

The Evolution of Corporate Governance in Asian Markets

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EXECUTIVE SUMMARY

Corporate governance practices in the Asian market have come under intense scrutiny in recent years after a series of high-profile corporate scandals exposed weaknesses in the legal framework, enforcement, and monitoring. These scandals have highlighted the need for more transparency, accountability, and responsible business practices. In response, many Asian countries have instituted institutional and regulatory reforms to improve corporate governance practices and strengthen shareholder rights. While challenges remain, the evolution of corporate governance in Asia represents an important step toward establishing more responsible and sustainable business practices in the region.

INTRODUCTION

Corporate governance (CG) is a structured set of systems envisioned for efficient monitoring and control of an organisation's strategy and process for better accountability and transparency (Aluchna & Idowu, 2017). It comprehends the fundamentals for responsible business operations through accountability, transparency and legitimacy in achieving broader economic goals (Monks, 2002). It balances

economic and social goals, promoting efficient resource use and accountability for stewardship, aiming to align the interests of individuals, corporations, and society. It encourages responsible resource use and accountability for resource stewardship (Iskander & Chamlou, 2000).

CG frameworks are expected to promote transparent and fair markets in accordance with regulatory requirements (Anon, 2015). In order to meet CG concerns, the framework typically combines elements of legislation, self-regulation, and voluntary commitments. A firm's CG entails the connections between its management, board of directors, shareholders, and other stakeholders. It defines the company's objectives, determines how they will be achieved, and monitors their progress (Anon, 2015). A single model cannot define good corporate governance. However, it is characterised by certain elements in common aimed at ensuring effective corporate governance frameworks. They ensure that shareholders' rights are protected, information is distributed fairly, transparency is maintained, and board members are held accountable.

Good corporate governance is vital to building up equity capital in the long run. It establishes market confidence, business integrity among potential investors and economic performance. Companies and countries must adhere to globally recognised corporate governance standards to fully exploit the global capital market and attract long-term investments. As a company seeks to build confidence with domestic and international investors, proper supervision and execution remain essential (Anon, 2015). Hence, an effective CG system will enable corporations to easily access the capital market and reduce capital expenditures. Good CG is also important for ensuring that management is disciplined. In order to identify those who may perform better than the existing management, the performance of the current management is evaluated and benchmarked (Roche, 2005).

This chapter examines the cultural and historical evolution of Corporate Governance in Asian markets, with a focus on Japan, South Korea, and China. In this chapter, you will be provided with the following information:

- The theoretical framework of CG
- Historical evolution of CG in Asian markets
- CG practices in some selected Asian markets
- Challenges and opportunities for CG in Asian markets.

The Theoretical Framework of CG

Theoretical frameworks for corporate governance have evolved over time to reflect changes in the business environment and new perspectives on the role of corporations in society. The most important theoretical perspectives include agency, stewardship theory, stakeholder, and institutional theories.

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