen methodology is library research utilizing the Secondary Data Analysis approach. This approach involves utilizing pre-existing data from secondary sources as the primary data sources. To leverage the selected secondary data effectively, appropriate statistical testing techniques are applied to extract the desired information from a wide range of sources such as books, journals, and specialized databases. The processing of this data is carried out in a methodical and unbiased manner.

III. DISCUSSION

Corporate Governance Systems Around The World AngloSaxon corporate governance system

The corporate governance system known as the Anglo-Saxon model, adopted by companies in the United States, Canada, Australia, and the United Kingdom, incorporates a framework of supervision and regulation. The financial basis of the company primarily relies on the Anglo- Saxon approach to corporate governance. The interests of shareholders play a crucial role in shaping the Anglo-Saxon corporate governance system. Laws provide individual shareholders with voting rights as protective measures against managerial misconduct. if a shareholder misuses company funds, it may affect their personal wealth. The Anglo-Saxon corporate governance structure comprises a board of directors consisting of both executives and non-executives. The executive directors within the corporation serve as managers, while the non-executive directors represent shareholders and oversee the day-to-day operations of the managers. The appointment and removal of executive and non-executive directors occur during general shareholder meetings (Denis et al., 2015).

Germanic corporate governance system

The Germanic perspective on corporate governance revolves around perceiving the company as an independent economic entity that aims to serve the interests of both shareholders and stakeholders. In nations that adhere to this approach, a dual-board system is utilized, consisting of a supervisory board and a managing board. The supervisory board is accountable for the appointment and removal of managing board members, along with assessing their effectiveness. In the Germanic corporate governance system, banks hold a prominent role as the

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primary source of financing. As a result, banks possess significant voting rights in shareholder assemblies and represent the interests of shareholders on the supervisory board (Odenius, 2008).

Latin corporate governance system

The Latin corporate governance system is recognized for its higher degree of adaptability. In terms of the board of directors, Latin corporations have the option to adopt either a single-board structure, resembling the Anglo-Saxon system, or a dual-board structure, resembling the Germanic system. One noteworthy characteristic of the Latin system, particularly evident in French laws, is that shareholders possess a greater level of influence. Shareholders have the authority to remove a
director who may exert excessive control, particularly in the context of a one-share-one-vote system. This highlights the emphasis placed on shareholder empowerment and their ability to shape decision-making within the Latin corporate governance framework (Aguilera & Ermoli, 2005).

Japanese corporate governance system

In the Japanese corporate system, the composition of the board of directors includes a board of directors itself, a representative directors' office, and an auditors' office. It is not typical for the president to concurrently serve as the chairman of the board. In Japan, banks hold considerable sway over the decision-making procedures of management (Allen & Zhao, 2007).

Malaysia corporate governance system

The emergence of the 1997 Asian Financial Crisis not only brought about the concept of corporate governance but also revealed deficiencies in Malaysia's corporate governance practices. In response to the crisis, the Malaysian government took the initiative in 1998 to implement corporate reforms aimed at enhancing the standards of corporate management. As part of this endeavor, Malaysia introduced new codes and regulations for corporate governance. However, discussions and debates regarding corporate governance in Malaysia typically focus on the entities responsible for enforcing the law, including the Ministry of Finance, Kuala Lumpur Stock Exchange (KLSE), Securities Commission (SC), and Registrar of Company (Azizah et al., 2007).

IV. CONCLUSION

Corporate governance plays a crucial role in the business realm as it forms the fundamental basis for efficient management and conscientious decision-making in companies. Organizations need good corporate governance because it establishes a fair governance system that builds trust among shareholders and ensures equitable treatment of all stakeholders. There are several issues of corporate government. The existence of agency issues between shareholders and managers, as well as shareholders and the board of directors, constituted a significant factor that necessitated the enhancement of corporate governance mechanisms..Managers are also criticized for not showing ownership for business practices, since they lack concern as though they were owners.
Corporations in the United States, Canada, Australia, and the United Kingdom adhere to the Anglo-Saxon corporate governance system, which encompasses a structure of oversight and regulation. Various corporate governance systems are practiced globally, but these countries specifically adopt the Anglo-Saxon model characterized by its emphasis on supervision and control. The Germanic model of corporate governance places emphasis on regarding the firm as an independent economic entity, with the primary objective of benefiting both shareholders and stakeholders. The Latin corporate governance system is acknowledged for its greater flexibility. In the Japanese corporate system, the board of directors is comprised of three components: the board of directors itself, a representative directors' office, and an auditors' office. The Asian Financial Crisis in 1997 exposed flaws in Malaysia's corporate governance practices and led to the implementation of corporate reforms by the government in 1998. These reforms aimed to enhance corporate management standards and included the introduction of a new code and regulations for corporate governance.

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