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**Corporate Governance, Accountability and Mechanisms of Accountability: An Overview**

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## Abstract

**Purpose –** This paper reviews traditional corporate governance and accountability research, to suggest opportunities for future research in this field. The first part adopts an analytical frame of reference based on theory, accountability mechanisms, methodology, business sector/context, globalisation and time horizon. The second part of the paper locates the seven papers in the special issue in a framework of analysis showing how each one contributes to the field. The paper presents a frame of reference which may be used as a 'roadmap' for researchers to navigate their way through the prior literature and to position their work on the frontiers of corporate governance research.

**Design/methodology/approach –** The paper employs an analytical framework, and is primarily discursive and conceptual.

**Findings –** The paper encourages broader approaches to corporate governance and accountability research beyond the traditional and primarily quantitative approaches of prior research. Broader theoretical perspectives, methodological approaches, accountability mechanism, sectors/contexts, globalisation and time horizons are identified.

**Research limitations/implications –** Greater use of qualitative research methods are suggested, which present challenges particularly of access to the “black box” of corporate boardrooms.

**Originality/value –** Drawing on the analytical framework, and the papers in the special issue, the paper identifies opportunities for further research of accountability and corporate governance.



**Keywords** Corporate governance, Accountability, Mechanisms of Accountability
**Paper type** Research review

## 1. Introduction

Corporate governance is an eclectic subject but for the purposes of this *Accounting, Auditing & Accountability Journal* special issue the focus is exclusively on corporate governance research within the accounting and finance discipline, given the nature of the journal. In this editorial, first the traditional body of research in corporate governance within accounting and finance is reviewed. Then, the ways in which corporate governance and accountability research is expanding are discussed, providing a frame of reference depicting the frontiers of research into corporate governance. This frame of reference is used to show how each paper in the special issue represents a significant contribution to corporate governance research, and the ways in which each paper is adding to knowledge on the frontiers of the discipline. The special issue fills a gap in the academic literature by building on existing work in order to extend the boundaries of corporate governance research along a number of dimensions.

The paper is organized as follows. In section 2, the traditional body of corporate governance research is summarised. The extent to which corporate governance research is broadening away from the traditional body of work is shown in Section 3. Also, it highlights how the frame of reference depicting the frontiers of work in the area emerges from the discussion. Section 4 locates the papers included in this special issue within the frame of reference. The discussion in Section 5 concludes with a summary of main themes arising from the special issue as well as some suggestions for future research in corporate governance.

## 2. Corporate Governance Research: The Nature of Prior Research

Excellent reviews of corporate governance have been published (e.g. Shleifer and Vishney, 1997; Becht *et al.*, 2002; Huse, 2005). In this section, prior corporate governance research is reviewed, from an accountability perspective – the theoretical perspectives adopted, the mechanisms of accountability studied, the methodologies applied, and the sectors/contexts, countries and time horizons considered.

### *2.1 Theoretical framework and accountability*

Traditionally, research into corporate governance has adopted an agency theory approach, focusing exclusively on resolving conflicts of interest (agency problems) between corporate management and the shareholder (Jensen and Meckling, 1976; Fama, 1980; Fama and Jensen, 1983; Eisenhardt, 1989). This finance paradigm dominating corporate governance research emanated from the US, arising from the original work of Berle and Means (1932) on the separation of ownership and control in listed companies. Other disciplines treated corporate governance similarly, for example transactions cost theory in economics (Williamson, 1985, 1996).

The effective dominance of corporate governance research in accounting and finance by agency theory has engendered shareholder-centric definitions of corporate governance, for example,

> "... the process of supervision and control…intended to ensure that the company's management acts in accordance with the interests of shareholders (Parkinson, 1993, p. 159).

The prior literature has provided significant insights into the problems associated with requiring companies to discharge their accountability to the dominant stakeholder

group, the shareholders. This shareholder-oriented perspective has been reflected in corporate governance policy documents and codes of practice. For example, in the UK, the Cadbury Report (1992), the Combined Code (1998; 2003; 2006), the Greenbury Report (1992) and the Higgs Report (2003) all approached corporate governance reform from the perspective of protecting and enhancing shareholder wealth; similarly in the US with the arguably costly Sarbanes Oxley legislation. Other countries have adopted similar approaches and perspectives.

*2.2 Mechanisms of accountability*

Traditionally, accounting and finance researchers have focused on a variety of corporate governance mechanisms of accountability, where accountability has been interpreted only as corporate accountability to shareholders. Finance researchers have focused on internal company mechanisms relating to boards and board performance.

Studies of the impact of boards/board effectiveness on corporate profitability and shareholder value have dominated corporate governance research in finance. These researchers focused on the influence of non-executive directors, splitting of the roles of chairman and chief executive, or the introduction of board sub-committees, have enhanced board effectiveness which in turn has added to shareholder value. For example, Dahya *et al.*, (2002) investigated the relationship between top management turnover (a measure of board effectiveness) and financial performance (a measure of management effectiveness). Others have studied the appointment of non-executive directors and their role in monitoring company management, on behalf of shareholders (e.g. Byrd and Hickman, 1992; Ezzamel and Watson, 1997; Hermalin and Weisbach 1991; Kirkbride and Letza, 2005). Research has considered whether

there is a positive relationship between the number of non-executive directors and corporate financial performance, generally showing that there is (e.g. Kaplan and Reishus, 1990; Ferris *et al.*, 2003).

Another area of research has examined sub-committees of the board as mechanisms for improving board effectiveness, for example remuneration committees (Main and Johnston, 1993; Newman and Mozes, 1999; Newman, 2000) and nomination committees (Ruigrok *et al.*, 2006). Some studies have suggested, for example, that the existence of remuneration committees affects the level and structure of top management pay (Conyon and Peck, 1998), whereas other work has found evidence to the contrary (Daily *et al.*, 1998).

Managerial turnover, proportion of non-executive directors, CEO duality and existence/composition of board subcommittees are crude proxies for board effectiveness. Brennan (2004) has critiqued this kind of research calling for more pertinent measures relating to firm performance to be included in this kind of research, especially measures of CEO competence and activity.

Researchers have also investigated the relationship between executive remuneration and financial performance (e.g. Jensen and Murphy, 1990; Core *et al.*, 1999)[1]. A host of corporate governance research has focused on takeovers and mergers and their relationship with performance, stemming from a seminal study which identified takeover as a disciplining mechanism over company management, again within the finance paradigm of agency theory (Jensen and Ruback, 1983).

[1] Tosi *et al.* (2000); Bruce and Buck (2005) provide useful reviews of literature in this area.

Another important mechanism for improving corporate governance is the role of institutional investors. There has been a steady growth of research into their developing role as monitors of corporate management (e.g. Coffee, 1991; Karpo *et al.*, 1996; Faccio and Lasfer, 2000) and the evolving relationship between institutional investors and their investee company management (Holland and Stoner, 1996; Holland, 1998).

Accounting researchers have concerned themselves with mechanisms of transparency (particularly financial reporting) which seek to align the interests of management and shareholders, and with mechanisms of accountability such as audit committees, internal audit and risk management as assurances of the quality of financial reporting. Cohen *et al.*, (2004) reviewed the relationships between financial reporting quality and corporate governance mechanisms. As such, their review article goes to the heart of this *Accounting, Auditing & Accountability Journal* special issue, in which they discuss the interrelationships between financial reporting quality, management and boards of directors, audit committees, internal audit and external audit. They also acknowledged the influence of regulations (legislators, the courts, stock exchanges), financial analysts and shareholders. However, this special issue considers accountability issues beyond the financial reporting focus of Cohen *et al.*, (2004).

Mechanisms of transparency, in the form of accounting, financial reporting and voluntary disclosures have also taken their place in corporate governance research. Again, traditionally, these have been researched from an agency theory perspective whereby transparency in the form of disclosures to shareholders is an important

mechanism for aligning shareholder and management interests (e.g. Healy *et al.*, 1999; Hermanson, 2000; Bushman and Smith, 2001; Healy and Palepu, 2001). The influence of corporate governance on transparency/corporate disclosures has been studied at the level of country (e.g. Bushman and Smith 2001, 2003; Francis *et al.*, 2003; Bushman *et al.*, 2004b) and also at the level of the firm (e.g. Forker 1992; Bushman *et al.*, 2004a; Beekes and Brown 2006; Cheng and Courteney 2006). The governance variables predicted to influence disclosure and transparency vary from external mechanisms in the form of legal systems for the country-level studies, to internal governance mechanisms relating to the board of directors, its committees, its independence, share ownership by directors and managers, ownership concentration among large shareholders and the quality of auditors.

Again in the accounting discipline, within the area of transparency, the US Treadway Commission (1987) and the UK Turnbull Report (1999; 2005) highlighted companies' systems of internal control as important aspects of the corporate governance framework. There has been some academic research into this area, although admittedly less than in other areas, which has examined mechanisms of risk identification, assessment, management and disclosure (e.g. Solomon, Solomon, Norton and Joseph, 2000, Spira and Page, 2003; Linsley and Shrives 2006).

Audit committees are board mechanisms to enhance accountability around the financial reporting and accounting functions, and have been extensively researched (e.g. Collier 1992, 1996; Kalbers and Fogarty 1993, 1998; DeZoort and Salterio 2001; Klein, 2002a, 2002b; Collier and Gregory, 1999; Gendron *et al.*, 2004; Collier and Zaman, 2005; Gendron and Bédard 2006; Turley and Zaman 2007). Also, DeZoort *et*

*al.*, (2002) provides a comprehensive review of the literature in this area. There has been relatively less research on internal audit. However, Raghunandan *et al.*, (2001), Davidson *et al.*, (2005), Goodwin-Stewart and Kent (2006), Gendron and Bédard (2006) and Turley and Zaman (2007) have touched on the subject to varying extents. Also, Gramling *et al.*, (2005) provided an overview of the role of internal audit in a corporate governance context.

### *2.3 Methodology, sector/context, globalisation and time horizon*

The traditional preoccupation with the agency theory framework has affected a series of other choices made by researchers, namely the methodological approach adopted, the sector/context chosen, the analytical techniques applied, internationalisation of corporate governance and the time horizon studied. It is probably accurate to say that the traditional, dominant approach to researching and analysing corporate governance has involved adopting quantitative, positive methodology, including the application of econometric techniques. Previous studies investigating a wide range of governance factors relating to board performance have adopted such methodologies.

Corporate governance research has mainly focused on the corporate sector, particularly listed companies. The way that other types of organisations have been directed and controlled has not been the primary focus of accounting and finance researchers until relatively recently. Parker (2007b; 2008) is an exception – he considers the unique governance context of non-profit organisations, and studies board processes in two such organisations.

Particular contexts have also been the subject of corporate governance research, notably corporate failures and corporate fraud. Studies of governance failures have pinpointed corporate governance weaknesses contributing to the failure. For example, Beasley (1996) and Beasley *et al.*, (2000) examined the relation between fraud and corporate governance mechanisms, while Agrawal and Chadha (2005) considered the influence of corporate governance on the probability of firms having to restate their earnings. Clarke (2004) considered the cyclical nature of corporate governance failures, which he predicted was likely to continue.

Traditionally, accounting and finance research in corporate governance has focused on Anglo-Saxon stock markets, again reflecting the traditional dominance of agency theory. Since the publication of the first code of 'best practice' in corporate governance (Cadbury Report, 1992) there has been a proliferation in codes of practice across the globe, with the majority of countries developing codes of practice suited to their individual needs. As a result, corporate governance research has started to focus on systems which do not fit the Anglo-Saxon, market-based mould. Indeed, most countries have been shown to fall into the insider-dominated model of corporate governance, where companies tend to be owned and controlled by insiders such as founding families, the state, banks, or other companies. A body of research has examined the factors determining different models of corporate governance, concluding that legal systems dictate stock market growth, according to the level of shareholder protection they provide (La Porta *et al.*, 1997, 1998, 1999). However, until recently, the majority of work in international corporate governance has been pre-occupied with developing economies and their uptake of corporate governance 'best practice'.

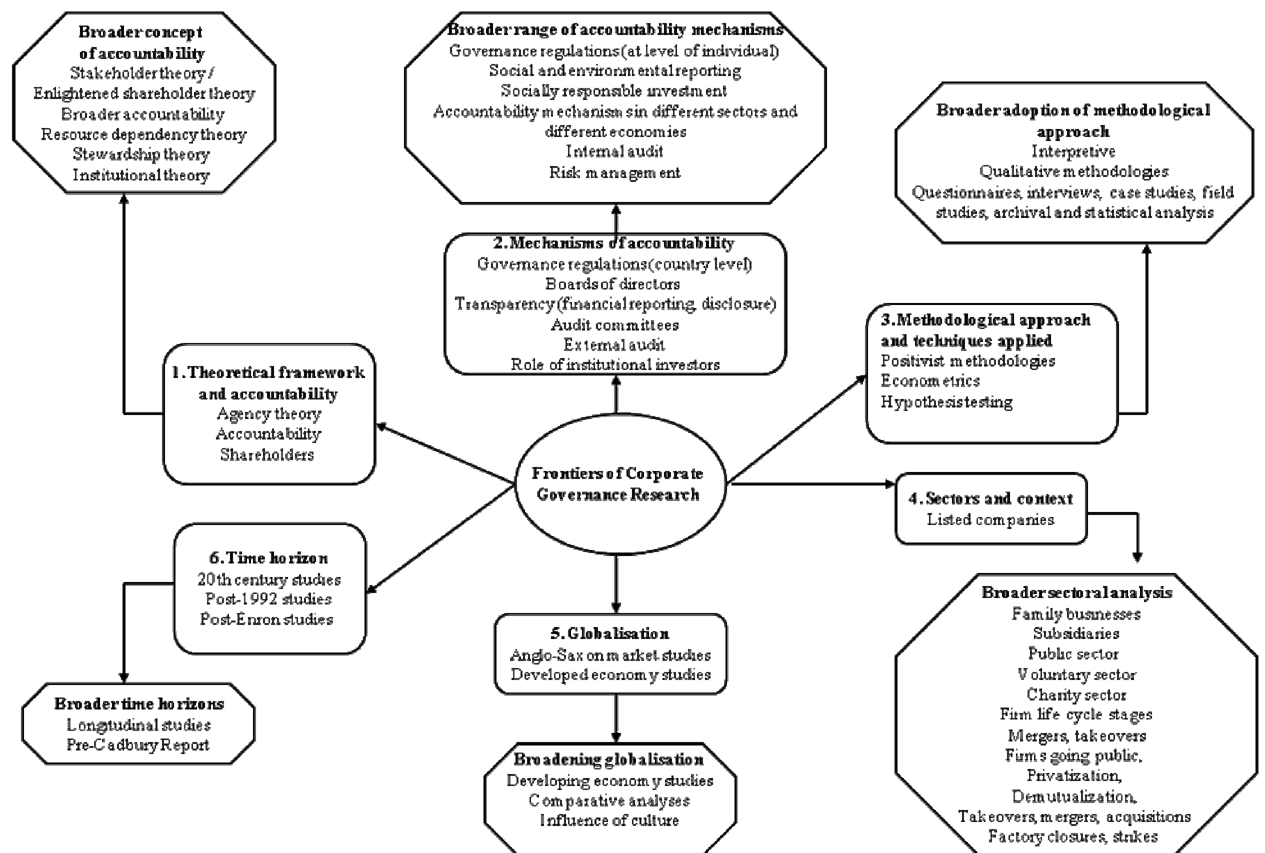
Researchers often use the Cadbury Report (1992) as the starting point for corporate governance research, and most research is located in the period since it publication. However, governance issues have arisen for as long as there has been separation of ownership and control in business, and merits a broader time horizon. It now seems important for researchers to begin adopting a less myopic view by delving into the past in order to gain insights and lessons for future corporate governance research and policy. The next section turns to the ways in which corporate governance research is starting to expand, away from the traditional mould, and suggests the dimensions and frontiers of this expansion.

## 3. Broadening frontiers of corporate governance, accountability and mechanisms of accountability research

There are movements among the accounting and finance academic community to extend the established body of work in corporate governance in several ways. An in-depth analysis of the extant literature suggests these may be as follows. Figure 1 summarises the analytical frame of reference adopted in this paper. This frame of reference was developed through a careful analysis of the extant literature in corporate governance within the accounting and finance field. An in-depth knowledge and consideration of the corporate governance literature formed the basis for the analysis. From a methodological point of view, the development of the analytical framework was similar to factor analysis in quantitative research, in that 'factors' or 'themes' were derived from their interpretation of existing research.[2]

[2] Clearly, such an analysis dons a subjective, normative coat, as the analytical framework is derived from the authors' personal interpretation of the work they have read.

**Figure 1: Frontiers of corporate governance research in accounting and finance**




The analytical framework has six elements, based on theory, accountability mechanisms, methodology, business sector/context, globalisation and time horizon. These six 'dimensions' of corporate governance research are extended in Figure 1 to point to the frontiers and to indicate how researchers are starting to broaden understanding by considering broader perspectives on theory, studying a wider range of mechanisms, using different methodological approaches, adopting a broader set of techniques, looking at governance and accountability in different sectors/contexts, seeking to study models in previously un-researched markets, and extending the time horizon studied. The following sections discuss how corporate governance research could be extended for each of the six dimensions in the analytical framework.

*3.1 Broadening the theoretical framework and notion of accountability*

More recently, as the consideration of corporate governance has started to broaden in its coverage, there has been a change of emphasis, away from the traditional shareholder-centric approach towards a more stakeholder-oriented approach to corporate governance. There is now a growing interest among researchers in broader theoretical frameworks (e.g., Parker 2007a), which incorporate other non-shareholding stakeholders. Stakeholder theory and enlightened shareholder theory are being used increasingly to offer a more inclusive approach to corporate governance (e.g. Hill and Jones, 1992, Wheeler and Sillanpää, 1997; Coyle, 2007; Solomon, 2007). Acknowledging, incorporating and considering the needs and requirements of a greater number of company stakeholders has been a relatively recent stage in the development of corporate governance as a discipline in its own right.

This broader approach has started to seep into the practitioner arena, as the Tyson Report (2003) in the UK, for example, sought to broaden boardroom diversity and inclusivity, by encouraging non-executive directors to be drawn from more diverse backgrounds, representing a broader group of external constituencies. The two King Reports (1994; 2002), produced in South Africa, represented a turning point in the international agenda for corporate governance reform, as they drew attention to the need for companies to act responsibly towards their diverse stakeholders. These reports laid the foundations for the more stakeholder-oriented code of best practice produced by the Commonwealth Association on Corporate Governance (CACG) (1999). Also, international initiatives, epitomised by the OECD's approach (OECD, 1999; 2004) have highlighted the need for corporate accountability to stakeholders by

making stakeholder concerns one of the primary principles of corporate governance best practice.

An increasingly stakeholder-oriented view of corporate governance has resulted in redefining corporate governance in broader terms, for example:

> "… the system of checks and balances, both internal and external to companies, which ensures that companies discharge their accountability to all their stakeholders and act in a socially responsible way in all areas of their business activity" (Solomon, 2007, p. 14).

In exploring the ways in which corporate governance research is broadening by incorporating a broader corporate accountability, researchers are starting to ask 'accountability to whom?' Recent years have witnessed a growing realisation that corporate governance and corporations *per se* have an impact on a constantly expanding number of groups in society. Stakeholder accountability is increasingly intertwined with corporate governance, with stakeholders representing any group who affect, or are affected by, a company's operations. Recent research has begun to acknowledge the links between corporate governance and corporate social responsibility (e.g. Cobb *et al.*, 2005). In our view, one of the frontiers of corporate governance research is represented by a gradual adoption and acceptance of theoretical frameworks which seek to extend corporate accountability to non-shareholding stakeholder groups.

Other theoretical approaches mostly adopted in the management literature could be extended to accounting studies, including resource dependency theory, stewardship

theory and institutional theory. For example, Toms and Filatotchev (2004) examined managerial accountability in the context of resource dependency theory but there are few other studies marrying corporate governance, accountability and resource dependency. O'Connell (2007) called for more stewardship-related research in financial reporting, what he calls "stewardship reporting". Roberts *et al.*, (2005) challenged the dominance of agency theory and called for greater theoretical pluralism in studying the dynamic processes of accountability in the boardroom.

### *3.2 Broadening research into mechanisms of accountability*

Accompanying the gradual shift away from agency theory towards stakeholder theory and enlightened shareholder theory, corporate governance research has started to examine a broader range of mechanisms of accountability. Traditional mechanisms of accountability include governance regulations, boards of directors, financial reporting and disclosure, audit committees, external audit and institutional investors. In the finance discipline, research into institutional investors as a mechanism for improving corporate governance has started to adopt a more stakeholder-oriented approach. For example, there is a greater focus on financial services accountability to a broader range of stakeholders. The financial services industry has responded in practice by starting to consider environmental, social and governance considerations in institutional investment (e.g. Freshfields Bruckhaus Deringer, 2005). This broader orientation is represented by recent research into socially responsible investment, a corporate governance mechanism by which institutional investors aim to encourage their investee companies to be more stakeholder inclusive (e.g. Friedman and Miles, 2001; Solomon and Solomon, 2006). This reorientation within the financial services

industry is paving the way for new research in corporate governance which examines the broader accountability of financial institutions.

In the accounting field, there has been a broadening of research in the area of transparency, towards greater stakeholder inclusivity, again reflecting a deep shift away from the dominance of agency theory frameworks and towards a more stakeholder-oriented framework. For example, a relatively recent departure has involved growing research into the social responsibility aspects of transparency, namely social, environmental and sustainability reporting and assurance as means of improving corporate accountability to a broader range of stakeholders, (e.g. Gray *et al.*, 1987; Gray, 1992; Gray *et al.*, 1993; Gray *et al.*, 1996; Unerman, *et al.*, 2007). Research in this area has intensified over the last decade. Not only is the theoretical framework extended in such work by adopting a broader stakeholder approach, it also analyses different governance mechanisms.

*3.3 Broadening the methodological approach and techniques applied*

Corporate governance research is broadening along the 'dimension' of methodological approach and application of research techniques. As research into corporate governance has developed, researchers are using a variety of analytical techniques, associated not solely with a positivist, econometric, hypothesis-testing approach, but with a more interpretative methodological approach. Studies involving interviews, case studies (e.g. Matthews 2005) and questionnaires/surveys (e.g. Fitzgerald, 2001; Vermeer *et al.*, 2006) are becoming increasingly common. Parker (2007b; 2008) uses a more in-depth participant observer methodology. Researchers are focusing less on testing established hypotheses derived from finance theory and

more on developing new theoretical models using, for example, a grounded theory approach to research (e.g. Holland, 1998; Goddard, 2004; Solomon and Solomon, 2006). There are also a range of analytical techniques which can be applied to corporate governance research, such as newly-developed econometric techniques, focus groups studies, content analysis and archival analysis.

*3.4 Broadening research into different sectors and different contexts*

Parker (2005; 2007a) has pointed to a dearth of studies in financial and external reporting research from a corporate governance perspective, suggesting significant future opportunities for accounting researchers. What research there is has traditionally focused on listed companies. There is extensive scope for academics to turn their attention to other sectors and contexts.

While there has been some governance research into private companies (family businesses and small and medium enterprises), subsidiaries (especially multinational subsidiaries), public sector bodies, voluntary bodies and charities, these have not necessarily focussed on accountability aspects of governance. The charity, public and voluntary sectors provide a rich source of data and a wide variety of mechanisms of accountability which require research and researchers are starting to turn their attention in this direction (e.g. Fitzgerald, 2001; ACEVO, 2003 for emerging work in these areas). Research examining the suitability of private sector models of governance applied to the public sector is emerging (e.g. Clatworthy *et al.*, 2000), with the governance needs of non-private sector models differing from traditional models (e.g. Vermeer et al., 2006). Also, Jenkins et al., (2008) represents an interesting new sector – audit firms – for governance research.

While there has been some prior governance and accountability research on corporate governance failures and fraud, there are many more one-off corporate events such as firms going public, privatization, demutualization, takeovers, mergers or acquisitions, factory closures, strikes etc that might add insights into our understanding of governance and accountability. Mizruchi (2004:18, fn 73) suggested that boards are passive when there is satisfactory performance and in boom times. There are therefore advantages in examining boards and accountability in more unique non-routine contexts when boards might behave in different ways. Filatotchev *et al.*, (2006) also pointed to changes in governance systems occur during firm life-cycles and suggested a conceptual framework that rejects the notion of a universal governance template.

*3.5 Broadening Globalisation and Time horizon in corporate governance research*

There has been a growing body of literature investigating the agenda for corporate governance reform in individual countries (see, Solomon 2007 for a 'Reference Dictionary' of corporate governance in different countries). These country studies tended to focus initially on major developed economies such as Japan, Germany, Australia and Canada. However, researchers are now turning their attention to corporate governance in developing economies, as more established models of governance, applied and tested in developed economies, are starting to be implemented in countries with emerging stock markets. This work on ways of improving corporate governance in developing economies represents research which is pushing forward the boundaries of corporate governance, as it considers how existing models can be reinterpreted and redesigned, so they are suitable for developing economies. For example, the development of 'new agency theory', which

examines the role of non-executive directors as mediators between traditional founding family owner-managers and external shareholder groups represents an extension of corporate governance along the dimension of theoretical paradigm. There are plentiful opportunities for research into developing economy corporate governance. Insights may also be gained from more comparative analysis of governance and accountability systems in different countries. An under-researched aspect of governance in a global context is the issue of culture. Patel (2003), for example, conducted an interesting study on the influence of culture on whisteblowing as an internal control mechanism.

Much of the traditional corporate governance research is cross-sectional, based on large datasets, and is often conducted in response to major governance failures or their consequent regulatory changes. In relation to time horizon, there is an emerging realisation that research into corporate governance does not have to start with the Cadbury Report (1992), Enron, or the Sarbanes Oxley legislation. Corporate governance (i.e., the way in which companies are directed and controlled), is as old as companies and stock markets. There are, clearly, exceptions, especially in the theoretical literature, where researchers have considered the development of theoretical paradigms over time and the historical roots of corporate governance systems in countries around the world. Filatotchev *et al.*, (2006) referred to the absence of longitudinal data restricting sensitivity to corporate governance changes over the life cycles of firms.

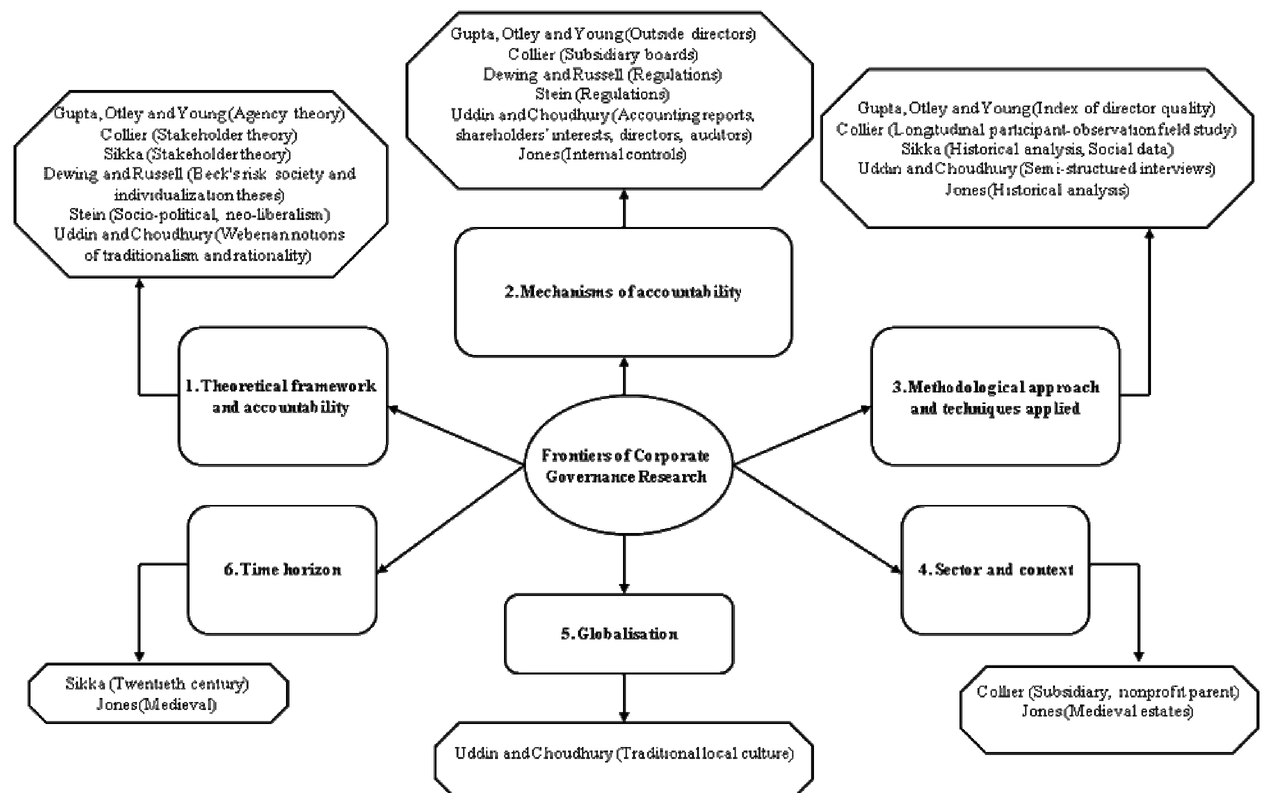
This section has discussed the frame of analysis adopted in this paper, and how research is taking a broader approach in relation to the six elements of the framework.

Section 4 discusses the contribution of the seven papers in this *Accounting, Auditing and Accountability Journal* special issue, illustrating how each one extends the boundaries in the analytical framework.

## 4. Pushing the Frontiers of Corporate Governance Research

This section shows how each paper within this *Accounting, Auditing and Accountability Journal* special issue is located along one or more of the dimensions identified in the frame of reference (see Figure 1). Figure 2 interprets the contribution made by the authors in this special issue according to the frame of reference presented in the previous section. The ways in which each paper pushes at the frontiers of research in corporate governance is identified, according to the six dimensions along which corporate governance is starting to broaden away from the traditional mould.

**Figure 2: Locating the special issue papers on the frontiers of corporate governance research**



In relation to the framework presented in Figure 2, each paper is presented according to order in which it appears in this special issue, identifying the ways in which it extends the prior literature. Gupta, Otley and Young's (2008) paper is to some extent couched in the traditional mould of corporate governance research. They adopt a shareholder-oriented view of corporate governance, by focusing on the relationship between outside director appointments and financial performance. From a methodological perspective, they are also consistent with the majority of finance research in adopting an essentially positive approach. However, the paper makes a significant contribution to existing work in the area of outside directors on a number of levels. First, the authors recognise, for the first time, the heterogeneity of outside board appointments, and attempt to proxy for the quality of appointments. They construct an index of directorship quality using a series of observable firm-specific characteristics to proxy for three latent aspects of quality (as it is not directly observable), namely, prestige, reputational risk and compensation. This is a novel approach. Also, although this paper is compatible with the traditional agency theory approach, the authors expand their concluding discussion to consider how their work may potentially have accountability implications not just for shareholders but also for non-shareholding stakeholders. Although Gupta *et al.*, (2008: p. O/S) opine that '*the benefits of a positive link between shareholder-based measures of executives' own firm performance and the quality of additional outside board appointments remain unclear for those concerned about board accountability to non-shareholder groups*', they consider that there may be two potential outcomes. The first outcome would be negative for non-shareholding stakeholders in the sense that directors would be pre-occupied with maximising the value of their own human capital rather than concerning themselves with broader stakeholder issues which could threaten short-

term financial performance. The second alternative outcome suggested by the authors is that there is likely to be some coincidence between the needs of shareholders and other non-shareholding stakeholders, because factors affecting corporate profitability would affect all groups. This consideration of stakeholder accountability represents a relatively novel departure in finance research.

Collier (2008) also extends the frontiers of corporate governance research along several dimensions. In terms of theoretical paradigm and accountability, the paper adopts a stakeholder accountability approach. Collier focuses on three stakeholder groups, namely the regulator in social housing, lenders and tenants. This paper also broadens the context of corporate governance and accountability by examining governance in the public sector, namely governance within a social housing organisation. This allows Collier to examine different mechanisms of accountability, such as the complicated relationships between the parent board and subsidiary boards. A third dimension which is relevant in Collier's work is that of methodology, as he moves away from orthodox econometric modelling by employing a longitudinal field study via participant observation.

The paper by Sikka (2008) focuses on the 'who' of accountability and corporate governance. The paper contributes significantly to the consideration of stakeholder accountability in corporate governance research by focusing entirely on the role and importance of 'workers' within systems of corporate governance. Sikka (2008) starts from the premise that this essential group of stakeholders have been effectively ignored both in the academic research and in corporate governance practice. He focuses on empirical evidence relating to severe income inequalities, thereby

highlighting accountability to stakeholders as an essential role for corporate governance. This paper extends corporate governance research along the dimension of accountability. Sikka also broadens the application of theoretical paradigm by adopting a political economy perspective on his research question. Further, there is a departure in terms of technique, as the paper provides detailed analysis of publicly available statistics, an unusual approach in academic research in the area.

Regulation is a mechanism of governance, and is usually studied at the level of country (e.g., La Porta *et al.*, 1997, 1998) or the firm. Dewing and Russell (2008) examine corporate governance regulation from a different perspective, the object of the regulation (i.e., the individual regulated). They use Beck's risk society thesis (that risks largely "manufactured" by-products of an industrial machine controlled by politics), and the knock-on effects and consequences for individuals, as their analytical framework. In this way, the authors extend corporate governance research along the dimension of theoretical paradigm. They examine the Financial Services Authority (FSA) approved persons' regime in the UK. Three methodologies are adopted: content analysis of FSA documents, interviews with high-level individuals in the financial services industry and finally, by way of illustration, they analyse the outcome of FSA enforcement actions against individuals. Their analysis contributes to the field by showing how regulators "make" corporate governance through regulation.

While quite a different paper, Stein's (2008) work resonates with that of Dewing and Russell (2008) in that Stein examines the impact of government, governmental techniques, and regulatory reform to "normalise" the behaviour of managers and accountants. The regulations examined are those of Sarbanes-Oxley (SOX). A socio-

political perspective is adopted, characterising the power relationships of government, and the social construction of corporate governance and reforms through autonomous agents, including managers and accountants. Stein adopts neo-liberalism to present SOX as governmental form of thinking to ensure the security of existing neo-liberal techniques, practices and thought encompassed in the state rather than to protect investors.

Drawing on Weberian notions of traditionalism and rationality, Uddin and Choudhury (2008) use semi-structured interviews to study corporate governance in Bangladesh. The authors' choice of qualitative methodology demonstrates the way in which corporate governance research in the accounting and finance discipline is starting to broaden along the dimension of methodological approach, away from the traditional quantitative, positivist stance. They show how traditional local cultures and values are in conflict with the rational ideas imported from a different setting. Their work illustrates a broadening of the corporate governance mechanisms analysed, as they examine accounting reports, shareholder ownership, directors and auditors. They find that families have a dominant presence in all aspects of corporate governance and that they effectively subvert and weaken the state's power in enforcing governance regulations. By investigating structures within Bangladeshi corporate governance, the authors push the frontiers of context and global reach in corporate governance research.

By exploring mechanisms of accountability and governance in mediaeval England, Jones (2008) extends the extant work in corporate governance by considering corporate governance mechanisms which long pre-date the establishment of the limited company. The paper makes a significant contribution by focusing the attention

of researchers on early forms of governance. This paper also extends existing research along the dimension of sector, by examining governance and mechanisms of accountability in the governmental sector. Jones broadens corporate governance research with respect to the methodological dimension, as he employs historical archival evidence from medieval sources. Further, the paper studies a variety of medieval mechanisms of accountability, such as the exchequer, the use of tallies, and the ultimate sanction, death.

## 5. Concluding Comments

The initial call for papers for this special issue invited submissions which focused on corporate governance from an accountability perspective. Papers adopting methodologies, techniques and approaches which departed from the orthodox, positivist, quantitative and shareholder-centric approach to corporate governance were particularly welcomed. Work which sought to break new ground by investigating corporate governance issues in novel contexts or through different lens from previous work were of special interest. A substantial number of submissions were received for the special issue, all of which represented high quality research. Following a rigorous review process, the seven papers included in this special issue represent, in our view, corporate governance research which pushes at the frontiers of the discipline. Indeed, using our diagrammatic framework, we have identified the various ways in which each paper may be located on the frontiers of corporate governance research. Throughout this paper we have sought to distinguish between the traditional mould of corporate governance research and the way which research into corporate governance is expanding along the six dimensions identified in Figure 1. It is important to draw this distinction between the orthodox approach to researching corporate governance in

the accounting and finance discipline in order to open up new paths for research and establish new research agendas.

This special issue devoted to *"Corporate Governance, Accountability and Mechanisms of Accountability"*, contributes to the existing body of corporate governance research within the accounting and finance field by:

- summarising the extant literature;
- identifying the ways in which the corporate governance literature is expanding;
- providing a diagrammatic frame of reference to identify the frontiers of the literature according to six dimensions, along which corporate governance research is expanding, namely: theoretical framework, mechanisms of accountability, methodological approach and techniques applied, sectors and context, globalisation and time horizon;
- positioning the contributions included in this special issue on the frontiers of research.

The overriding theme of this special issue is to identify and push forward the frontiers of corporate governance research. As well as showcasing seven outstanding examples of research which push at these frontiers, the special issue provides a 'roadmap' for researchers in the accounting and finance discipline. This roadmap should help researchers to navigate their way through the existing body of work so as to ensure their new research contributes to the extant literature according to the dimensions and frontiers identified in our frame of reference. The framework should help researchers to locate their research questions, research ideas and to develop their methodologies in ways which add to existing work and which lead to new, novel approaches to the

subject. We hope that our image of corporate governance research portrayed in this paper and in the contributions to this special issue will inspire researchers' imaginations so that they will take the discipline into new territory, experimenting with novel methodological approaches, techniques, contexts, timeframes and geographical locations. We also hope that this special issue will inspire researchers in their quest for new theoretical lens through which corporate governance may be viewed and analysed.

There are policy implications which may be drawn from the content and focus of this special issue. The main issue for corporate governance policymakers seems to be a need for revised codes and principles of best practice in corporate governance to adopt a more stakeholder-oriented focus. Traditionally, codes have adopted a predominantly agency theory perspective, with the primary focus on ways of reconciling the conflicting aims and objectives of company management and the company's shareholders. The framework, and the papers in this special issue, demonstrate a shift away from such a shareholder-centric approach to corporate governance. Accountability to shareholders can no longer represent the sole aim and objective of corporate governance policy and reform. Stakeholder accountability and social responsibility are now acknowledged both in the practitioner and academic environments as key ingredients for business success, as well as crucial elements for enhancing social welfare. This special issue leads the way for both academics and practitioners to pursue joint goals of shareholder wealth maximisation and stakeholder accountability. Policy makers are encouraged to adopt a more long-term view of corporate governance in their attitude to reform. Instead of reacting to corporate governance events as they arise, and using the Cadbury Report as a starting point, it

would be useful for practitioners as well as academics to look backwards, analyse models, evolutions and practice from the past in order to inform the present and the future of policy making.

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