ARTICLE IN PRESS

International Business Review xxx (xxxx) xxx–xxx

Contents lists available at ScienceDirect

International Business Review

journal homepage: www.elsevier.com/locate/ibusrev

# East meets west—Corporate governance in Asian emerging markets: A literature review and research agenda

Jana Oehmichen

*University of Goettingen, Chair of Management and Control, Platz der Göttinger Sieben 3, 37073 Goettingen, Germany*

ARTICLE INFO

*Keywords:*
Emerging markets
Asia
Institutions
Corporate governance
Ownership structure
Boards of directors

ABSTRACT

This review examines how corporate governance mechanisms in the Asian emerging markets (AEMs) context affect firm-level outcomes. Literature about characteristics of the main corporate governance actors (boards and owners), their effects on firm-level outcomes, and contingency factors in AEMs offers interesting first insights. I synthetize these results and develop a research agenda that proposes how AEM corporate governance research should extend (but not ignore) agency theory, how AEM research about firm effects of corporate governance could take a stakeholder-oriented perspective, and how research could utilize the AEM institutional context to model contingency factors and extend our theoretical understanding of corporate governance.

## 1. Introduction

Recent corporate scandals in Asian emerging markets (AEMs) such as the expropriation of minority shareholders in Chinese companies like Meierya or Snjiu (Bai, Liu, Lu, Song, & Zhang, 2004) or the Satyam scandal, one of the largest fraud cases in India (Chen, Li, & Shapiro, 2010), indicate the need for effective control mechanisms in AEMs' business systems. These scandals cost shareholders a lot of money, employees their jobs, and states large amounts of tax revenues. In today's global world, these scandals do not only matter to the Asian economies but also frighten Western regulators and corporations who increasingly invest in AEMs (Globerman, Peng, & Shapiro, 2011). Researchers agree that improvements in firm-level corporate governance can help to avoid such scandals (e.g., Aguilera, Florackis, & Kim, 2016; Kang, Cheng, & Gray, 2007). Nevertheless, international corporate governance research has shown that the efficacy of corporate governance mechanisms significantly depends on the institutional environment (Aguilera & Jackson, 2010; Filatotchev, Jackson, & Nakajima, 2013; Oehmichen, Schrapp, & Wolff, 2017). As the institutional environment in AEMs is unique (institutions are weaker, more dynamic and more diverse than in Western countries), research might be able to learn unique things about corporate governance when looking at the AEM context.

The goal of this review is to systemize our current knowledge in this emerging field of research. This review analyses and synthesizes the extant knowledge about characteristics of the two major firm-internal corporate governance actors, namely owners and board members (Denis & McConnell, 2003), their consequential effects on firm-level outcomes, and potential contingency factors shaping these mechanisms in the AEM context. Specifically, this study will answer the following questions: What do we know about characteristics of internal corporate governance actors in AEMs, their impact on firm-level outcomes, and contingency factors? Which questions do researchers have to answer to extend our knowledge about these characteristics and their underlying mechanisms, outcomes, and contingency factors, specifically in AEMs as well as globally? Thereby, AEMs represent a relevant research object because of their economic weight. For instance, Asia is the world's most populated region (Barkema, Chen, George, Luo, & Tsui, 2015), and China is the second largest economy in GDP attracting most foreign direct investment (Witt & Redding, 2014).

AEMs exhibit a unique institutional setting of weak formal institutions, diverse institutions, and an institutional dynamism. This unique setting is the result of pairing the focus on emerging markets, defined as "low-income, rapid-growth countries using economic liberalization as their primary engine of growth" (Hoskisson, Eden, Lau, & Wright, 2000, p. 249) and the focus on the Asian region that is characterized by a great diversity in cultural, philosophic, and religious traditions (Barkema et al., 2015). These institutional particularities of AEMs allow researchers to advance the theoretical understanding of corporate governance in three dimensions. First, the institutional void context of AEMs with failing market mechanisms reveals tasks of corporate governance actors beyond agency cost reduction. Hence, this study proposes how to extend principles of agency theory in corporate governance research.

Second, this study uncovers a disconnect between firm-level outcomes used in the majority of empirical studies and outcomes of

*E-mail address:* jana.oehmichen@wiwi.uni-goettingen.de.

http://dx.doi.org/10.1016/j.ibusrev.2017.09.013
Received 28 December 2016; Received in revised form 15 August 2017; Accepted 29 September 2017
0969-5931/ © 2017 Published by Elsevier Ltd.

Please cite this article as: OEHMICHEN, J., International Business Review (2017), http://dx.doi.org/10.1016/j.ibusrev.2017.09.013

relevance that appropriately consider the institutional context. As failing market mechanisms and regulatory dynamics make me question the dominance of shareholder value, I am proposing how a stakeholder-oriented perspective adds to firm-level effects of corporate governance in AEMs.

Third, the institutional diversity of AEMs offers the possibility to shed more light into unclear mechanisms of corporate governance characteristics. I outline how sociological concepts such as country-level elite structures help identify relevant contingency factors and understand ambiguous results.

In summary, this review contributes to corporate governance research by extending knowledge gained from prior corporate governance reviews that either only focus on an U.S./U.K. context (e.g. Gillan, 2006) or have a global focus (Aguilera & Jackson, 2010; Denis & McConnell,2003) and thus miss to explore institutional particularities of a specific region. My focus on corporate governance systems in AEMs represents a middle ground between generating specialized knowledge about country-specific particularities and generalized knowledge about universal mechanisms and their interdependencies with institutional contingency factors.

## 2. Corporate governance in AEMs – a literature review

Corporate governance literature on Western countries identified boards and shareholders as the key internal corporate governance actors (Denis & McConnell, 2003). They own the company, bear the risk and responsibility of all major corporate decisions, and serve as link between the firm and all its stakeholders. Researchers have shown how these owners and boards affect firm-level decisions and outcomes such as executive compensation (e.g., Devers, McNamara, Wiseman, & Arrfelt, 2008; Hüttenbrink, Oehmichen, Rapp, & Wolff, 2014), organizational learning (e.g., Heyden, Oehmichen, Nichting, & Volberda, 2015; Kim, Kim, & Lee, 2008; Oehmichen, Heyden, Georgakakis, & Volberda, 2017), strategic decisions (e.g., Kavadis & Castaner, 2014; Oehmichen, Schrapp et al., 2017), and firm performance (e.g., Chaganti & Damanpour, 1991; Oehmichen, Braun, Wolff, & Yoshikawa, 2017). Nevertheless, the efficacy of specific board and owner characteristics in an AEM context is still an emerging field of research. The following section reviews, what we know about these two corporate governance actors in the AEM context. After briefly introducing the institutional context, I systemize recent research about characteristics of boards and owners in AEMs, their effects on firm-level outcomes, and the current knowledge about contingency factors that shape the effectiveness of AEMs corporate governance mechanisms.[1] The review covers the AEM countries China, India, Indonesia, Malaysia, Thailand, and the Philippines.

### 2.1. *Institutional context of AEMs*

By definition, emerging markets are countries with *weak formal institutions* due to their reduced market effectiveness (Khanna & Palepu, 1997) and *dynamic institutions* due to ongoing development of regulations (Hoskisson, Wright, Filatotchev, & Peng, 2013) and rapid growth-rates (Young, Peng, Ahlstrom, Bruton, & Jiang, 2008). Additionally, Asia exhibits a great *diversity in informal institutions* such as cultural, philosophic and religious traditions (Barkema et al., 2015).

#### 2.1.1. *Weak formal institutions*

AEMs are characterized by (1) weak law enforcement, (2) restricted managerial labor markets, and (3) limited capital markets. Weak formal institutions do not imply an absence of law but rather weakly enforced rules and people distrusting their efficacy (Young et al., 2008). Despite high quality accounting standards (e.g. in China, Witt & Redding, 2014), corporate governance codes (e.g. in the Philippines, Kondo, 2014), and awards for good governance (e.g. in Thailand, Suehiro & Wailerdsak Yabushity, 2014) AMEs lack institutionalized trust and law enforcement (Rajagopalan & Zhang, 2008) with courts having backlogs of thousands of cases (Saez, 2014) and corrupt judges (Kondo, 2014). Additionally, firms in AEMs face managerial labor market constraints because a lack of trust in externally hired professionals hinders filling executive positions. Most executive teams consist of family members and friends rather than professional managers (Kondo, 2014; Rosser, 2014; Suehiro & Wailerdsak Yabushity, 2014). Finally, weak institutions limit capital market access. Although all AEMs offer hypothetical access to equity via national stock exchanges, most capital has to be raised from banks instead of stock markets (Saez, 2014).

#### 2.1.2. *Dynamic institutions*

AEMs are characterized by superior growth rates (Young et al., 2008) and severe economic shocks such as the Asian financial crisis (see e.g., Mitton, 2002). This economic volatility is accompanied by (1) political developments and (2) the ongoing globalization:

The *political development* in AEMs is characterized by privatization (Young et al., 2008) and political instability. China for instance recognized privatization as an instrument to increase effectiveness and competitiveness of state-owned companies (Mar & Young, 2001). Additionally, the entire region exhibits strong political instability as for instance the latest political developments in Thailand (Hoskisson et al., 2013) indicate. Continuously changing politico-economic agendas reduce firms' trust in institution, lead to short-term business orientation, and thus undermine economic impact of regulatory improvements. Furthermore, due to the ongoing *globalization,* global capital meets local tradition in AEMs (Ahmadjian, 2014). Foreign investors might hence force local governments to adapt the regulatory environment and for instance introduce corporate governance or stewardship codes.

#### 2.1.3. *Diverse informal institutions*

AEMs are characterized by a great institutional variety primarily grounded in the variety of religious and philosophic traditions such as Confucianism, Buddhism, Catholicism, the Islam, legalism, and militarism (Barkema et al., 2015). Affiliations to castes (Chen, Chittoor, & Vissa, 2015), Catholicism-based importance of families (Kondo, 2014), or the special role of Bumiputra (indigenous Malays) in Malaysia (Johnson & Mitton, 2003) are significant drivers for differences in social identity.

Furthermore, the identity and role of societal elites differ between AEM countries. In China, they primarily consist of government officials and their children (Witt & Redding, 2014). In India and Indonesia, the elite consists of politically well-connected family firm members. Their influence is largely based on strong ties to politics (Rosser, 2014; Saez, 2014), but not on inter-firm connections which could create a countervailing economic power. In Malaysia, owner-entrepreneurs form an elite whose success also primarily relies on good relationships to politicians (Carney & Andriesse, 2014). Thailand's economy is controlled by an elite of militaries, business people of Chinese origin and bureaucrats (Suehiro & Wailerdsak Yabushity, 2014). In the Philippines, business families form a factionalized elite that avoids taxation and thereby causes severe budget deficits (Kondo, 2014). These families mostly own industry-leading firms that suppress competitors and therewith form a fragmented elite structure through quasi-monopolies rather than elite networks (Kondo, 2014).

In summary, AEMs are characterized by a particular context of

[1] I included studies published in journals listed in the Social Sciences Citation Index (SSCI). However, to avoid an unbalanced sample of studies, I only considered the most prestigious journals for studies of the Chinese context. Prestige of the journal was assessed based on impact factors; nevertheless all articles with a Chinese context were checked for new insights and added to the review when they provide new insights, disregarding the impact factor of their journal. On the other hand, I allowed journals that are not listed in the SSCI for the Philippines.

weak, dynamic, and diverse institutions, which affects corporate governance in these countries. The next paragraphs analyze our current knowledge about corporate governance in AEMs. The following research agenda will then return to these institutional particularities and outline, how researchers can utilize the special institutional context to advance corporate governance research.

### 2.2. Ownership and board characteristics in AEMs

First research studies have investigated effects of corporate governance actors in AEMs. Specifically, first results exist with respect to effects of characteristics of ownership structures such as ownership concentration, separation of cash and control rights, types of owners. Existing research about boards in AEMs looked at board independence and boards' access to resources. The following paragraphs review the existing knowledge about these owner and board characteristics.

#### 2.2.1. Ownership concentration

Researchers emphasize that the well-known Western principal-agent problem between managers and owners (Berle & Means, 1968) is accompanied by a principal–principal problem between majority and minority owners (Young et al., 2008) in AEMs. This is due to the more concentrated ownership structures with typically one dominate majority owner in AEMs (Jiang, Lee, & Yue, 2010; Rosser, 2014). Researchers show that majority owners in AEMs expropriate minority shareholder by weakening firm governance such as board independence (Hu, Tam, & Tan, 2010), reducing corporate divestures (Wu, Xu, & Phan, 2011) and leverage (Suto, 2003), and thereby harming firm performance (Shan & McIver, 2011). These principal–principal arguments of minority shareholder expropriation find further support in studies which show that the presence of a second dominant owner in AEM firms increases firm value (Attig, El Ghoul, & Guedhami, 2009) and corporate risk taking (Mishra, 2011).

Nevertheless, other studies in the AEM context also find support for classical agency theory based effects of ownership concentration. According to agency theory, ownership concentration helps control managers (Aguilera & Crespi-Cladera, 2016). AEM studies that support the existence of this controlling effect of ownership concentration show a reverse u-shaped performance effect of ownership concentration (Chen, Li et al., 2010). Other studies identify a reverse u-shaped effect of ownership concentration and earnings management based on stronger entrenchment effects at lower share sizes of dominant owners and stronger alignment effects at higher share sizes (Ding, Zhang, & Zhang, 2007). Furthermore, ownership concentration mitigates within-industry contagion effects of financial scandals (Yu, Zhang, & Zheng, 2015) and reduces equity pay (Conyon & He, 2012).

#### 2.2.2. Managerial ownership and separation of cash flow and control rights

Beyond the effects of ownership concentration, first research knowledge exists about effects of managerial ownership and the separation of cash flow and control rights in AEMs. AEM literature emphasizes the significant presence of managerial ownership (Sato, 2004),separated cash flow and control rights, e.g., through pyramidal ownership structures (Rajagopalan & Zhang, 2008), and restricted voting rights for minority shareholders (Carney & Andriesse, 2014) in AEMs.

Comparable to the literature about ownership concentration in AEMs, literature about managerial ownership in AEMs finds both, results supporting agency theoretical arguments and results supporting the existence of principal–principal problems. From a classical agency theoretical perspective, managerial ownership represents an efficient control mechanism. In line with this arguments researcher find that companies in AEMs tend to compensate weak formal institutions with increased managerial ownership (Bertrand, Johnson, Samphantharak, & Schoar, 2008), and that managerial ownership reduces CEO compensation (Theeravanich, 2013). From a principal–principal perspective minority shareholder expropriation again might interfere with this control mechanism of managerial ownership. Research in line with this argumentation shows that in AEMs the controlling effect of dominant owners is reduced when these owners are insiders (Mitton, 2002). High managerial ownership reduces the controlling power of outside owners (Lemmon & Lins, 2003). Other studies find indication that managerial ownership in Thai companies has a reverse u-shaped effect on performance (Dhnadirek & Tang, 2003). Sato (2004) demonstrates that managerial owners can be effective governance mechanisms when other key stakeholder and political collusion are absent. These results show the coexistence of ownership expropriation and managerial expropriation in AEMs which indicates the need for integrated principal–principal principal-agent models.

Similar arguments about the coexistence of principal-agent and principal–principal problems hold for effects of the separation of cash flow and control rights in AEMs. In line with agency theoretical arguments, AEM companies introduce mechanisms that separate cash and control rights such as business groups and cumulative voting systems for controlling purposes with the intention to fill institutional voids. Cumulative voting systems represent such mechanism to reduce the voting power of dominant owners during board appointment decisions. Instead of allowing majority shareholders to dictate the outcome of sequential appointment decisions, minority shareholders can pool and jointly re-allocate their votes between candidates to form coalitions against the majority shareholder (Chen, Li, & Lin, 2015). First results indicate that cumulative voting systems reduce the probability of CEO turnover and hostile takeovers (however, they have no effects on tunneling and performance) (Chen, Li et al., 2015). Business groups are predominant in AEMs, e.g., in India (Zattoni, Pedersen, & Kumar, 2009), Indonesia (Sato, 2004), and Thailand (Bertrand et al., 2008) and have the purpose to compensate for weak institutions (Singh & Gaur, 2009). Researchers indeed find positive performance effects of business groups when institutions are weak (Zattoni et al., 2009). Nevertheless, most recent research shows that the performance effect of business group affiliation might even by complemented by strong institutions instead of substituting weak institutions (Chittoor, Kale, & Puranam, 2015).

Beyond the agency theory based controlling effect of the separation of cash flow and control rights, this separation also increases the power of a majority owner and might hence be another antecedent of principal–principal problems. In line with this theoretical perspective, AEM studies show that the separation of cash flow and control rights reduces the controlling power of outside owners (Lemmon & Lins, 2003), increases entrenchment (Du & Dai, 2005) and earnings management (Sanjaya, 2011) in AEMs.

Business groups also create pyramidal ownership (Hoskisson et al., 2013) which has a negative performance effect (Jiang & Peng, 2011; Peng & Jiang,2010). Additionally, researchers show that business group affiliation results in longer persistence of poor performance as business group managers try to avoid the stigma of unsuccessful exits and effects of tunneling and expropriation within the business group (Chacar & Vissa, 2005).

#### 2.2.3. Types of owners

The type of dominant owners strongly shapes the overall objective and therewith outcomes of a firm. First research exists that 1) indicates which different types of dominant owners are predominant in AEM countries and 2) how these types of owners shape firm outcomes.

Families and the state are the most common owner types in AEMs (Witt & Redding, 2013). State ownership is historically high in China (Hu et al., 2010) with a trend towards privatization. In Malaysia, 12 of the 30 largest companies are state controlled (M. Carney & Andriesse, 2014). In Indonesia, the state and families are the dominating owner types (Rosser, 2014). Although foreign ownership formally increased in Indonesia, many foreign investors are actually off-shore accounts of rich

families (Rosser, 2014). India is known for large family conglomerates such as Tata (Saez, 2014). Foreign or dispersed ownership only exists since 1990 (Saez, 2014). In Thailand, family ownership is the most common owner type (Suehiro & Wailerdsak Yabushity, 2014). Empirical studies on effects of owner types in AEMs exhibit mixed results.

*State ownership* is often depicted as a bad governance mechanism that reduces executive turnover performance sensitivity (Conyon & He, 2011; Shen & Lin,2009), increases tunneling (Shan, 2013), and decreases performance (Hu et al., 2010; Zou & Adams, 2008). In Malaysia, politically connected firms (owners or board members with close relationships to key government officials) are perceived as more risky and thus cause higher audit fees (Wahab, Zain, & James, 2011). Nevertheless, the political connectedness that state ownership causes might also produce benefits for the firms. Researchers show that state ownership reduces earnings management (Ding et al., 2007), mitigates within-industry contagion effects of non-financial scandals (Yu et al., 2015), and outperforms other ownership types as it positively affects corporate strategy (Peng, Tan, & Tong, 2004).

*Family ownership* in AEMs is, on the one hand, often associated with minority shareholder expropriation. Studies confirm that family ownership in AEMs reduces board independence (van Essen, van Oosterhout, & Carney, 2011) and leads to more severe financial constraints (Hanazaki & Liu, 2007). If expropriation is not taking place during the first generation of ownership, it might still occur when following generations resume business. Research on generation effects in AEM family firms shows that having more sons leads to more tunneling and lower performance, especially when the founding family member has retired (Bertrand et al., 2008). On the other hand, AEM firms might also benefit from a stronger long-term orientation of family owners. First research confirms that family ownership increases innovation productivity (Lodh, Nandy, & Chen, 2014), leads to preferring domestic M & As to cross-border deals (Chen, Huang, & Chen, 2009), increases the pay-performance relation (Theeravanich, 2013), and reduces fraudulent financial reporting (Hasnan, Rahman, & Mahenthiran, 2013). Other studies find no effect of family ownership on performance (Peng & Jiang, 2010) and fraud (Chen, Firth, Gao, & Rui, 2006).

Most research about *foreign ownership* in AEMs is in line with arguments that foreign owners improve governance. First results indicate that they are associated with fewer changes in strategic behavior of AEM firms in times of crisis (Zhou, Li, & Svejnar, 2011), better firm performance (Tam & Tan, 2007), more board independence (van Essen et al., 2011), and lower expropriation of minority shareholders (Huang & Zhu, 2015). Other studies find only limited effect of foreign ownership on firms' equity risk and stock returns (Zou & Adams, 2008).

Effects of *institutional owners* on AEM firms are hardly investigated. First results indicate that their presence reduces the level of unrelated diversification (Ramaswamy, Li, & Veliyath, 2002) and increases the number of analysts following the firm (How, Verhoeven, & Wahab, 2014).

#### *2.2.4. Board independence and CEO duality*

The classical Western agency theory based corporate governance literature promotes boards of directors, and more specifically their independence, as crucial internal control mechanism (Jensen, 1993). However, boards of directors in emerging markets (EMs) are often considered as ineffective and rubber stamps of controlling shareholders (Young et al., 2008), although most AEMs require board independence nowadays. The Indian Securities and Exchange Board laws prescribe 50% of the directors to be outsiders, when the chairman is an insider, and 30% otherwise (Saez, 2014). The Stock Exchange of Thailand requires all companies to have an audit committee with at least three independent members (Suehiro & Wailerdsak Yabushity, 2014). In the Philippines, two directors or 20% should be independent (Echanis, 2006). China, Indonesia and Malaysia all require one third of board members to be independent. In China, this rule applies to all listed companies (C. Chen & Al-Najjar, 2012). In Indonesia, independence is defined as not being affiliated to controlling shareholders, to company managers or board members, and not being engaged as officers in related firm (Siregar & Utama, 2008). In Malaysia, the corporate governance code recommends at least one third of the directors being independent from management and the controlling shareholder (Ow-Yong & Kooi Guan, 2000).

Several empirical studies are in line with classical agency theory based arguments and confirm the positive control effect of board independence in AEMs. Researchers show that board independence reduces fraud (Chen et al., 2006) and tunneling (Shan, 2013), increases disclosure (Huafang & Jianguo, 2007) and audit fees (Yatim, Kent, & Clarkson, 2006), and leads to the establishment of a risk committee (Yatim, 2009). However, especially in the emerging market context, board independence might be a double-edged sword. Being independent from the management, board members might actually collude with the dominant owner and thereby worsen the principal–-principal problem. Accordingly, results for performance effects of board independence are mixed and range from positive (Ramdani & Witteloostuijn, 2010), over non-significant (Abdullah, 2004; Ferrer & Banderlipe, 2012; Haniffa & Hudaib, 2006; Mak & Kusnadi, 2005), to negative performance effects (Prabowo & Simpson, 2011; Shan & McIver, 2011; Singh & Gaur, 2009; Tian & Lau,2001). Likewise, CEO duality in AEMs can also have a positive (Ibrahim & Samad, 2011; Peng, Zhang, & Li, 2007; Ramdani & Witteloostuijn, 2010; Tian & Lau,2001) or negative performance effect (Haniffa & Hudaib, 2006; Li & Naughton,2007). Additionally, AEM studies find worsened disclosure (Huafang & Jianguo, 2007) and increased CEO compensation with CEO duality (Chen, Ezzamel, & Cai, 2011). Other studies find no effect of CEO duality on executive compensation (Theeravanich, 2013).

In summary, though some results confirm the general agency theory grounded notion of board independence for AEMs, others indicate that due to the coexistence of principal–principal problems effects of board independence in AEMs are more ambiguous.

#### *2.2.5. Board resources*

AEM board literature becomes increasingly critical whether board independence is the (only) relevant board characteristic (Peng, 2004). A few AEM studies start considering resource dependence theory and the herein grounded idea of directors' resource function. They find first empirical indications for the relevance of board member's skills and expertise in AEMs. The chairpersons' education level, titles, age and tenure positively affects performance (Cheng, Chan, & Leung, 2010). Outside board members with multiple directorships provide their firms with valuable resource access (Sarkar & Sarkar, 2009). Nevertheless, these multiple directorships can also reduce performance (Jackling & Johl, 2009), increase earnings management (Sarkar, Sarkar, & Sen, 2008) and raise the likelihood of fraudulent financial reporting (Hasnan et al., 2013) due to increased busyness. Sarkar and Sarkar (2009) conclude that only busy inside board members cause negative effects.

Overall, this section shows that current research on ownership and board characteristics in AEMs heavily leverages the classical agency perspective. Nevertheless, this narrow theoretical focus misses fully explaining how AEM firms fill institutional voids and principal–-principal problems. Alternative theoretical perspectives such as resource access considerations or the institutional perspective are rarely considered. The research agenda developed in the end of this study will elaborate several opportunities for future research to contribute to this stream of research.

### *2.3. Firm effects of corporate governance in AEMs*

Most corporate governance studies in the AEM context intend to identify "good governance mechanisms" based on firm-specific outcomes such as performance measures or managerial decisions with

potential value effects as dependent variable. Studies with focus on performance measures either investigate effects on accounting-based measures or market-based measures. Most common accounting-based measures are the return on assets (e.g., Bertrand et al., 2008; Chen, 2015; Chen, Li et al., 2010; Prabowo & Simpson, 2011; Ramdani & Witteloostuijn, 2010; Singh & Gaur, 2009), the return on equity (e.g., Dhnadirek & Tang, 2003; Peng et al., 2007; Peng, 2004; Tian & Lau, 2001), and the return on sales and sale growth (Peng, 2004; e.g., Peng et al., 2007; Zattoni et al., 2009). Market-based measures are Tobin's Q (e.g., Hu et al., 2010; Sarkar & Sarkar, 2009; Shan & McIver, 2011), stock returns (e.g., Y. Jiang & Peng, 2011; Lemmon & Lins, 2003; Mitton, 2002; Peng & Jiang, 2010; Zou & Adams, 2008), and valuation premiums (Attig et al., 2009). Some studies consider both accounting-based and market-based measures (e.g., Ferrer & Banderlipe, 2012; Haniffa & Hudaib, 2006; Ibrahim & Samad, 2011; Jackling & Johl, 2009; Mak & Kusnadi,2005).

Managerial decisions, that are investigated in the AEM context, mostly relate to classical board and owner tasks such as appointing and dismissing executives (Conyon & He, 2011; Shen & Lin,2009; Zhang, Gao, Guan, & Jiang, 2014), setting compensation contracts (Chen et al., 2011; Chen, Liu, & Li, 2010; He, 2011, 2012; He, 2011, 2012; Firth, Fung, & Rui, 2006; Ghosh, 2006), and monitoring executives to avoid fraud (Chen et al., 2006; Hasnan et al., 2013; Jia, Ding, Li, & Wu, 2009), earnings management (Banderlipe, 2009; Ding et al., 2007; Rahman & Ali, 2006; Sanjaya, 2011; Siregar & Utama, 2008), and tunneling (Chen, Li et al., 2015; Shan, 2013). These studies primarily emphasize the objective of good corporate governance to increase shareholder value and reduce shareholder agency costs.

Only few AEM studies go beyond classical agency theory grounded control tasks and look at board members' and owners' influence on strategy such as M & A decisions (Chen et al., 2009; Zhou et al., 2011), diversification (Ramaswamy et al., 2002), corporate risk taking (Mishra, 2011), corporate divestitures (Wu et al., 2011; Zhou et al., 2011), or environmental perception and strategic orientation (Peng et al., 2004). There is also limited research on corporate governance impact on analyst coverage (How et al., 2014) – a measure not limited to shareholder interests but rather of interest for all stakeholder groups as it captures public visibility and transparency.

Overall, first research knowledge exists about how corporate governance characteristics in AEMs affect short-term oriented and shareholder value oriented outcomes. However, virtually no knowledge exists about effects on other outcome variables that consider the varied interests of different shareholders (such as family firms) and stakeholders (such as the state) that play a major role in the AEM corporate governance landscape.

### 2.4. The contingency perspective on corporate governance in AEMs

As the review of direct effects of corporate governance mechanisms just revealed, many corporate governance characteristics in the AEM context can cause benefits and costs. There are no "one-size-fits-all" corporate governance configurations but these configurations rather depend on contextual contingency factors. First studies indicated that these contingency factors can be found on multiple levels such as the firm, the industry, and the country level. These studies provide evidence that the efficacy of corporate governance mechanisms in AEMs depends on firm-level contingency factors such as firm size (Shan & McIver, 2011), additional board and ownership characteristics (Chen, Li et al., 2010; Ibrahim & Samad, 2011; Wahab et al., 2011), business group affiliation (Lodh et al., 2014; Sarkar & Sarkar, 2009; Singh & Gaur, 2009), the financial crisis (Zhou et al., 2011), or resource scarcity and environmental dynamism (Peng et al., 2007). These studies for instance show that board independence only has a positive performance effect in large firms (Shan & McIver, 2011), that the board independence performance effect is positive in non-family firms but negative in family firms (Ibrahim & Samad, 2011), that ownership concentration moderates the negative performance effect of business group affiliation (Singh & Gaur, 2009), and that CEO duality is more valuable when resources are scare and the environment is dynamic (Peng et al., 2007).

Due to the significant institutional particularities in AEMs that are introduced above, country characteristics can be interesting contingency factors. Indeed, first studies confirm the relevance of country-level contingency factors such as shareholder protection (Jiang & Peng, 2011; Peng & Jiang,2010) or general country effects in a two-country study (Singh & Gaur, 2009). They show that family ownership is only valuable when shareholder protection is high (Peng & Jiang, 2010) and that negative performance effects of business group affiliation are stronger in India than in China (Singh & Gaur, 2009).

Based on these first results, a great research potential exists to further utilize institutional particularities as contingency factors to advance corporate governance knowledge. Specifically, the role of institutional voids, sociological differences such as elite structure and behavioral difference that are grounded in cultural diversity of AEMs,

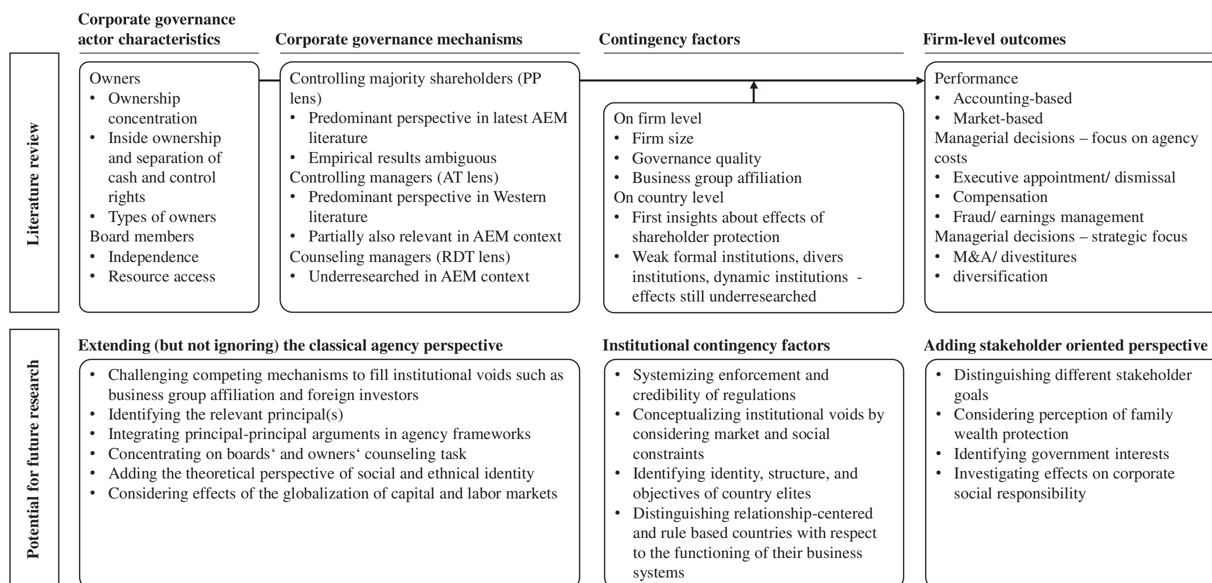


**Fig. 1.** Literature review and research agenda for corporate governance research in AEM context.

**Table 1**
Empirical ownership studies.

| Authors | Countries | Ownership structure | Research Question (1-determinants, 2-effects, 3 internal contingencies, 4 external contingencies) | Theory | Major results |
|---|---|---|---|---|---|
| Attig et al. (2009) | Hong Kong, Indonesia, Japan, Korea, Malaysia, Philippines, Singapore, Taiwan, Thailand | Multiple large shareholders | 2 (valuation premium), 3 (ownership structure) | AT | ● multiple large shareholders cause a trade premium<br>● the effect increases with the number of large shareholders, equal distribution of stakes between these shareholders, sever agency problems, and families or the state as second largest stakeholder |
| Bertrand et al. (2008) | Thailand | Family, founder, generation | 2 (corporate structure; performance) | economic theories of family business | ● firms run by more sons have a lower performance, especially, when the founder is no longer active<br>● more sons lead to a dilation of ownership and control, and to increased tunneling |
| Carney and Child (2012) | Hong Kong, Indonesia, Japan, South Korea, Malaysia, the Philippines, Singapore, Taiwan, Thailand | Families, state, widely-held | 1 (time, political changes) | – | ● ownership is more widely held in Thailand<br>● family ownership increased in the Philippines, but the number of firms owned by one family decreased<br>● state ownership became important in Indonesia, Malaysia, and Thailand<br>● political links of family firms in Indonesia and Thailand reduced<br>● shifts in ownership structure occur when political transformations take place |
| Chacar and Vissa (2005) | India | Business groups | 2 (performance persistence) | institutions, tunneling | ● business group affiliation results in longer persistence of poor performance |
| Chen et al. (2006) | China | State, individual, foreign | 2 (fraud) | AT | ● no significant fraud effects of ownership structure |
| Chen et al. (2009) | China, Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, and Thailand | Families, state | 2 (cross-border M & As) | AT, market imperfection | ● family- and state-controlled firms prefer domestic M & As to cross-border deals |
| Chen, Li et al. (2010), and Chen, Liu et al. (2010) | China | CEO, foreign | 2 (compensation) | managerial power; behavioral approach | ● positive compensation effect of CEO ownership and foreign ownership |
| Chen, Li et al. (2010), and Chen, Liu et al. (2010) | China | Concentration | 2 (performance); 3 (board structure) | PPT | ● reverse u-shaped relation of ownership concentration on performance<br>● no moderating effect of board structure on the u-shaped effect of ownership concentration |
| Chen, Li et al. (2015) and Chen, Chittoor et al. (2015) | China | Cumulative voting | 1 (governance quality); 2 (tunneling, takeovers, performance) | PPT | ● firms with cumulative voting have better governance<br>● cumulative voting has no effect on tunneling and performance<br>● cumulative voting reduces the probability of CEO turnover and hostile takeovers |
| Chittoor et al. (2015) | India | Business groups | 2 (performance) | Complementing institutions | ● performance effect of existing business group affiliation can be complemented by strong institutions |
| Conyon and He (2011) | China | Concentration, state | 2 (compensation, CEO turnover performance sensitivity) | AT | ● negative effect of ownership concentration and state ownership on the level of pay and equity pay<br>● positive effect of non-state ownership and independent directors on CEO turnover-performance sensitivity |
| Conyon and He (2012) | China | Concentration, foreign, state | 2 (compensation) | dynamics of wage setting | ● negative effect of ownership concentration, foreign ownership and state ownership on equity pay |
| Dhnadirek and Tang (2003) | Thailand | Manager, bank | 2 (performance) | – | ● positive effect of managerial ownership below 25%<br>● negative effect of managerial ownership above 25%<br>● no significant performance effect of bank ownership |
| Ding et al. (2007) | China | Concentration, state, private | 2 (earnings management) | AT, entrenchment | ● inverted U-shape relationship between concentration and earnings management (first entrenchment, then alignment)<br>● more earnings management in privately owned firms |
| Du and Dai (2005) | | Separation of control and cash flow rights | 2 (leverage) | entrenchment | |

(continued on next page)

**Table 1** (*continued*)

| Authors | Countries | Ownership structure | Research Question (1-determinants, 2-effects, 3 internal contingencies, 4 external contingencies) | Theory | Major results |
|---|---|---|---|---|---|
| | Hong Kong, Indo- nesia, Japan, Malaysia, the Philippines, Sin- gapore, South Korea, Taiwan, Thailand | | | | ● controlling shareholders with small ownership (separated cash flow and control rights) increase leverage |
| Firth et al. (2006) | China | State, SOE, private, foreign | 2 (compensation) | AT | ● positive compensation effect of private and foreign ownership<br>● no effect of state ownership on performance related pay<br>● positive effect of private shareholders and SOEs on performance related pay |
| Hanazaki and Liu (2007) | Indonesia, Korea, Malaysia, the Philippines, Thailand | Family | 2 (financial constraints) | AT | ● family-controlled firms have more severe financing constraints |
| Hasnan et al. (2013) | Malaysia | Family, foreign | 2 (fraudulent financial reporting) | rationalization, motivation | ● more fraudulent financial reporting with founder on board and with multiple directorships<br>● less fraudulent financial reporting with dominant family or foreign investor |
| How et al. (2014) | Malaysia | Political connection, institutional | 2 (analyst following) | political theory | ● positive effect of institutional investors on analyst following, no effect of political connection |
| Hu et al. (2010) | China | Concentration, state, legal person, state-owned legal person | 2 (performance, board structure) | PPT | ● negative performance effect of ownership concentration<br>● legal person ownership and state-owned legal person ownership outperforms state ownership<br>● negative effect of ownership concentration on board independence |
| Huang and Zhu (2015) | China | Foreign, domestic institutional | 2 (duration of split-share structure reform, compensation to tradable shareholders during reform) | twin AT | ● foreign institutional investors shorten duration of split-share structure reform and increase compensation to minority tradable shareholders during split-share structure reform<br>● hence, foreign institutional investors can reduce expropriation by controlling shareholders in emerging markets |
| Ibrahim and Samad (2011) | Malaysia | Family | 2 (performance) | AT | ● negative performance effect of family ownership<br>● positive performance effect of board size, independence, and duality in family firms |
| Jiang and Peng (2011) | Hong Kong, Indonesia, Malaysia, Philippines, Singapore, South Korea, Taiwan, Thailand | Family, pyramid structures | 2 (performance); 4 (shareholder protection) | PPT, institutions | ● with weak regulations family CEOs have a positive performance effect and pyramid structures a negative (and vis versa) |
| Lemmon and Lins (2003) | HongKong, Indonesia, Malaysia, the Philippines, Singapore, South Korea,Taiwan, Thailand | Managerial, separation of control and cash flow rights | 2 (cumulative stock returns) | AT | ● negative stock return effect of managerial ownership and separation of cash and control rights |
| Lodh et al. (2014) | India | Family | 2 (innovation productivity), 3 (business group, affiliation) | AT, institutions | ● positive effect of family ownership on innovation productivity<br>● positive effect of business group affiliation on family ownership innovation relation |
| Mishra (2011) | Hong Kong, Indonesia, Japan, Malaysia, Singapore, South Korea, Taiwan, Thailand | Concentration, multiple large shareholders, family | 2 (corporate risk taking) | AT | ● lower risk taking when dominant shareholder present<br>● higher risk taking with multiple large shareholders, especially in family dominated firms |
| Mitton (2002) | Indonesia, Korea, Malaysia, the Philippines, Thailand | Outside ownership | 2 (stock price performance) | AT | ● positive performance effect of high outside ownership concentration |
| Peng and Jiang (2010) | Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan, Thailand | Families, pyramid structure | 2 (firm value); 4 (institutions) | AT, RBV | ● no significant value effect of family ownership, family CEO or pyramid structures<br>● no moderation of institutions on family ownership value relation<br>● negative effect of family CEO and pyramid structure is weaker in countries with more developed legal and regulatory institutions |

(*continued on next page*)

ARTICLE IN PRESS



**Table 1** (*continued*)

| Authors | Countries | Ownership structure | Research Question (1-determinants, 2-effects, 3 internal contingencies, 4 external contingencies) | Theory | Major results |
|---|---|---|---|---|---|
| Peng et al. (2004) | China | State, private, collective, foreign | 2 (environmental perception, strategic orientation, performance) | theory of strategic groups (Miles and Snow) | ● state-owned firms adopt defender strategies<br>● private-owned firms adopt prospector strategies<br>● collectively- and foreign owned firms adopt middle-ground analyser strategies<br>● state-owned firms are the best performing group |
| Ramaswamy et al. (2002) | India | State, institutional, foreign, banks and insurance | 2 (diversification) | AT, theory of "pressure-indeterminate and pressure-sensitive" investors | ● proportion of ownership attributable to pressure-sensitive investor groups is positively associated with unrelated diversification<br>● pressure-resistant investor groups negatively influence the level of unrelated diversification<br>● pressure-indeterminate group of investors have no effect on diversification<br>● foreign ownership has no effect on unrelated diversification |
| Sanjaya (2011) | Indonesia | Separation of control and cash flow rights | 2 (earnings management) | AT | ● higher separation of control and cash flow rights increases earnings management |
| Sato (2004) | Indonesia | Concentration, manager | 2 (governance failures) | – | ● owner-managers can be effective governance mechanisms when no other key stakeholder and no political collusion exist<br>● political collusion of owner-managers creates governances failures |
| Shan and McIver (2011) | China | Concentration, state, foreign | 2 (performance); 3 (firm sizes) | AT | ● negative performance effect of ownership concentration |
| Shan (2013) | China | State, foreign | 2 (type-1 tunneling) | PPT, institutions | ● positive effect of state ownership and board meetings on tunneling<br>● no effect of foreign owners, board size, professional supervisors |
| Shen and Lin (2009) | China | State | 2 (top management turnover) | behavioral theory of organizational search | ● negative effect of profitability and state ownership on top management turnover when profitability is below industry median<br>● positive profitability effect of turnover when state is not largest owner |
| Suto (2003) | Malaysia | Concentration, native Malays, foreign ownership | 2 (debt ratio) | AT, Modigliani-Miller theory | ● ownership concentration and foreign ownership reduces leverage<br>● no effect of bumiputra ownership on leverage |
| Tam and Tan (2007) | Malaysia | Individual, foreign, state, trust funds | 2 (performance); 3 (governance mechanisms) | AT | ● positive effect of individual ownership on CEO duality<br>● ownership types have direct impact on firm performance<br>● foreign ownership outperforms other ownership types |
| Theeravanich (2013) | Thailand | Managerial, family | 2 (board structure) | AT | ● compensation is greater in family firms<br>● pay-performance relation only in family firms<br>● managerial ownership reduces compensation |
| van Essen et al. (2011) | China, Hong Kong, India, Japan, Malaysia, Korea, Singapore, Thailand, Taiwan | Families, institutional, foreign | 2 (board structure) | AT, resource dependence | ● in Thailand negative effect of family investors on board independence and size, and positive effect on duality<br>● no effect of institutional investors on independence and duality but a positive effect on size<br>● foreign owners secure more independent directors and less duality and have no effect on size |
| Wahab et al. (2011) | Malaysia | Political connection | 2 (audit fees); 3 (CG quality) | AT, political theory | ● politically connected firms pay higher audit fees<br>● effect is not moderated by corporate governance quality |
| Wu et al. (2011) | China | Concentration, state | 2 (corporate divestiture) | PPT | ● shareholder concentration reduces corporate divestiture (in state-controlled and non-state-controlled firms) |
| Yu et al. (2015) | China | Concentration, state | 2 (intra-industry spillover effects of corporate scandals) | AT, institutions | ● ownership concentration mitigates contagion effects of financial scandals |

(*continued on next page*)

**Table 1** (*continued*)

| Authors | Countries | Ownership structure | Research Question (1-determinants, 2-effects, 3 internal contingencies, 4 external contingencies) | Theory | Major results |
|---|---|---|---|---|---|
| | | | | | ● state ownership mitigates contagion effects of non-financial scandals in non-SOEs |
| Zattoni et al. (2009) | India | Business groups | 2 (performance) | institutions, transaction costs | ● positive performance effect of business group affiliation, when institutions are weak |
| Zhang et al. (2014) | China | Separation of control and cash flow rights | 2 (pay-performance, turnover-performance sensitivity) | AT, tunneling | ● separation of control and cash flow rights is negatively associated with pay-performance sensitivity and turnover- performance sensitivity |
| Zhou et al. (2011) | Thailand | Domestic, family, foreign | 2 (business portfolio restructuring); 4 (crisis) | AT | ● foreign firms' strategic behavior did not change due to the crisis<br>● ownership by domestic families or domestic firms results in similar strategic behavior: no divestures in peripheral segments, reduced divesture in core business, and reduced acquisitions |
| Zou and Adams (2008) | China | State, legal-person, foreign, managerial | 2 (equity risk, stock returns) | AT | ● positive risk effect and negative performance effect of state ownership<br>● negative risk effect and positive performance effect of legal-person ownership<br>● little effect of foreign and managerial ownership |

and the institutional dynamism might bear more detailed investigations.

Fig. 1 summarizes the review of corporate governance research in AEMs. Tables 1 and 2 summarize all empirical studies by country, research question, theoretical grounding, and major results.

## 3. Synthesis and research agenda

Based on the review of research about corporate governance characteristics in AEMs, their effects on firm-level outcomes, and potential institutional contingency factors I identify three dimensions to substantiate research about corporate governance in AEMs. First, future research about corporate governance mechanisms in AEMs could extend (but not ignore) the classical agency perspective. Second, researchers might want to add a more stakeholder-oriented perspective when identifying relevant firm-level outcomes of corporate governance mechanism. Third, a detailed investigation of institutional contingency factors can help advance the general theoretical understanding of corporate governance.

### *3.1. Corporate governance mechanisms in AEMs – extending (but not ignoring) the classical agency view*

The review of AEM governance literature reveals that, in order to understand the efficacy of corporate governance mechanisms in AEMs researchers need to consider principal-agent and principal–principal conflicts. Furthermore, as firms in AEMs are exposed to an institutional environment with reduced market mechanisms, control mechanisms need to do more than mere reduction of agency costs. Based on these review results I identify three dimensions for future researchers to extend AEM corporate governance research: (1) some characteristics exist to fill institutional voids in AEMs; (2) principal-agency and principal–principal problems coexist; and (3) AEM owners and boards might have to facilitate resource access.

First, since many ownership and board characteristics exist due to institutional voids in AEMs, future research should systematically investigate a characteristic's purpose (e.g., introduced to fill institutional voids), its effectiveness, and the mechanism's dominance (e.g., whether one characteristic significantly outperforms another one and whether these characteristics substitute or complement each other). These characteristics range from business group affiliation (for details see e.g. Zattoni et al., 2009), via multiple large shareholders (see e.g. Mishra, 2011), to cumulative voting systems (see e.g. Chen, Chittoor et al., 2015). Future research could put special emphasis on the interplay of mechanisms. For instance, business group affiliation is a quite costly governance mechanism (Aguilera & Crespi-Cladera, 2016) that evokes tunneling and expropriation (Chacar & Vissa, 2005). Hence, future research could assess, whether and why firms replace business group affiliation by other, potentially less costly control mechanisms. For instance, foreign institutional investors may push for divestitures that are associated with dissolution of business groups.

Second, while AEM research acknowledges the existence of principal–principal conflicts that accompany agency costs (e.g., Chen, Li et al., 2010; Peng & Jiang, 2010; Wu et al., 2011), many details about these principal–principal problems and the question how to solve them remain unanswered. Control mechanisms in AEM firms are not only supposed to reduce costs between the principal and the agent but also between multiple principals. This may for instance influence the design of governance mechanisms such as board independence. Whereas boards in the Western principal-agent context primarily have to be independent from managers to fulfil their monitoring function, AEMs firms must ensure board members independence from a variety of different principals. This idea is in line with first board research that considers independence from government (Peng, 2004) or owning business groups (Singh & Gaur, 2009; Tian & Lau,2001). The major challenge for future research is a systematical identification of the

**Table 2**
Empirical board studies.

| Authors | Countries | Board characteristics | Research Question (1-determinants, 2-effects, 3 internal contingencies, 4 external contingencies) | Theory | Major results |
|---|---|---|---|---|---|
| Abdullah (2004) | Malaysia | Independence, duality | 2 (performance) | AT, managerial hegemony | ● no performance effects of independence and duality |
| Banderlipe (2009) | Philippines | Size, independence, duality, multiple directorships | 2 (earnings management) | AT | ● multiple directorships and managerial ownership mitigate earnings management<br>● no effects of board size, independence, and duality |
| Chen and Al-Najjar (2012) | China | Independence, size | 1 (complexity, internal governance factors, regulation) | AT, power | ● board size is positively associated with firm size, firm value, and firm financial performance, while negatively associated with ownership concentration<br>● independence is primarily determined by regulation, positively affected by firm size and negatively affected by supervisory board size and state ownership |
| Chen (2015) | China | Size, outsiders | 1 (institutions), 2 (performance) | AT, institutional environment | ● more outsiders on boards when property rights are weaker<br>● outside board members improve performance when property rights are weak |
| Chen et al. (2006) | China | Outsiders, size, duality, meetings, chairman tenure | 2 (fraud) | AT | ● negative fraud effect of outside directors, chairman's tenure<br>● positive fraud effect of number of board meetings<br>● no significant fraud effects of board size and duality |
| Chen, Liu, and Li (2010) | China | Duality, independence, size, compensation committee | 2 (compensation) | managerial power; behavioral approach | ● CEO duality and compensation committee have a positive effect on executive compensation |
| Cheng et al. (2010) | China | chairperson education level, titles, age and tenure | 2 (performance) | upper echelons theory, RBV, managerial networking | ● positive performance effect of chairpersons' university degrees and titles (academic and nationally certified title), age, and shorter tenure periods |
| Conyon and He (2011) | China | Size, independence, duality, compensation committee | 2 (compensation and CEO turnover performance sensitivity) | AT | ● positive pay for performance effect of independent directors<br>● positive effect of non-state ownership and independent directors on CEO turnover-performance sensitivity |
| Conyon and He (2012) | China | Duality, outsiders, size, compensation committee | 2 (compensation) | dynamics of wage setting theory | ● positive effect of CEO duality, outside directors, and compensation committees on equity pay<br>● no effect of board size on equity pay |
| Ferrer and Banderlipe (2012) | Philippines | Size, independence, duality, multiple directorships | 2 (performance) | AT, RDT | ● managerial ownership of directors increases performance<br>● no effects of size, independence, multiple directorships and duality |
| Firth, Fung, and Rui (2006) | China | Size, meetings, independence | 2 (earnings informativeness) | AT | ● large and active (meetings) boards improve earnings informativeness<br>● board independence improves earnings informativeness<br>● no effect of board size, meetings and CEO duality |
| Ghosh (2006) | India | Size, outsiders | 2 (board compensation) | AT | ● large boards result in higher board compensation<br>● high proportion of outside board members results in decreased board compensation |
| Haniffa and Cooke (2002) | Malaysia | Independence, family members, duality, additional directorships, ethnicity, education | 2 (disclosure) | AT, RDT, culture | ● negative disclosure effect of family members on board and outside chairmen<br>● positive disclosure effect of ratio of Malay directors |
| Haniffa and Hudaib (2006) | Malaysia | Size, outsiders, duality, multiple directorships, directors' shareholdings | 2 (performance) | AT | ● large boards reduce market returns but improve accounting returns<br>● no performance effects of outsiders on board<br>● duality reduces performance<br>● negative effect of multiple directorships on market performance but no effect on accounting returns |

(*continued on next page*)

**Table 2** (*continued*)

| Authors | Countries | Board characteristics | Research Question (1-determinants, 2-effects, 3 internal contingencies, 4 external contingencies) | Theory | Major results |
|---|---|---|---|---|---|
| Hasnan et al. (2013) | Malaysia | Founder, independence, multiple directorships | 2 (fraudulent financial reporting) | rationalization, motivation | ● more fraudulent financial reporting with founder on board and with multiple directorships |
| Hu et al. (2010) | China | Outsiders, independence (according to CSRC), controlling supervisors | 1 (ownership concentration); 2 (performance) | PPT | ● when ownership concentration is high, more controlling directors and less outside directors are appointed<br>● independent directors are found to be incapable of effectively performing their expected function |
| Huafang and Jianguo (2007) | China | Independence, duality | 2 (disclosure) | AT | ● independence increases and duality reduces corporate disclosure |
| Ibrahim and Samad (2011) | Malaysia | Size, independence, duality | 2 (performance), 3 (family ownership) | AT | ● positive performance effect of board size, independence, and duality in family firms |
| Jackling and Johl (2009) | India | Outsiders, duality, size, meetings, multiple directorships | 2 (performance) | AT, RDT | ● positive performance effect of board size, outsiders on board<br>● no performance effect of CEO duality, frequency of board meetings<br>● negative performance effect of multiple directorships |
| Jia et al. (2009) | China | Size, meetings | 2 (likelihood of penalization of fraudulent behavior) | AT, regulations | ● no consistent indication of board effects on penalization of fraudulent behavior |
| Li and Naughton (2007) | China | Size, independence, duality | 2 (IPO underpricing, long term performance) | AT, RDT | ● board size has positive effect on short-term returns<br>● duality has negative effect on long-term performance |
| Mak and Kusnadi (2005) | Malaysia | Size, independence, duality, audit committee size & independence | 2 (performance) | – | ● negative performance effect of board size<br>● no performance effect of duality, independence, and audit committee characteristics |
| Peng (2004) | China | Outsiders (non-management, non-government) | 1 (performance, firm size, firm age), 2 (performance), | AT, RDT, institutional theory | ● outside directors have little impact on ROE, but positive impact on sales growth<br>● poor performance, firm size, firm age mattered for the appointment of outside directors only in early years (92–93) |
| Peng et al. (2007) | China | Duality | 2 (performance), 4 (resource scarcity, environmental dynamism) | AT, stewardship theory | ● positive performance effect of duality<br>● stronger positive effect with low munificence and high uncertainty |
| Prabowo and Simpson (2011) | Indonesia | Independence, family involvement | 2 (performance) | entrenchment | ● negative performance effect of independent directors and controlling family involvement |
| Rahman and Ali (2006) | Malaysia | Size, competence, independence, duality, ethnicity, characteristics of audit committee | 2 (earnings management) | AT | ● more earnings management with larger boards<br>● no effects of independence, duality and competence<br>● no effect of ethnicity |
| Ramdani and Witteloostuijn (2010) | Indonesia, Malaysia, South Korea, Thailand | Independence, duality | 2 (performance) | AT, stewardship theory | ● for average-performing firms: positive effect of independence (agency theory)<br>● positive effect of CEO duality (stewardship theory) |
| Sarkar and Sarkar (2009) | India | Multiple directorships | 2 (MTB, Tobin's Q), 3 (group affiliation) | RDT | ● multiple directorships of independent directors have positive effect on firm value<br>● multiple directorships of inside directors however have negative effect on firm value |
| Sarkar et al. (2008) | India | Independence, multiple directorships, meeting attendance, controlling shareholder, duality | 2 (earnings management) | AT | ● no effect of independence<br>● lower earnings management with high meeting attendance<br>● higher earnings management with multiple directorships, promoter on board, and duality |
| Shan and McIver (2011) | China | Independence, professional expertise | 2 (performance); 3 (firm sizes) | AT | ● negative performance effect of board independence, but positive moderation by size |
| Shan (2013) | China | Size, independence, meetings, professional supervisors | 2 (type 1 tunneling) | PPT, institutions | ● positive effect of state ownership and board meetings on tunneling<br>● negative effect of independence |

(*continued on next page*)

**Table 2** (*continued*)

| Authors | Countries | Board characteristics | Research Question (1-determinants, 2-effects, 3 internal contingencies, 4 external contingencies) | Theory | Major results |
|---|---|---|---|---|---|
| | | | | | ● no effect of foreign owners, board size, professional supervisors |
| Singh and Gaur (2009) | China, India | Independence | 2 (performance), 3 (business group affiliation), 4 (country) | AT, PPT | ● board independence decreases firm performance<br>● negative performance effect is stronger in India than in China<br>● no significant three way interaction effects of independence, business group affiliation, and country |
| Siregar and Utama (2008) | Indonesia | Independence | 2 (earnings management) | AT | ● no effect of board independence on earnings management |
| Tam and Tan (2007) | Malaysia | Duality | 1 (ownership structure) | AT | ● individual ownership has a positive effect on CEO duality |
| Theeravanich (2013) | Thailand | Independence, duality | 2 (conpensation) | AT | ● managerial ownership of directors reduces compensation<br>● no effect of independence and duality on compensation |
| Tian and Lau (2001) | China | Independence, duality | 2 (performance) | AT, stewardship theory | ● positive performance effect of affiliated directors<br>● positive performance effect of duality |
| van Essen et al. (2011) | China, Hong Kong, India, Japan, Malaysia, Korea, Singapore, Thailand, Taiwan | Independence, duality, size | 1 (ownership); 2 (performance); 3 (R & D, leverage, internationalization) | AT, RDT | ● no performance effects of independence<br>● positive performance effect of duality only in China<br>● negative performance effect of board size in Thailand<br>● independence-performance relation mediated by R & D<br>● family investors have negative effect on independence and positive effect on duality<br>● foreign owners secure more independent directors and less duality |
| Wahab et al. (2011) | Malaysia | Political connection | 2 (audit fees); 3 (CG quality) | AT, political theory | ● politically connected firms pay higher audit fees<br>● effect is not moderated by corporate governance quality |
| Yatim (2009) | Malaysia | Independence, duality, expertise, meetings | 2 (establishment of risk management committee) | AT | ● proportion of non-executive directors, duality, expertise, diligence have a positive effect on the establishment of a risk committee |
| Yatim et al. (2006) | Malaysia | Size, independence, risk committee, meetings, characteristics of audit committee | 2 (audit fee); 3 (ethnicity of owner) | AT, culture | ● independence and audit committee expertise results in higher audit fees<br>● no effect of duality, board size, frequency of board meetings, and the existence of a risk management committee<br>● better corporate governance in Bumiputera-controlled firms |

relevant principals in specific institutional and corporate contexts. Furthermore, principal–principal conflicts are still accompanied by existing agency conflicts, as, for instance, mixed results on managerial ownership (e.g., Dhnadirek & Tang, 2003; Du & Dai, 2005; Theeravanich, 2013) show. These results indicate the need to integrate principal–principal arguments in agency theory frameworks rather than substituting all aspects of agency theory by principal–principal arguments.

Third, only few AEM studies look beyond the monitoring task of boards and owners, although governance research on Western countries agrees that boards and owners influence strategic decisions (e.g., Oehmichen, Schrapp et al., 2017; Tihanyi, Johnson, Hoskisson, & Hitt, 2003). It may for instance be interesting for future research to question why only few AEM studies find resource provision effects of boards and owners. Potential explanations could be stronger control requirements in countries with weak institutions so that AEM firms cannot (yet) afford using their boards and owners for counseling purposes, or different requirements for board members in AEMs to provide good counsel. As AEM firms rather fill executive positions with family members instead of experienced and business-savvy professional managers, strategic decisions in AEM firms may even more benefit from professional directors' expertise. Future research could for instance examine advice-seeking behavior (compare e.g., Heyden, van Doorn, Reimer, Van Den Bosch, & Volberda, 2013; Van Doorn, Heyden, & Volberda, 2017) of these managers. Comparative studies could examine whether such AEM board members have to be even more experienced than in the Western context to provide suitable counsel. Compared to directors in the Western context, boards and owners in AEMs may also have access to alternative resource channels due to their affiliations with diverse cultural and ethnical communities. These communities may not only serve as additional social capital channels but could also help advance social identity theory in corporate governance research. For instance, director and executive appointment decisions may not only be determined by candidate attributes but also by deciders' social identity.

In summary, future studies in the AEM context could try to answer the following research questions:

- Which corporate-level AEM control mechanisms exist to fill the void in formal institutions? How effective and costly are these mechanisms? Can we observe the substituting or complementing relationships of void filling mechanisms?
- Who are the relevant principals in principal–principal conflicts (depending on the institutional context)? How can an integrated board independence measure look like that covers independence from all potential expropriating stakeholders? How can principal–-principal arguments be integrated in agency frameworks?
- Is boards' and owners' provision of counsel in AEMs as important as in the Western context? Which consequence does the lack of professional managers have on the relevance of counsel provision as a board task? Which role does social and ethnical identity play in the AEM corporate governance landscapes?

### *3.2. Firm effects of corporate control in AEMs – towards a stakeholder-oriented perspective*

Most AEM studies focus on shareholder value effects of governance mechanisms such as direct performance effects or indirect effects through firm-level decision that can lead to higher performance such as avoiding frauds or earnings management. Nevertheless, the institutional context of AEMs also requires a differentiation of outcomes along the interests of different kinds of (1) shareholders and (2) stakeholders.

First, shareholders in AEMs can significantly benefit from rapid economic growth. However, the resulting wealth increases are accompanied by a lack of social protection caused by political instability and uncertain ownership rights. Corporate deciders in this quandary may prefer protection of family wealth for future generations over increased short-term firm value. Thus, family wealth could be a more suitable success measure than market evaluations of family firms.

Second, it may be interesting to consider the objectives of other stakeholders like AEM governments who frequently change regulations that affect internal governance mechanisms. On the one hand, governments initiate regulatory changes in reaction to corporate scandals, focus on short-term economic growth (Rajagopalan & Zhang, 2008), and have a low motivation to punish successful large firms for minority shareholder expropriation or employee rights violation. On the other hand, poverty among members of society with low-income may motivate AEM governments focus on social stability to assure social peace. This may turn governments focus from monetary profitability to social performance of companies. Future research could systematize these different goals and investigate how they affect changes in regulations and firm-internal governance. Additionally, future research should consider corporate social responsibility in their analyses.

In summary, future research about firm-level effects of corporate governance mechanisms in AEMs can ask the following questions:

- Which role does wealth protection play for decisions in AEM family firms? How do country-specific economic, social and political developments and business systems influence the importance of wealth protection?
- Which different goals do AEM governments pursue? How do these goals influence changes in formal institutions? What is the interplay of changes in formal institutions and firm-internal governance?
- Which corporate governance characteristics affect AEMs companies' corporate social performance?

### *3.3. Institutional context – identifying relevant contingency factors*

The literature review reveals that, similar to Western findings, no "one size fits all" corporate control configuration exists in AEMs. Instead, the efficacy of corporate control characteristics seems to depend on contingency factors originated from the institutional diversity in AEMs. Future research might find interesting contingency factors when (1) conceptualizing institutional voids in more detail, (2) considering sociological differences such as elite structures and behavioral difference that are grounded in cultural diversity of AEMs, and (3) investigating effects of institutional dynamics.

First, future research could address aspects of weak institutions in more detail. It may be interesting to assess regulatory enforcement and credibility, but not regulation itself. Additionally, because substitutionary and complementary relationships of voids and internal corporate governance mechanisms are feasible and the nature of these relationships might dependent on particularities of the void, future research can conceptualize and systemize the dimensions of institutional voids. Voids can be caused by constraints on the financial markets that are more complex to capture in the AEM context than in Western countries. The Western country classification of bank-based and market-based economies is insufficient for research in the AEMs context (Witt & Redding, 2013). For instance, bank ownership (and thus the bank's interest) differs between AEM countries, ranging from state-owned bank in China to family-owned banks in Thailand and the Philippines. Similarly, stock markets serve different purposes across countries, ranging from short-term speculation platforms in Malaysia (Ahmadjian, 2014; Carney & Andriesse, 2014) to primary capital source for large and medium firms in Thailand (Suehiro & Wailerdsak Yabushity, 2014). Future void concepts should therefore combine market constraints with social structures such as the identity of predominant economic elites to make void concepts comparable across countries. In consequence, researchers could test effects of these void concepts on the effectiveness of internal governance mechanisms.

Second, the diversity of informal institutions of AEMs has consequences for the identity of country level elites and for firm behavior. Informal institutions like relational ties become especially relevant

when formal institutions are weak (Young et al., 2008). Thus, *informal elites* are able to shape the country's rules of the game. Elites range from powerful families or political allies to militaries or business people of Chinese origin, exert influence on firm-level decisions in different roles – as owners or as board members –, and pursue different goals depending on their normative understanding of a firm's purpose. Whereas in some countries family investors form the expropriating elite class, in other countries they may be a suitable control mechanism counterbalancing the dominance of state owners. Future research could assess how differences in country elites interact with the efficacy of internal corporate governance mechanisms. The efficacy of unified versus fragmented elites could be a focus topic to understand the importance of pursuing common objectives. Furthermore, cultural diversity might cause differences in firm behavior which occur because firms in countries with Confucian roots (e.g., China) pursue a relationship-centered approach and heavily invest in trust building, social capital, networks, and reciprocity (Barkema et al., 2015), whereas countries with strong colonial histories (e.g., India) are more rule-based due to "long tradition of English common law and a democratic political system" (Li & Nair, 2009, p. 408).

Future research might for instance investigate effects of networks among companies, which significantly gain in importance for the Western and the Asian business world. Their prevalence, structure, and effects represent an interesting research object, especially in relationship-centered AEM countries. Research should compare potential cost of networks, such as further compartmentalization of economic elites, to their benefits, such as the improvement of resource access, reputation, and legitimacy. Beyond Confucianism that explains the relationship-centered orientation in some countries, Buddhism and Taoism that are common in some AEMs may matter for, e.g., determining compensation contracts (one of the major board tasks). Effects of stewardship may prevail the motivational effect of monetary compensation in Buddhist countries.

Third, dynamics in capital and labor markets due to the increasing globalization in AEMs may have relevant consequences for firms' ownership and board structure. Whereas formerly most foreign investors were multinationals from Western countries, investments from Asian multinationals increase nowadays (Ahmadjian, 2014). Additionally, firms appoint managers and directors with foreign background or education. This foreign exposure might especially affect particularities of the business system that are grounded in unique Asian cultures. Future research should answer, how new types of investors, board members, and managers with foreign background influence firm behavior and outcomes.

Hence, potential research questions are:

- How can we conceptualize the enforcement and credibility of AEM regulations? How do enforcement and credibility of regulations affect firm-level governance decisions?
- How could an integrated concept of institutional void look like that incorporates market constraints and social structures? How these different dimensions of institutional void substitute or complement firm-internal governance mechanisms?
- How do different identities and structures of country elites in AEMs drive the influence of state interests or business elite interest on business systems? How are these elites able to shape the corporate governance landscape according to their interests?
- How do cultural differences such as Confucianism or Buddhism affect the interplay of corporate governance actors and the functioning of the business systems in AEMs?
- How does the globalization of the market for capital and for managers and directors affect particularities of AEM business systems, corporate governance mechanisms, and in consequence firm-level outcomes?

## 4. Conclusion

This paper offers a review and synthesis of the disconnected research on corporate governance in AEMs. I point out that the corporate governance landscape in AEMs is unique due to their weak formal institutions, diverse informal institutions, and the institutional dynamism. Based on a literature review and institutional particularities of AEMs I provide a detailed agenda for future research about corporate governance in AEMs with opportunities for new theoretical as well as empirical perspectives.

As a matter of course, my study is not free of limitations. First, one might argue that my approach to select articles that are included in my literature review is inconsistent – whereas all articles with a Philippine context are included in the review, studies with a Chinese context are only included when the journal is prestigious or their results were specifically insightful. I follow this approach to assure a balanced basis of my review across countries and to avoid biases due to a concentration of studies of Chinese firms. Thereby, I hope to provide a full picture over all AEM countries. Nevertheless, this dilemma also points out opportunities for future research: whereas we know a lot about corporate governance in the Chinese context, other regions such as the Philippines and Indonesia are still rather under-researched.

Second, one might challenge if the focus of my study on boards and owners provides a full picture of corporate governance in AEMs. My review follows this actor-centered approach for two reasons: 1) it reduces complexity and 2) the research basis is worth reviewing with respect to the number of articles. Nevertheless, when the research topic corporate governance in AEMs gained in maturity, future review articles might want to focus on a rather mechanism-centered approach. This review could focus on mechanisms such as control and incentives in AEMs and review what we know with respect to the following questions: How vigilant are board members? How often do shareholders and board members bring specific issues to vote? How often are managers being sued and are these lawsuits successful? How does the design of executive compensation packages look like? Which effect does the compensation design have on strategic decisions?

Overall, this study hopefully encourages researchers to further pursue research about corporate governance in AEMs, to utilize AEMs' unique institutional context to develop and specify novel theoretical lenses for corporate governance research, and thereby to provide new theoretical perspectives that may, in the course of the ongoing globalization, soon become globally relevant and hence offer opportunities to contribute to research beyond the Asian context.

## References

Abdullah, S. N. (2004). Board composition, CEO duality and performance among Malaysian listed companies. *Corporate Governance, 4*(4), 47–61. http://dx.doi.org/10.1108/14720700410558871.

Aguilera, R. V., & Crespi-Cladera, R. (2016). Global corporate governance: On the relevance of firms' ownership structure. *Journal of World Business, 51*(1), 50–57. http://dx.doi.org/10.1016/j.jwb.2015.10.003.

Aguilera, R. V., & Jackson, G. (2010). Comparative and international corporate governance. *The Academy of Management Annals, 4*(1), 485–556. http://dx.doi.org/10.1080/19416520.2010.495525.

Aguilera, R. V., Florackis, C., & Kim, H. (2016). Advancing the corporate governance research agenda. *Corporate Governance: An International Review, 24*(3), 172–180. http://dx.doi.org/10.1111/corg.12167.

Ahmadjian, C. L. (2014). Corporate governance and business systems in Asia. In M. A. Witt, & G. Redding (Eds.). *The Oxford handbook of asian business systems* (pp. 332–357). Oxford: Oxford University Press.

Attig, N., El Ghoul, S., & Guedhami, O. (2009). Do multiple large shareholders play a corporate governance role? Evidence from east Asia. *Journal of Financial Research, 32*(4), 395–422. http://dx.doi.org/10.1111/j.1475-6803.2009.01255.x.

Bai, C.-E., Liu, Q., Lu, J., Song, F. M., & Zhang, J. (2004). Corporate governance and market valuation in China. *Journal of Comparative Economics, 32*(4), 599–616. http://dx.doi.org/10.1016/j.jce.2004.07.002.

Banderlipe, M. R. S. (2009). The impact of selected corporate governance variables in mitigating earnings management in the Philippines. *DLSU Business and Economics Review, 19*(1), 17–27. http://dx.doi.org/10.3860/ber.v19i1.1110.

Barkema, H. G., Chen, X.-P., George, G., Luo, Y., & Tsui, A. (2015). West meets East: New

ARTICLE IN PRESS



concepts and theories. *Academy of Management Journal, 58*(2), 460–479. http://dx.doi.org/10.5465/amj.2015.4021.
Berle, A. A., & Means, G. C. (1968). *The modern corporation & private property.* New Brunswick: Transaction Publishers.
Bertrand, M., Johnson, S., Samphantharak, K., & Schoar, A. (2008). Mixing family with business: A study of Thai business groups and the families behind them. *Journal of Financial Economics, 88*(3), 466–498. http://dx.doi.org/10.1016/j.jfineco.2008.04.002.
Carney, M., & Andriesse, E. (2014). Malaysia: Personal capitalism. In M. A. Witt, & G. Redding (Eds.). *The Oxford handbook of Asian business systems* (pp. 144–168). Oxford: Oxford University Press.
Carney, R. W., & Child, T. B. (2012). Changes to the ownership and control of East Asian corporations between 1996 and 2008: The primacy of politics. *Journal of Financial Economics, 107*(2), 494–513. http://dx.doi.org/10.1016/j.jfineco.2012.08.013.
Chacar, A., & Vissa, B. (2005). Are emerging economies less efficient? Performance persistence and the impact of business group affiliation. *Strategic Management Journal, 26*(10), 933–946. http://dx.doi.org/10.1002/smj.478.
Chaganti, R., & Damanpour, F. (1991). Institutional ownership, capital structure, and firm performance. *Strategic Management Journal, 12*(7), 479–491.
Chen, C. H., & Al-Najjar, B. (2012). The determinants of board size and independence: Evidence from China. *International Business Review, 21*(5), 831–846. http://dx.doi.org/10.1016/j.ibusrev.2011.09.008.
Chen, G., Firth, M., Gao, D. N., & Rui, O. M. (2006). Ownership structure, corporate governance, and fraud: Evidence from China. *Journal of Corporate Finance, 12*(3), 424–448. http://dx.doi.org/10.1016/j.jcorpfin.2005.09.002.
Chen, Y.-R., Huang, Y.-L., & Chen, C.-N. (2009). Financing constraints, ownership control, and cross-border M & As: Evidence from nine east asian economies. *Corporate Governance: An International Review, 17*(6), 665–680. http://dx.doi.org/10.1111/j.1467-8683.2009.00770.x.
Chen, J., Ezzamel, M., & Cai, Z. (2011). Managerial power theory, tournament theory, and executive pay in China. *Journal of Corporate Finance, 17*(4), 1176–1199. http://dx.doi.org/10.1016/j.jcorpfin.2011.04.008.
Chen, T. (2015). Institutions, board structure, and corporate performance: Evidence from Chinese firms. *Journal of Corporate Finance, 32*, 217–237. http://dx.doi.org/10.1016/j.jcorpfin.2014.10.009.
Chen, G., Chittoor, R., & Vissa, B. (2015). Modernizing without westernizing: Social structure and economic action in the Indian financial sector. *Academy of Management Journal, 58*(2), 511–537. http://dx.doi.org/10.5465/amj.2012.1039.
Chen, V. Z., Li, J., & Shapiro, D. M. (2010). Are OECD-prescribed good corporate governance practices really good in an emerging economy? *Asia Pacific Journal of Management, 28*(1), 115–138. http://dx.doi.org/10.1007/s10490-010-9206-8.
Chen, Y., Li, W., & Lin, K. J. (2015). Cumulative voting: Investor protection or antitakeover? Evidence from family firms in China. *Corporate Governance: An International Review, 23*(3), 234–248. http://dx.doi.org/10.1111/corg.12096.
Chen, J. J., Liu, X., & Li, W. (2010). The effect of insider control and global benchmarks on chinese executive compensation. *Corporate Governance: An International Review, 18*(2), 107–123. http://dx.doi.org/10.1111/j.1467-8683.2010.00788.x.
Cheng, L. T. W., Chan, R. Y. K., & Leung, T. Y. (2010). Management demography and corporate performance: Evidence from China. *International Business Review, 19*(3), 261–275. http://dx.doi.org/10.1016/j.ibusrev.2009.12.007.
Chittoor, R., Kale, P., & Puranam, P. (2015). Business groups in developing capital markets: Towards a complementarity perspective. *Strategic Management Journal, 36*(2), 1277–1296. http://dx.doi.org/10.1002/smj.
Conyon, M. J., & He, L. (2011). Executive compensation and corporate governance in China. *Journal of Corporate Finance, 17*(4), 1158–1175. http://dx.doi.org/10.1016/j.jcorpfin.2011.04.006.
Conyon, M. J., & He, L. (2012). CEO compensation and corporate governance in China. *Corporate Governance: An International Review, 20*(6), 575–592. http://dx.doi.org/10.1111/j.1467-8683.2012.00935.x.
Denis, D. K., & McConnell, J. J. (2003). International corporate governance. *Journal of Financial and Quantitative Analysis, 38*(1), 1–36. http://dx.doi.org/10.2307/4126762.
Devers, C. E., McNamara, G., Wiseman, R. M., & Arrfelt, M. (2008). Moving closer to the action: Examining compensation design effects on firm risk. *Organization Science, 19*(4), 548–566. http://dx.doi.org/10.1287/orsc.1070.0317.
Dhnadirek, R., & Tang, J. (2003). Corporate governance problems in Thailand: Is ownership concentration the cause? *Asia Pacific Business Review, 10*(2), 121–138. http://dx.doi.org/10.1080/13602380410001677173.
Ding, Y., Zhang, H., & Zhang, J. (2007). Private vs state ownership and earnings management: Evidence from Chinese listed companies. *Corporate Governance: An International Review, 15*(2), 223–238. http://dx.doi.org/10.1111/j.1467-8683.2007.00556.x.
Du, J., & Dai, Y. (2005). Ultimate corporate ownership structures and capital structures: Evidence from east Asian economies. *Corporate Governance: An International Review, 13*(1), 60–71. http://dx.doi.org/10.1111/j.1467-8683.2005.00403.x.
Echanis, E. S. (2006). Philippine corporate governance: Issues and reforms. *Philippine Management Review, 13*(2), 21–41.
Ferrer, R. C., & Banderlipe, M. R. S. (2012). The influence of corporate board characteristics on firm performance of publicly listed property companies in the Philippines. *Academy of Accounting and Financial Studies Journal, 16*(4), 123–142.
Filatotchev, I., Jackson, G., & Nakajima, C. (2013). Corporate governance and national institutions: A review and emerging research agenda. *Asia Pacific Journal of Management, 30*(4), 965–986. http://dx.doi.org/10.1007/s10490-012-9293-9.
Firth, M., Fung, P. M. Y., & Rui, O. M. (2006). Corporate performance and CEO compensation in China. *Journal of Corporate Finance, 12*(4), 693–714. http://dx.doi.org/10.1016/j.jcorpfin.2005.03.002.
Firth, M., Fung, P. M. Y., & Rui, O. M. (2007). Ownership, two-tier board structure, and the informativeness of earnings – Evidence from China. *Journal of Accounting and Public Policy, 26*(4), 463–496. http://dx.doi.org/10.1016/j.jaccpubpol.2007.05.004.
Ghosh, A. (2006). Determination of executive compensation in an emerging economy: Evidence from India. *Emerging Markets Finance and Trade, 42*(3), 66–90. http://dx.doi.org/10.2753/REE1540-496x420304.
Gillan, S. L. (2006). Recent developments in corporate governance: An overview. *Journal of Corporate Finance, 12*(3), 381–402. http://dx.doi.org/10.1016/j.jcorpfin.2005.11.002.
Globerman, S., Peng, M. W., & Shapiro, D. M. (2011). Corporate governance and Asian companies. *Asia Pacific Journal of Management, 28*(1), 1–14. http://dx.doi.org/10.1007/s10490-010-9240-6.
Hüttenbrink, A., Oehmichen, J., Rapp, M. S., & Wolff, M. (2014). Pay-for-performance – Does one size fit all? A multi-country study of Europe and the United States. *International Business Review, 23*(6), 1179–1192. http://dx.doi.org/10.1016/j.ibusrev.2014.04.002.
Hanazaki, M., & Liu, Q. (2007). Corporate governance and investment in East Asian firms–Empirical analysis of family-controlled firms. *Journal of Asian Economics, 18*(1), 76–97. http://dx.doi.org/10.1016/j.asieco.2006.12.003.
Haniffa, R. M., & Cooke, T. E. (2002). Culture, corporate governance and disclosure in Malaysian corporations. *Abacus, 38*(3), 317–349. http://dx.doi.org/10.1111/1467-6281.00112.
Haniffa, R. M., & Hudaib, M. (2006). Corporate governance structure and performance of Malaysian listed companies. *Journal of Business Finance & Accounting, 33*(7–8), 1034–1062. http://dx.doi.org/10.1111/j.1468-5957.2006.00594.x.
Hasnan, S., Rahman, R. A., & Mahenthiran, S. (2013). Management motive, weak governance, earnings management, and fraudulent financial reporting: Malaysian evidence. *Journal of International Accounting Research, 12*(1), 1–27. http://dx.doi.org/10.2308/jiar-50353.
Heyden, M. L. M., van Doorn, S., Reimer, M., Van Den Bosch, F. A. J., & Volberda, H. W. (2013). Perceived environmental dynamism, relative competitive performance, and top management team heterogeneity: Examining correlates of upper echelons' advice-seeking. *Organization Studies, 34*(9), 1327–1356. http://dx.doi.org/10.1177/0170840612470229.
Heyden, M. L. M., Oehmichen, J., Nichting, S., & Volberda, H. W. (2015). Board background heterogeneity and exploration-exploitation: The role of the institutionally adopted board model. *Global Strategy Journal, 5*(2), 154–176. http://dx.doi.org/10.1002/gsj.1095.
Hoskisson, R. E., Eden, L., Lau, C. M., & Wright, M. (2000). Strategy in emerging economies. *Academy of Management Journal, 43*(3), 249–267.
Hoskisson, R. E., Wright, M., Filatotchev, I., & Peng, M. W. (2013). Emerging multinationals from mid-range economies: The influence of institutions and factor markets. *Journal of Management Studies, 50*(7), 1295–1321. http://dx.doi.org/10.1111/j.1467-6486.2012.01085.x.
How, J., Verhoeven, P., & Wahab, E. A. A. (2014). Institutional investors, political connections and analyst following in Malaysia. *Economic Modelling, 43*(12), 158–167. http://dx.doi.org/10.1016/j.econmod.2014.07.043.
Hu, H. W., Tam, O. K., & Tan, M. G.-S. (2010). Internal governance mechanisms and firm performance in China. *Asia Pacific Journal of Management, 27*(4), 727–749. http://dx.doi.org/10.1007/s10490-009-9135-6.
Huafang, X., & Jianguo, Y. (2007). Ownership structure, board composition and corporate voluntary disclosure: Evidence from listed companies in China. *Managerial Auditing Journal, 22*(6), 604–619. http://dx.doi.org/10.1108/02686900710759406.
Huang, W., & Zhu, T. (2015). Foreign institutional investors and corporate governance in emerging markets: Evidence of a split-share structure reform in China. *Journal of Corporate Finance, 32*(6), 312–326. http://dx.doi.org/10.1016/j.jcorpfin.2014.10.013.
Ibrahim, H., & Samad, F. A. (2011). Agency costs, corporate governance mechanisms and performance of public listed family firms in Malaysia. *South African Journal of Business Management, 42*(3), 17–26.
Jackling, B., & Johl, S. (2009). Board structure and firm performance: Evidence from India's top companies. *Corporate Governance: An International Review, 17*(4), 492–509. http://dx.doi.org/10.1111/j.1467-8683.2009.00760.x.
Jensen, M. C. (1993). The modern industrial revolution, exit, and the failure of internal control systems. *The Journal of Finance, 48*(3), 831–880. http://dx.doi.org/10.2307/2329018.
Jia, C., Ding, S., Li, Y., & Wu, Z. (2009). Fraud, enforcement action, and the role of corporate governance: Evidence from China. *Journal of Business Ethics, 90*(4), 567–576. http://dx.doi.org/10.1007/s10551-009-0061-9.
Jiang, Y., & Peng, M. W. (2011). Are family ownership and control in large firms good, bad, or irrelevant? *Asia Pacific Journal of Management, 28*(1), 15–39. http://dx.doi.org/10.1007/s10490-010-9228-2.
Jiang, G., Lee, C. M. C., & Yue, H. (2010). Tunneling through intercorporate loans: The China experience. *Journal of Financial Economics, 98*(1), 1–20. http://dx.doi.org/10.1016/j.jfineco.2010.05.002.
Johnson, S., & Mitton, T. (2003). Cronyism and capital controls: Evidence from Malaysia. *Journal of Financial Economics, 67*(2), 351–382.
Kang, H., Cheng, M., & Gray, S. J. (2007). Corporate governance and board composition: Diversity and independence of Australian boards. *Corporate Governance: An International Review, 15*(2), 194–207. http://dx.doi.org/10.1111/j.1467-8683.2007.00554.x.
Kavadis, N., & Castaner, X. (2014). Ownership effects on unrelated diversification: An institutions' perspective. *Finance and Strategy, 31*, 253–288. http://dx.doi.org/10.1108/s0742-332220140000031007.
Khanna, T., & Palepu, K. (1997). Why focused strategies may be wrong for emerging markets. *Harvard Business Review, 75*(4), 41–51.
Kim, H., Kim, H., & Lee, P. M. (2008). Ownership structure and the relationship between

ARTICLE IN PRESS



financial slack and R & D investments: Evidence from Korean firms. *Organization Science, 19*(3), 404–418. http://dx.doi.org/10.1287/orsc.1080.0360.
Kondo, M. (2014). The Philippines: Inequality-trapped capitalism. In M. A. Witt, & G. Redding (Eds.). *The Oxford handbook of asian business systems* (pp. 169–191). Oxford: Oxford University Press.
Lemmon, M. L., & Lins, K. V. (2003). Ownership structure, corporate governance, and firm value: Evidence from the East Asian financial crisis. *The Journal of Finance, 58*(4), 1445–1468.
Li, S., & Nair, A. (2009). Asian corporate governance or corporate governance in Asia? *Corporate Governance: An International Review, 17*(4), 407–410. http://dx.doi.org/10.1111/j.1467-8683.2009.00762.x.
Li, L., & Naughton, T. (2007). Going public with good governance: Evidence from China. *Corporate Governance: An International Review, 15*(6), 1190–1202. http://dx.doi.org/10.1111/j.1467-8683.2007.00640.x.
Lodh, S., Nandy, M., & Chen, J. (2014). Innovation and family ownership: Empirical evidence from India. *Corporate Governance: An International Review, 22*(1), 4–23. http://dx.doi.org/10.1111/corg.12034.
Mak, Y. T., & Kusnadi, Y. (2005). Size really matters: Further evidence on the negative relationship between board size and firm value. *Pacific Basin Finance Journal, 13*(3), 301–318. http://dx.doi.org/10.1016/j.pacfin.2004.09.002.
Mar, P., & Young, M. N. (2001). Corporate governance in transition economies: A case study of two Chinese airlines. *Journal of World Business, 36*(3), 280–302.
Mishra, D. R. (2011). Multiple large shareholders and corporate risk taking: Evidence from East Asia. *Corporate Governance: An International Review, 19*(6), 507–528. http://dx.doi.org/10.1111/j.1467-8683.2011.00862.x.
Mitton, T. (2002). A cross-firm analysis of the impact of corporate governance on the East Asian financial crisis. *Journal of Financial Economics, 64*(2), 215–241. http://dx.doi.org/10.1016/S0304-405X(02)00076-4.
Oehmichen, J., Braun, D., Wolff, M., & Yoshikawa, T. (2017). When elites forget their duties: The double-edged sword of prestigious directors on boards. *Journal of Management Studies, 54*(7), 1050–1078. http://dx.doi.org/10.1111/joms.12275.
Oehmichen, J., Heyden, M. L. M., Georgakakis, D., & Volberda, H. W. (2017). Boards of directors and organizational ambidexterity in knowledge-intensive firms. *The International Journal of Human Resource Management, 28*(2), 283–306. http://dx.doi.org/10.1080/09585192.2016.1244904.
Oehmichen, J., Schrapp, S., & Wolff, M. (2017). Who needs experts most? Board industry expertise and strategic change—A contingency perspective. *Strategic Management Journal, 38*(3), 645–656. http://dx.doi.org/10.1002/smj.2513.
Ow-Yong, K., & Kooi Guan, C. (2000). Corporate governance codes: A comparison between Malaysia and the UK. *Corporate Governance: An International Review, 8*(2), 125–132. http://dx.doi.org/10.1111/1467-8683.00190.
Peng, M. W., & Jiang, Y. (2010). Institutions behind family ownership and control in large firms. *Journal of Management Studies, 47*(2), 253–273. http://dx.doi.org/10.1111/j.1467-6486.2009.00890.x.
Peng, M. W., Tan, J., & Tong, T. W. (2004). Ownership types and strategic groups in an emerging economy. *Journal of Management Studies, 41*(7), 1105–1129.
Peng, M. W., Zhang, S., & Li, X. (2007). CEO duality and firm performance during China's institutional transitions. *Management and Organization Review, 3*(2), 205–225. http://dx.doi.org/10.1111/j.1740-8784.2007.00069.x.
Peng, M. W. (2004). Outside directors and firm performance during institutional transitions. *Strategic Management Journal, 25*(5), 453–471. http://dx.doi.org/10.1002/smj.390.
Prabowo, M., & Simpson, J. (2011). Independent directors and firm performance in family controlled firms: Evidence from Indonesia. *Asian-Pacific Economic Literature, 25*(1), 121–132. http://dx.doi.org/10.1111/j.1467-8411.2011.01276.x.
Rahman, R. A., & Ali, F. H. M. (2006). Board, audit committee, culture and earnings management: Malaysian evidence. *Managerial Auditing Journal, 21*(7), 783–804. http://dx.doi.org/10.1108/02686900610680549.
Rajagopalan, N., & Zhang, Y. (2008). Corporate governance reforms in China and India: Challenges and opportunities. *Business Horizons, 51*(1), 55–64. http://dx.doi.org/10.1016/j.bushor.2007.09.005.
Ramaswamy, K., Li, M., & Veliyath, R. (2002). Variations in ownership behavior and propensity to diversify: A study of the Indian corporate context. *Strategic Management Journal, 23*(4), 345–358. http://dx.doi.org/10.1002/smj.227.
Ramdani, D., & Van Witteloostuijn, A. (2010). The impact of board independence and CEO duality on firm performance: A quantile regression analysis for Indonesia, Malaysia, South Korea and Thailand. *British Journal of Management, 21*(3), 607–627. http://dx.doi.org/10.1111/j.1467-8551.2010.00708.x.
Rosser, A. J. (2014). Indonesia: Oligarchic capitalism. In M. A. Witt, & G. Redding (Eds.). *The Oxford handbook of Asian business systems* (pp. 79–99). Oxford: Oxford University Press.
Saez, L. (2014). India: From failed developmental state towards hybrid market capitalism. In M. A. Witt, & G. Redding (Eds.). *The Oxford handbook of Asian business systems* (pp. 55–78). Oxford: Oxford University Press.
Sanjaya, I. P. S. (2011). The influence of ultimate ownership on earnings management: Evidence from Indonesia. *Global Journal of Business Research, 5*(5), 61–70.
Sarkar, J., & Sarkar, S. (2009). Multiple board appointments and firm performance in emerging economies: Evidence from India. *Pacific-Basin Finance Journal, 17*(2), 271–293. http://dx.doi.org/10.1016/j.pacfin.2008.02.002.
Sarkar, J., Sarkar, S., & Sen, K. (2008). Board of directors and opportunistic earnings management: Evidence from India. *Journal of Accounting Auditing & Finance, 23*(4), 517–551. http://dx.doi.org/10.1177/0148558x0802300405.
Sato, Y. (2004). Corporate governance in Indonesia: A study on governance of business groups. *Asian Development Experience, 2*, 88–136.
Shan, Y. G., & McIver, R. P. (2011). Corporate governance mechanisms and financial performance in China: Panel data evidence on listed non financial companies. *Asia Pacific Business Review, 17*(3), 301–324. http://dx.doi.org/10.1080/13602380903522325.
Shan, Y. G. (2013). Can internal governance mechanisms prevent asset appropriation? Examination of type I tunneling in China. *Corporate Governance: An International Review, 21*(3), 225–241. http://dx.doi.org/10.1111/corg.12022.
Shen, W., & Lin, C. (2009). Firm profitability, state ownership, and top management turnover at the listed firms in China: A behavioral perspective. *Corporate Governance: An International Review, 17*(4), 443–456. http://dx.doi.org/10.1111/j.1467-8683.2009.00725.x.
Singh, D. A., & Gaur, A. S. (2009). Business group affiliation, firm governance, and firm performance: Evidence from China and India. *Corporate Governance: An International Review, 17*(4), 411–425. http://dx.doi.org/10.1111/j.1467-8683.2009.00750.x.
Siregar, S. V., & Utama, S. (2008). Type of earnings management and the effect of ownership structure, firm size, and corporate-governance practices: Evidence from Indonesia. *The International Journal of Accounting, 43*(1), 1–27. http://dx.doi.org/10.1016/j.intacc.2008.01.001.
Suehiro, A., & Wailerdsak Yabushity, N. (2014). Thailand: Post-developmentalist capitalism. In M. A. Witt, & G. Redding (Eds.). *The Oxford handbook of Asian business systems* (pp. 260–282). Oxford: Oxford University Press.
Suto, M. (2003). Capital structure and investment behaviour of Malaysian firms in the 1990: A study of corporate governance before the crisis. *Corporate Governance: An International Review, 11*(1), 25–39. http://dx.doi.org/10.1111/1467-8683.00299.
Tam, O. K., & Tan, M. G.-S. (2007). Ownership, governance and firm performance in Malaysia. *Corporate Governance: An International Review, 15*(2), 208–222. http://dx.doi.org/10.1111/j.1467-8683.2007.00555.x.
Theeravanich, A. (2013). Director compensation in emerging markets: A case study of Thailand. *Journal of Economics and Business, 70*(11), 71–91. http://dx.doi.org/10.1016/j.jeconbus.2013.05.001.
Tian, J. J., & Lau, C.-M. (2001). Board composition, leadership structure and performance in Chinese shareholding companies. *Asia Pacific Journal of Management, 18*(2), 245–263.
Tihanyi, L., Johnson, R. A., Hoskisson, R. E., & Hitt, M. A. (2003). Institutional ownership differences and international diversification: The effects of boards of directors and technological opportunity. *Academy of Management Journal, 46*(2), 195–211. http://dx.doi.org/10.2307/30040614.
Van Doorn, S., Heyden, M. L. M., & Volberda, H. W. (2017). Enhancing entrepreneurial orientation in dynamic environments: The interplay between top management team advice-seeking and absorptive capacity. *Long Range Planning, 50*(2), 134–144. http://dx.doi.org/10.1016/j.lrp.2016.06.003.
van Essen, M., van Oosterhout, J. H., & Carney, M. (2011). Corporate boards and the performance of Asian firms: A meta-analysis. *Asia Pacific Journal of Management, 29*(4), 873–905. http://dx.doi.org/10.1007/s10490-011-9269-1.
Wahab, E. A. A., Zain, M. M., & James, K. (2011). Political connections, corporate governance and audit fees in Malaysia. *Managerial Auditing Journal, 26*(5), 393–418. http://dx.doi.org/10.1108/02686901111129562.
Witt, M. A., & Redding, G. (2013). Asian business systems: Institutional comparison, clusters and implications for varieties of capitalism and business systems theory. *Socio-Economic Review, 11*(2), 265–300. http://dx.doi.org/10.1093/ser/mwt002.
Witt, M. A., & Redding, G. (2014). China: Authoritarian capitalism. In M. A. Witt, & G. Redding (Eds.). *The Oxford handbook of Asian business systems* (pp. 11–32). Oxford: Oxford University Press.
Wu, J., Xu, D., & Phan, P. H. (2011). The effects of ownership concentration and corporate debt on corporate divestitures in Chinese listed firms. *Asia Pacific Journal of Management, 28*(1), 95–114. http://dx.doi.org/10.1007/s10490-010-9208-6.
Yatim, P., Kent, P., & Clarkson, P. (2006). Governance structures, ethnicity, and audit fees of Malaysian listed firms. *Managerial Auditing Journal, 21*(7), 757–782. http://dx.doi.org/10.1108/02686900610680530.
Yatim, P. (2009). Board structures and the establishment of a risk management committee by Malaysian listed firms. *Journal of Management and Governance, 14*(1), 17–36. http://dx.doi.org/10.1007/s10997-009-9089-6.
Young, M. N., Peng, M. W., Ahlstrom, D., Bruton, G. D., & Jiang, Y. (2008). Corporate governance in emerging economies: A review of the principal–principal perspective. *Journal of Management Studies, 45*(1), 196–220.
Yu, X., Zhang, P., & Zheng, Y. (2015). Corporate governance, political connections, and intra-industry effects: Evidence from corporate scandals in China. *Financial Management, 44*(1), 49–80.
Zattoni, A., Pedersen, T., & Kumar, V. (2009). The performance of group-affiliated firms during institutional transition: A longitudinal study of Indian firms. *Corporate Governance: An International Review, 17*(4), 510–523. http://dx.doi.org/10.1111/j.1467-8683.2009.00761.x.
Zhang, M., Gao, S., Guan, X., & Jiang, F. (2014). Controlling shareholder-manager collusion and tunneling: Evidence from china. *Corporate Governance: An International Review, 22*(6), 440–459. http://dx.doi.org/10.1111/corg.12081.
Zhou, Y. M., Li, X., & Svejnar, J. (2011). Subsidiary divestiture and acquisition in a financial crisis: Operational focus, financial constraints, and ownership. *Journal of Corporate Finance, 17*(2), 272–287. http://dx.doi.org/10.1016/j.jcorpfin.2010.09.004.
Zou, H., & Adams, M. B. (2008). Corporate ownership, equity risk and returns in the People's Republic of China. *Journal of International Business Studies, 39*(7), 1149–1168. http://dx.doi.org/10.1057/pa.