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BOOK REVIEWS

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Introduction

The fundamentals of Corporate Governance date back into millennia. From the earliest of times wherever and whenever one person or a group of people had to trust in others to take care of their economic interest there was the potential for 'negligence and profusion'. This theme is the one constant factor over time. Perhaps the most noted mile-stones in the development of the subject include, amongst others, Adam Smith (1776), Berle and Means (1932) and Jensen and Meckling (1976). Our modern ideas and interpretations are firmly rooted in the ideas laid down by these 'giants' who came before us.

Adam Smith, writing in 1776, states: "The directors of such [joint-stock] companies, however, being the managers rather of other people's money than of their own, it cannot well be expected, that they should watch over it with the same anxious vigilance with which the partners in a private copartnery frequently watch over their own. Like the stewards of a rich man, they are apt to consider attention to small matters as not for their master's honour, and very easily give themselves a dispensation from having it. Negligence and profusion, therefore, must always prevail, more or Iess, in the management of the affairs of such a company…" (Smith, 1776, p. 700).

And so, we have it in a nutshell. The main and persistent issue of concern for all stakeholders in a corporate body is the question of the executive officers' and directors' commitment to acting both responsibly and in the best interests of the corporate body rather than acting in their own best interest.

Berle and Means (1932) argued that the structure of corporate law in the United States in the 1930s enforced the separation of ownership and control. The corporate body is an independent legally identifiable person which can sue and be sued in it's own name and consequently it is independent of the shareholders who own shares in the corporate body and separate from the elected directors who control the company's activities. Compared to the notion of personal private property, the functioning of modern company law "has destroyed the unity that we commonly call property". This occurred for a number of reasons, foremost being the dispersal of shareholding ownership in big corporations where, typical, a shareholder is uninterested in the day-to-day affairs of the company, yet thousands of people like him or her make up the majority of owners throughout the economy, according to Berle and Means (1932). The result is that those who are directly interested in day-to-day affairs, the management and the directors, have the ability to manage the resources of companies to their own advantage without effective shareholder scrutiny. "The property owner who invests in a modern corporation so far surrenders his wealth to those in control of the corporation that he has exchanged the position of independent owner for one in which he may become merely recipient of the wages of capital... [Such owners] have surrendered the right that the corporation should be operated in their sole interest..."

Berle, A and Means, G The Modern Corporation and Private Property (2nd edn Harcourt, Brace and World, New York, 1967) p.355

Berle and Means (1932) identified the autonomous nature of a corporate body and as such acknowledge that directors in such bodies have a duty of care to the corporate body and all constituent parties, not solely shareholders.

Jensen and Meckling (1976) *Theory of the Firm: Managerial Behavior, Agency Costs and Ownership Structure*, is one of the most widely cited financial economics papers of the last 40 years. In addition to reiterating the theory of the public corporation as an owner-less entity made up of only contractual relationships, building on the work of Berle and Means (1932) and Coase (1937), the paper laid the foundation for the widespread use of stock options as executive compensation tools as a means of aligning interests of executives with the interests of shareholders.

Agency theory has dominated the governance landscape in both the regulatory and best practice philosophy. Higgs (2003) expands the debate to include the difficult discussion of behaviour and culture within the board. The search for good corporate governance has progressed decade on decade, year on year. For researchers, practitioners, and regulators the quest to answer the core questions of good governance is never ending. It is important to continue the strive for excellent keeping in mind the importance to reflect on past issues and learnings as we develop new paths forward.

This special edition builds on the seminal works outlined above and provides a 21st Century perspective on corporate governance. While robust theories will always stand the test of time the context to the theory is of paramount importance, especially so when human behaviour is involved. The range of papers presented in this special edition have been chosen to provide a holistic view of contemporary corporate governance. One size does not fit all, every country and every organization has it's own unique set of circumstances requiring different approaches and different solutions to the way in which they are governed. Each reflection on the past adds value to the future of corporate governance.

The first paper by Michał Kałdonski and Tomasz Jewartowski builds on neoclassical economic ideology with a focus on the principal/agent theory and adds a modern twist of behavioural finance through the means of an empirical study of overvalued equity and earnings management in companies on the Warsaw Stock Exchange.

The second paper by Andrew Carrothers examines the role of activist hedge funds and other institutional investors in governing corporate bodies. Hedge funds have received bad press since the financial crisis of 2008 and this paper provides a usual balance through a discuss and analysis of the positive contribution made by such activist institutions.

The third paper by Donald Nordberg considers board ethos and institutional work through an analysis of the developing UK corporate governance code from its origins in the Cadbury Code published in 1992 through to the present UK Corporate Governance Code of 2016. The modern context to Corporate Governance can be traced back to 1992 to the publication of the Cadbury Report, UK. The Cadbury Report was the culmination of work undertaken by the Cadbury Committee on the Financial Aspects of Corporate Governance. This report has proved to be instrumental in informing the discussions and debates held in many countries and has been the foundation for many subsequent codes on corporate governance.

The fourth and fifth papers by Alidou Ouedraogo and Leslie Spiers are both concerned with the much-neglected corporate governance of smaller companies. Much of the focus on corporate governance to date has been on publicly quoted companies. Despite the significant contribution of small and medium sized companies to the global economy very few papers are written on governance of smaller, unquoted companies. These two papers shed some light on this under researched area.

The 6th and 7th papers investigate aspects of corporate governance in universities. Universities are a significant part of the economy and represent an important social infrastructure, however, despite their importance there is like understanding and discussion of their governance structures in the extant literature. These two papers provide a valuable insight in to this under researched sector.

The eighth paper by Renata Konadu discusses the role of corporate governance in environmental protection and brings new insight into the corporate social responsibility debate. An interesting aspect relates to the impact of gender on environmental responsibility.

The ninth paper by Steve Letza discusses the business context in Africa. The institutions and frameworks within which businesses operate are an essential part of corporate governance. This paper analyses the impact of corruption on business and uses Nigeria, regarded by many as an extreme example of a corrupt country, as the specific case study.

The tenth and final paper by Gary Evans opens a debate on the rapid developments in technology in recent times and with the ever-increasing trajectory discusses whether boards have adequately prepared to deal with the fiduciary and strategic issues of the new world.

The above assemblage of papers provides the corporate governance scholar a sampling of the past, current and future concerns faced by researchers, practitioners and regulators. Through reading the papers the authors hope to provoke more questions than answers, driving forward understanding and provoking even more research into the subject.

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