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Introduction

Anglo governance systems rely on a number of controls to align the interests of shareholders and boards of directors. Various models (Easterbrook 1996; Robins 2006) are put forward in discussing these controls but generally we can refer to them as market control, regulatory control, and political and cultural control. Agency theory (Eisenhardt 1989; Fama & Jensen 1983) proposes that these control mechanisms are necessary as human nature is such that directors and managers act in a self-interested and boundedly rational manner in decision making, which can result in sub-optimality. But even within a singular governance system we find that each country uses different control mechanisms to varying degrees - each with its own foci and priorities, characteristics and drivers of change. For instance, in discussing the types of regulatory controls, the US governance system is referred to as rules-based whereas the Australian and UK systems are referred to as principles-based (Clarke 2007). A rules-based system requires companies to comply; whereas, a principles-based system allows companies to either comply or explain why they have not. In this way there is more flexibility in the principles-based system compared to the rules-based system. Clarke (2007) criticises the rules-based system, arguing that rules can set a lower base level as they require all members to act according to minimum standards of practice, which ultimately become minimum acceptable practices in order to gain broad acceptance. He claims setting minimum standards of practice simply leads to the creation of new and imaginative ways to get around the rules; whereas a principles-based system, in not setting standards, encourages improvement over time in order to meet the expectations of the stakeholder community at large. Clarke does however add that the introduction of tougher rules in the USA has improved reporting and governance behaviour. Dallas (2004) argues that a reliance on rules and compliance is fraught with peril, but further argues that objective standards are required to facilitate meaningful comparative analysis, to bring about discipline and to ensure shareholders receive a fair share of rewards. These are just a few examples of conflicting opinion and on-going debate about the benefits of both systems, and with the 2008 financial turmoil seeming to originate in the USA under the regulatory approach, questions continue to arise as to whether more regulation is the answer.
In attempting to answer this question this chapter first broadly examines the characteristics of Anglo governance systems before then describing the regulatory changes of the early 21st century that occurred as a result of a problematic security market. It reviews many commentators who argue both for and against increased regulation, before introducing a behavioural perspective as a different path to the increasing calls for tighter regulation. In subsequently discussing the inherent flexibility of the principles-based approach to governance, the chapter argues for enhanced disclosure, greater transparency, enhanced shareholder voice, and a move to greater stakeholder and Corporate Social Responsibility (CSR) focus. In conclusion the chapter calls for a more holistic approach to governance that addresses these concerns and explores the key drivers of governance reform.

Anglo governance systems

Anglo governance systems operating in the USA, UK and Australia have specific characteristics that are referred to in total as a market-based system. Corporations operating in this system focus on maximising returns to shareholders, and in doing so are subjected to the market, which operates to ensure both efficiencies and effectiveness of managerial and board decisions. The market evaluates the willingness and ability of corporations to pay investors and adjusts the current price of stock as a result. As firms raise new money they must pay the rate of return appropriate to current strategies and risk, as judged by the market. This assumes that the general populace has faith in the market, and that shareholders are willing to invest. When investors lose faith, as we have seen occurring in 2008, share prices fall on the back of decreasing demand. In this process it is assumed that managers make rational investment decisions and choose whether to raise funds through equity, and that if shareholders have faith in the market they will purchase shares. Otherwise companies have to look to banks and other financial intermediaries for capital injection, and these instrumentalities in also judging the strategies and risks of the company set an appropriate interest rate. The market therefore evaluates and judges, resulting in interest rate and share price effects. We refer to the effect of this on managerial actions as 'market discipline' which it is often claimed is greater than the discipline of formal 'governance' devices.

This market discipline, or control, aligns shareholders', directors' and managers' interests in a number of ways: through the market for corporate control, through product markets and through labour markets. Corporate control operates in such a way that inefficient operating is reflected in share price and in takeover activity. It proposes that shareholders can exit the market if they lose faith in the market, and in particular can sell their shares in corporations if directors and managers make decisions that reduce their wealth. In addition, product markets also exhibit controls over managerial behaviour ensuring that corporations compete effectively in the market for goods and services or risk losing business. Moreover labour markets act as a control device as any reduction in shareholder value due to management inefficiencies may lead to decreases in their employment opportunities through reputation loss.

But in practice, inefficiencies in market control have led to other actors in the governance system such as professional associations and government, introducing professional and
regulatory controls. The result is a broadening and strengthening of controls over the behaviour of directors and managers so that their focus on shareholder wealth is maintained and self-interest is pushed aside. Easterbrook (1996, p. 70) explains

Entrepreneurs make promises to investors [and] if these promises are not optimal...then investors pay less and entrepreneurs...bear costs of sub-optimality...[However] this mechanism depends on investors being able to evaluate promises made to them...so when markets are inefficient some substitute must be found.

Inefficient markets are evident, for instance, when a lack of transparency and disclosure renders directors and managers with much greater access to information and knowledge about the activities of the company than investors and potential investors have - referred to as information asymmetry. In such cases, legislation and professional accounting and auditing standards, and organisational codes of conduct and ethics all act to bring about an equalisation of knowledge through enhanced disclosure requirements and behaviour controls. Clarke (2007) explains that the Anglo governance system based on disclosure uses regulation to ensure that full information is provided to dispersed shareholders so that they can make informed investment decisions. In general, managerialists argue that strong legal rules are necessary to temper the enormous power that managers have and to ensure power is exercised consistently in the interests of shareholders (du Plessis et al. 2005).

Even with these varied controls, in the 1990s we witnessed numerous frauds, corporate scandals, and failures of standards and codes. We have seen stock options being used as a vehicle for huge personal gains, profits being inflated to placate stock market analysts, and deception used to allay commentary by analysts on less than expected performance. As Paul Volcker US Federal Reserve (2002) stated ‘in light of the Enron Affair and the seemingly endless barrage of news about other firms restating profits, artificially embellishing revenues and creating obscure “special purpose vehicles” conveniently off their balance sheets, no one can reasonably doubt that there is a crisis in the accounting and auditing profession’ (Robins 2006, p. 36). The financial turmoil of 2008 has resulted in many different responses such as enhanced monitoring of governance principles, enhanced regulation, greater disclosure and caps on executive remuneration. Macello Bianchi (2008) Chairman of the OECD stated that the OECD’s task is to address immediate reactions to malpractices and to establish a long-term road map for effective implementation and monitoring of governance principles. In this way they ‘play an important role in fostering a sound business culture and rebuilding confidence discredited by bad corporate governance practices in individual companies’. Extensive reporting in the business press has seen calls for greater independence of boards (Tudway 2008), improved governance practices, heightened monitoring of accounting standards and tightening of regulation (Hughes 2008). In relation to salaries there has been a push for enhanced disclosure of the reasoning behind the amount of executive salaries, and increased pressure on institutional shareholders to vote against excessive salaries and disclose their voting patterns (Koch 2008; West 2008). Moreover Waring (2008) writes of corporate governance failures in liberal market economies being based on organisations having a short-term business focus, perverse incentives and questionable managerial decision making.
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Regulatory control enhanced in the 2000s

In the 1990s, a strong consensus emerged amongst policy makers and industry observers that existing management practices and government oversight were insufficient to promote a well-functioning and sound security market (Bertus et al. (forthcoming in Corporate Ownership and Control)). This resulted in the tightening of regulatory control in the USA through the Sarbanes-Oxley Act (SOX) 2002 and in amendments to the Corporations Act - Corporate Law Reform Act 2004 (CLERP 9) in Australia. The SOX has numerous features to strengthen control focusing on three areas: executive compensation, shareholder monitoring and board monitoring (Holstrom & Kaplan 2005). Specific features include tightening of accounting standards and enhancing external auditor independence from management, improving the responsibility of CEOs and senior management, greater disclosure of internal controls and codes of ethics, certification by the CEO and CFO of all annual and quarterly reports, requirements of auditor independence, establishment of the Public Company Accounting Oversight Board (PCAOB), and new standards for company audit committees. In general the SOX Act 2002 is quite prescriptive in its approach in response to the failures mentioned above.

In particular it requires that

- The CEO and CFO give up any profits from bonuses and stock sales during the 12 months that follow a financial report that is then restated due to misconduct.
- Executives report sales or purchases of stock within 2 days; and provide greater disclosure of off-balance sheet financing and special purpose entities.
- Improvements are made in board monitoring.
- Overall increases in management and board responsibility for financial reporting and criminal penalties for misreporting.

Commentators (Holstrom & Kaplan 2005, p. 83) in speaking of the SOX Act 2002 have argued that board behaviour is affected through heightened monitoring, and should lead to more independence and inquisition by the board of directors of managerial actions. They concluded that despite the problems, US corporate governance has performed very well and that any more regulation would be costly and counterproductive and lead to inflexibility and fear of experimentation. Others have questioned the effects: Clarke (2007) reports a survey of 274 finance managers which found that whilst 55 per cent agreed that SOX increased investor confidence in financial reports, 44 per cent agreed that financial reports were more reliable and 32 per cent agreed that it helped prevent or detect fraud, only 14 per cent agreed that the benefits exceeded costs. Indeed Zhang (2005, cf. Thomsen 2008) reports that in the first year of implementation there was an increase in costs of at least 53 per cent comprised of both internal and external costs plus audit fees. And it has been reported (Thomsen 2008) that additional costs have spurred organisations to delist from US capital markets. ‘The level of work required to comply with the SOX regime is far greater than what would be required in alternative systems as in the UK or in Australia’ (Young & Thyil 2008b, p. 131). Notwithstanding that, a survey of CFOs conducted by Deloitte Consulting found that 50 per cent said regulatory changes had not had a big effect on finance function and new rules were insufficient to prevent repeats of big corporate collapses like Enron and HIH (Robins 2006).
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... see that questions have been raised about whether legislative changes will bring improvements in behaviours and conduct. Phil Chronican, the CFO of Westpac, in reference to enhanced legislative controls, that technically, ‘it has made no real difference. Previously I wrote to the Westpac board personally certifying the accuracy of the company’s accounts. Now that document is public and US criminal actions apply if I break the law. My workload has increased only slightly’ (Schmidt cited in Robins 2006, p. 40). Waring (2008, p. 158) summarises ‘there is an ongoing debate in the corporate governance literature as to whether Sarbanes-Oxley was an appropriate legislative response to these failures; a question only time and experience seem capable of resolving’. And questions have now been raised in 2008 about whether enhanced regulation has had the intended effects on governance practices in light of questionable lending practices of banks and financial intermediaries. Further, it has been queried whether this focus on meeting particular regulatory requirements has meant that directors and managers have concentrated on ticking the box rather than evaluating broader strategic and risk management approaches. Indeed Former Federal Reserve chairman Alan Greenspan confessed to a congressional committee that ‘he had made a mistake in thinking the market’s self-interest would protect shareholders, ignoring the forces of primary narcissism’ (Gettler 2008).

In Australia, even operating from a principles-based approach, CLERP 9 enhanced regulatory control and focused more narrowly on auditor independence, enhanced disclosure, transparent shareholder meetings and whistleblowing (Clarke 2007). The legislation has strengthened financial reporting, ending an era of self-regulation in favour of the Financial Reporting Council. It has introduced International Accounting Standards, established the Corporate Governance Council, reviewed the performance and accountability of regulatory authorities such as ASIC and APRA, and has established the group of 100 CEO Code of Conduct (Robins 2006).

The Act, in a focus on audit reform,

- provides auditing standards with the force of law
- enhances disclosure of remuneration and links to corporate performance, with shareholders having a non-binding vote and approval of termination payments
- legislates for continuous disclosure of information that may materially affect share price
- enhances shareholder participation through embracing technology, notice of annual general meetings, electronic proxy votes, and disclose of directors pre­positions
- provides for protection of whistleblowers
- improves information in the prospectus.

In addition, in 2002, to enhance and strengthen the principles around governance, the Australian Stock Exchange (ASX) introduced guidelines which are not mandatory, but listed companies must disclose the extent they are followed (ASX 2007). These guidelines cover areas such as: statements of matters reserved to the board and delegated to senior management; independence of directors and Chair; disclosure of directors’ tenure;
establishment of code of conduct; and recommendation that non-executive directors should consider meeting independently of management.

When discussing Australia's principles-based approach, there have been conflicting opinions expressed by commentators, which often arises from self-interest. For instance, in arguing against tightening of rules, Greg Larsen CEO of the Australian Society of Certified Practicing Accountants (ASCPA) stated: 'Fundamentally there is nothing wrong with Australia’s financial system, which in some cases is leading world’s best practice' (Harris 2002, cited in Robins 2006, p. 41). But politically speaking the ASCPA as a key lobby group has evident self-interest in representing accountants and auditors who have resisted any external tightening of rules and regulations and criticised the rotation of audit teams (not firms) every 5 years, audit independence, and reporting of non-audit services (Robins 2006). Furthermore the Australian Directors of Corporate Governance International rejects the use of the ASX as a model and argues that it has a poor record of proposing governance reform. Others have commented that difficulties arise as ASX listing rules are in fact non-binding and there are conflicts of interest as the ASX is a listed company itself (Robins 2006). Robins (2006, p. 36) adds more generally that Australian responses to corporate scandals are considered to be 'ill-coordinated and weak, when compared with the apparent rigour of Sarbanes-Oxley'. Explanations provided relate to the voluntary nature of codes of conduct compared to prescriptive legislation and the longer time-lines and incorporation of public debate and input from the accounting profession, businesses and shareholder organisations. Du Plessis, McConvill and Bagaric (2005) argue that whilst Australia's regulatory framework satisfies the OECD principles of good corporate governance on the two bases of promotion of transparent and efficient markets, and consistency with rule of law principles, it fails on the third which is clear articulation of division of responsibilities among the different supervisory, regulatory and enforcement authorities. Clarke (2007), and Digman and Galanis (2004) add that there is some evidence that this continuing division of regulatory powers has diminished the power of regulation, limited the pressure on company disclosure relative to other countries, and resulted in a hands-off approach to infringements.

Despite these criticisms, Young and Thyil (2008b) cite data from interviews where respondents were of the opinion that Australian governance processes and implementation are far better than in the USA, although the interviewees tended to believe that the regulatory path of the USA as a response to the severe collapses that occurred is understandable.

**Behavioural approaches**

In addition to the push from regulators and those arguing for more legislation, another driver of change in governance comes from those arguing for a broader stakeholder perspective with the accompanying stakeholder influence on corporate behaviour. Clarke (2007) argues that the increasing demand for CSR is another pressure on the governance system. Support for this comes from Waring (2008) who argues that in the Anglo governance systems, legal duties and responsibilities of directors should be enlarged to include enhancing and balancing stakeholder interests.
In this vein, Young and Thyil (2008b) cite evidence that actors in the governance system such as directors, managers and consultants believe that it is leadership that drives the corporate responsibility agenda top-down and that organisational culture, strategy and committee structures are important in achieving this.

Similarly Graeme Samuel (ACCC) states that governance requires the right mix of personalities, expertise, commitment and leadership, and that over-regulation will kill entrepreneurial spirit, crush innovation and shift resources towards compliance rather then staying ahead (Samuel 2003). Others (Buffini 2002; Robins 2006) in arguing for a broader, but not regulatory, approach claim that governance has to move beyond checklist templates, and that it is impossible to regulate for ethics.

In this way it is important that the governance systems and processes should also align with the culture of the firm. Young and Thyil (2008b, p. 133) provide an example from their interviews of directors:

*I defy anyone to put in any set of rules that would have stopped those idiots... Basically the fault of HIH was that they had a board of dorks... and no amount of corporate governance rules, regulations, reporting, no amount of checks and balances you could have put over the top to avoid those problems. Those people and (their) organisation culture (mattered).*

They add that the ethical stance and moral codes of conduct of individuals, especially top management, are also important in this regard, with evidence from their interviews:

*If you have got the right sort of people in the place you are not going to have a problem. If they have the right moral fibre, you are just not going to have a problem.*

*I mean like HIH. All that behavior was already illegal. It was already outside the rules of listed companies and good disclosure and ethical business management practices. It is not as if that was perfectly acceptable behavior and attitudes have moved on. The fact is the rules were there but they weren’t being followed.* (Young & Thyil 2008b, p. 134)

Other influences on governance arise from history, established practices and national culture. Clarke (2007, p. 266) concludes that ‘as pressures to conform to international standards and expectations increase, the resilience of historical and cultural differences will continue’. On the same theme, Young and Thyil (2007; 2008a) argue that in attempting to understand governance models, a holistic view is more appropriate, one which reflects its multidisciplinary nature, reflecting macro factors such as cultural, historical, legal and national frameworks as well as micro factors such as vision and strategy, behaviours and codes, leadership and stakeholders. And Mayer (2000, p. 9) concludes that ‘there is no single dominant system [and]... there may indeed be benefits to diversity, particularly in light of our current state of ignorance about the comparative merits of different systems [and]... regulators should be ...encouraging the emergence of different types of financial and corporate arrangements rather than being restrictive’. So whether based on rules or principles, each country’s governance system reflects its own history, culture, legislature, social systems and environment.
Flexibility

Such flexibility evident in a system that reflects these differences is apparent in the principles-based system with Young and Thyil (2008b) providing evidence that companies are just beginning to take up the flexibility in the system and adapting governance statements to suit their own situations. Initially they claimed the firms simply followed the basic tenets and structures required by the ASX and the regulatory bodies, but over time, they have realised the flexibility inherent in the system and started to customise it according to their own requirements.

This points to the fluid nature of governance, where it is claimed that governance evolves as the market evolves and it is not possible to reach a state where it could be termed as being ‘exactly right’. The flexibility accorded by the principles-based approach, whilst often lauded by firms, also means that firms need to go through a trial-and-error process until they identify a system that is right for them.

In this vein Young and Thyil (2008b, p. 132) in discussing whether the rules-based approach will improve governance cite one consulting firm:

I doubt it. Cost benefit analysis suggests that the costs far outweigh the benefits of it. An American company will fail again and SOX is not a guarantee that, that won’t happen. Contrast that with the Australian system where Australian companies are free to find their own solution... I think it is the more realistic approach. As I say, there is no silver bullet or no magic wand that will prevent failures happening. And I think the American approach is very much tick-the-box. I think the approach followed by the ‘comply or explain’ countries is more realistic and more flexible for the different needs of different organizations, at different stages of their development’.

Disclosure, transparency and shareholder voice

Shareholder influence and voice and their effect on improved disclosure and transparency are also evident in the principles-based system. But whether this is a proactive approach has been questioned. Young and Thyil (2008b, p. 133) cite interview data that argues that even though there is a push from investors it is not necessarily being picked up by firms.

There is not much incentive for firms to become more transparent and provide greater disclosures than what is mandated by law, as the customers and general public do not seem to be interested in knowing more about governance, nor do they want to actively participate in the running of the firm.

Notwithstanding that, there is a change that is occurring in this arena with more active participation on the horizon, as Australian shareholders realise that their voice matters, with the Australian Shareholders Association, for instance, raising the profile of investor concerns and increasing their influence.

And in regard to specific issues around disclosure of executive remuneration, there is evidence of demands and impetus for action arising from the public due to media exposure of specific acts of companies. Excessive compensation, remuneration and retirement payouts are some areas where the public outcry is greatest, and it is invariably
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Result of the media coverage and information dissemination – although the investors and the public appear to be reactive, rather than proactive. Their activism is limited to issues after their occurrence and after they have been highlighted, rather than exhibiting voice in influencing aspects of governance that affect business value and then, through that, the remuneration of executives.

Key drivers of the Australian governance system

Governance systems are not static and their fluidity is influenced by many factors in the environment. Firstly, from a control perspective, the corporations law (CLERP 9) is clearly an impetus for change and has put greater liability on companies and greater focus on governance.

Secondly, moving away from compliance, an important recent development has been broadening the perspective from shareholder primacy to a stakeholder view of the firm. But an interesting point to note citing interview data is that

...this issue isn’t actually driven by any moral or ethical type guidelines, but it is because the landscape has actually changed in that companies can no longer act solely for their shareholders with complete disregard for other stakeholders because of what we now term the social license... If they actually undertake activities which endanger that social license then it actually creates quite a real risk to their business. (Young & Thyil 2008b, p. 134)

Thirdly, firms are being held accountable for putting rhetoric into practice through reputation and risk management and, the added driver at a time of skills shortage, through being an employer of choice and leader in sector. Such emerging public pressure is evident as investors demand higher standards both individually and institutionally. But on a cautionary note, Young and Thyil (2008b) argue that it is yet unclear whether public demands will metamorphose into action on the part of both companies and investors. So even though firms appear to be in the process of assessing what actions are considered socially responsible, there is a lack of consensus on what is socially acceptable.

Fourthly, the normal evolution of firms and the growth and maturity of societies and economies in which they operate push changes in governance. As Young and Thyil (2008b, p. 135) cite interview data:

I think it’s the normal evolution of corporations and the corporate structure. And I say that because if you go back to the start of the last century and companies and company meetings, board meetings and relations between senior members and junior management and the workers were formal and very structured. As the century wore on... and as... we are now much more informal, no less structured in a way. And governance is just part of the same. It’s the way corporations and societies develop over time.

Conclusion

An important implication is the need for organisations to operate from a holistic perspective on corporate governance, moving beyond the ‘tick-the-box’ mentality to analysing key drivers and variables that are critical to governance effectiveness in their
own contexts. As Letza et al. (2008) argue, corporate governance is a social, processual and relatively enduring reality driven by both internal impetuses and external environmental dynamics – rather than a pure economic or fixed reality, and hence it cannot be studied in isolation from non-economic factors such as power, legislation, culture, social relations and institutional contexts. Young and Thyil (2008a) have elaborated on this holistic perspective of governance and argued that a multi-dimensional approach is required that extends the analysis from a prescriptive regulatory approach that limits actions, to one that is more descriptive and provides an explanation of why actions occur and decisions are made. They argue that an emphasis on control and regulation will not stop governance failures if it is not set within a governance framework that encapsulates regulation, labour product and capital markets, and behavioural, cultural and ethical considerations. As Gettler (2008) citing Professor Long notes, the 2008 turmoil has been caused by self-interest, delusion, collusion and turning a ‘blind eye’ with organisational perversion evident through the deadly sins of pride, greed, envy, wrath, sloth and neglect.

The next important implication is the evolving nature of governance and the need for customisation by firms. It is important that firms understand their environment, both internal and external, and map the implications of environmental change on their governance frameworks. As emphasised clearly in the ASX corporate governance principles and recommendations (2007, p. 3), ‘corporate governance practices evolve in the light of the changing circumstances of a company and must be tailored to meet those circumstances’. For instance, it is evident from the interview data presented by Young & Thyil (2008b) that the mining companies understand the implications of their environment and the increasing importance of CSR on risk and reputation and embed these considerations in their governance frameworks. Importantly, in light of current events the actions and understanding of the financial sector can be questioned. As Gettler (2008) states:

*The capacity to deny reality in the face of warnings tell us how banks, intoxicated by years of leverage, were allowed to get away with financial holdings that were worth a lot less than they claimed, and how they managed to convince investors that they were rolling in it when they were haemorrhaging.*

In this vein, the importance and effect of CSR and sustainability as a driver of governance has been raised, with questions about the level and practicability of incorporating CSR into the principles-based approach to governance. We have seen principles formed around the stakeholder perspective in governance codes in the UK and Australia, but operationalising and integrating them into the governance framework and the firm’s strategy and operations is still problematic. Waring (2008) argues for the stakeholder approach to be given more weight through regulation and incorporation into directors’ duties.

Another important conclusion that emerged is that the principles-based approach is clearly favoured in Australia over the rules-based approach. As Solomon (2007, p.169) argues in talking about the UK principles-based approach: ‘there is a persisting belief that genuine changes in corporate ethicality and attitude can only be achieved through a voluntary framework, which allows individuals to think about issues at hand’.
A mixed bag of rules and principles is still up for debate as is whether principles could be broadened to include more direction on behaviours, culture, leadership, values and ethics. In driving governance from the top and integrating it with the company's culture, governance practices would prove to be more robust. Here leadership styles and role modelling of behaviour are considerations discussed as important in operationalising and embedding governance practices.

The positions of the ASX and ASIC, in their roles as both guider and monitors, are also confusing. In Australia the Corporations Act focuses on compliance and rules (albeit not as wide reaching as SOX 2002) whereas the role of other bodies is problematic. And when debate occurs in the media and business circles on the topic of strengthening the ASX's and ASIC's monitoring activities, it always reverts to a discussion of whether more rules are actually required.

This chapter has also highlighted the very narrow view of governance held by the general public with their focus on excessive compensation, unreasonable remuneration and unethical behaviour. Furthermore, expansion of the public's knowledge of governance is limited by the information asymmetry between those within the organisation and the public who rely principally on the media as their information source. This phenomenon is not limited to Australia and can be observed in many other countries. More guidance on disclosure is worth considering as a way to inform the public, in particular shareholders, to enhance their involvement before catastrophic and noteworthy events occur.

Other questions then arise such as who should take responsibility for accurate and relevant disclosures. Eccles et al. (2001, cf. Boesso & Kumar 2007) observed that a company with an effective corporate governance system would, by providing access to relevant and high quality information, make an effort to invite new forms of stakeholder engagement. Thus the onus appears to be squarely on the company not only to provide timely disclosures but also to increase the quality and range of disclosure. Taking responsibility themselves at the company level for the quality and relevance of disclosure is likely to quieten the call for greater regulation.

In conclusion, in moving the debate beyond the principles versus rules approach, governance advisers and regulators need to look at how firms can be provided with more guidance in operationalising the key principles that underline governance effectiveness, such as disclosure, remuneration, independence, stakeholder involvement and transparency.

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International Corporate Governance
Suzanne Young, Editor

About this text
There has never been a better time for an insightful look at international corporate governance. This rather timely, up-to-date and authoritative text is based on the latest regional and international research, with contributions coming from a hand-picked team of experts. This exciting edited text explores and analyses the issues, trends and challenges for corporate governance in the future as well as today.

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