

GOOD CORPORATE GOVERNANCE IN ASEAN FROM 2011 TO 2021: A LITERATURE REVIEW

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Abstract: The purpose of this study is to do the literature review in order to obtain insights toward the growth of Good Corporate Governance (GCG) after ASEAN Corporate Governance Scorecard (ASEAN CG Scorecard) was introduced in ASEAN. This research was conducted in 2022 by conducting a literature review of various research result published during 2011-2021. Besides, the identified GCG can be applied in ASEAN countries. They can assist stakeholders in increasing the likelihood of GCG success and can be adopted for further research.

Keywords: *Good Corporate Governance, ASEAN*

1. Introduction

In 2009, the Ministers of Finance of the Association of South-East Asian Nation (ASEAN) agreed on an implementation plan (ACMF Implementation Plan) to promote the development of an integrated capital market. ASEAN Corporate Governance Scorecard (ASEAN CG Scorecard) was introduced as a tool to rank corporate governance performance in ASEAN.

Every company needs GCG to describe its goals and values. This is the direction to make employees, customers, shareholders, and other stakeholders know what the company's goals are (Moller, 2007). IFAC's Professional Accountants in Business (PAIB) has explored the emerging concept of good corporate governance. The particular focus of the project is to consider why GCG often fails in companies, high-profile cases of corporate failure such as Enron; HIH; Tyco; Vivendi; Royal Ahold and Parmalat, and what must be done to ensure that everything goes well (International Federation of Accountants [IFAC], 2003).

Over the years, the discussion about GCG has increased, previous empirical findings for conducted by Khan (2011), Soobaroyen (2012) on the influence of GCG on accountability, Fernandez (2015) on the role of GCG on performance, Lozano et. al. (2016) regarding GCG and firm value, Rusydi et al. (2019) with a case study in Indonesia, and Arslan (2020) on the role of institutions in GCG.

With the growth of research on GCG in ASEAN, it is considered necessary to conduct literature review to (1) observing the development of Good Corporate Governance research from 2011 to 2021 (2) identifying the dominant Good Corporate Governance from the results of previous research.

The separation of ownership and control within the firm creates agency problems (Fama & Jensen, 2019). Managers who are involved in the day-to-day operations of the company have superior information than the normally dispersed shareholders. Due to dispersion, shareholders do not have the ability to directly observe managers. This information asymmetry creates a problem when the manager's goals are not aligned with those of the shareholders. There is a potential moral hazard problem where managers will pursue their

own interests at the expense of shareholders. Due to information asymmetry, shareholders cannot accurately assess the actual performance of managers.

GCG is a set of mechanisms intended to reduce agency risk resulting from information asymmetry (Ashbaugh & Collins, 2004). Asbaugh et. al. (2004) stated that GCG enables better monitoring and control so that managers are more inclined to make the best decisions for the benefit of shareholders such as investing in positive NPV projects. It also enhances the protection of shareholders by minimizing the opportunistic behavior of managers which reduces the value of the company. Therefore, companies that implement GCG tend to have higher corporate values.

GCG is defined as a set of rules governing the relationship between shareholders, company management, creditors, the government, employees and other internal and external stakeholders with regard to their rights and obligations. The term GCG was first introduced by the Cadbury Committee in England in 1922, in its report, the Cadbury Report (Jones & Pollitt, 2004). Furthermore, the term GCG was popularized by Robert I. Tricker in 1984, which is an effort to improve systems, processes and a set of regulations in the management of an organization which essentially regulates and clarifies the relationship, authority, rights and obligations of all stakeholders, both the board of commissioners and the board of directors (Conyon et al., 2011).

GCG has several definitions, according to Utama et al. (2022), GCG is a set of relationships (systems) between various parties with an interest in a company/organization. The main objective of GCG is to direct and control the company/organization in order to achieve the goals of the company/organization. In line with agency theory, which discusses the existence of principals and corporate agents, the principal will delegate agents to make decisions (Smulowitz et al., 2019). Thus, GCG can help reduce information asymmetry and reduce agency costs (Duh, 2016).

Ramesh (2019) defines GCG as the formulation of policies which consist of the responsibilities of the board of a company. During the last 20 years, research on the formulation of this policy in ASEAN countries has begun to develop, including in scientific journals and books read by practitioners whose implications will be beneficial for companies that want to establish GCG (Utama, Siregar, & Simanjuntak, 2022).

Since the presence of the ACGS (ASEAN Corporate Governance Scorecard) which is a joint initiative of the ASEAN Capital Market Forum (ACMF) and the Asian Development Bank (ADB), many researchers have examined the implementation of GCG along with the development of its implementation in ASEAN to increase their understanding of GCG in ASEAN and its practice. The research is carried out from various categories such as how GCG in ASEAN affects performance, quality control, and so on (Asian Development Bank, 2021).

2. Research Method

A systematic analysis of journal publications is necessary to thoroughly review and analyze the results from previous research on a specific subject or field of study. In this regard, three stages needed consists of (1) selection of target journals, (2) selecting target papers, and (3) examining target papers.

2.1 Selection of Target Journals

The academic journals published articles with GCG research were identified first. The publications used are only publications with the Q1 category whose validity was obtained through the Scimagojr.com website.

The articles used in this study were all national and international scientific articles published on these databases: ScienceDirect, Emerald Insight, SpringerLink, and Wiley Online Library.

The search keywords included “Good Corporate Governance” and “ASEAN”. Papers with these specific terms in the title, abstract, or keywords were considered to have met the study requirements. Moreover, the search restricted to the subject areas of “Economics, Econometrics and Finance”, “Business, Management and Accounting”, and “Social Sciences” with the document type of “article or review”.

Based on the research results, academic journals that publish articles about GCG in ASEAN and within the Q1 category obtained as follows: Asia Pacific Journal of Management, Asian Review of Accounting, Corporate Governance, Critical Perspectives on Accounting, Euroasian Economic Review, European Business Organization Law Review, Journal of Accounting in Emerging Economies, Journal of Asia Business Studies, Review of Managerial Science, and Social Responsibility Journal. Henceforth these journals were selected as the target academic journals for further analysis.

2.2 Selection Target Papers

From 4 search engines obtained 1,502 articles, then checked briefly by reading the abstract and its contents to filter out unrelated papers. Based on 10 journals that were selected, 17 articles are about GCG ASEAN within the Q1 category.

Regardless of the extensive search for publications on GCG ASEAN, the number of articles extracted from journals selected may not be complete and does not include all publications in the field of GCG under study. Therefore, it must be emphasized that the analysis is based solely on data obtained using the specific sampling approach adopted in this study. However, it is expected to provide an overview of GCG ASEAN research trends and the most frequently cited success factors for future implementation.

2.3 Examining Target Papers

The articles obtained are then analyzed by reading the entire article content includes the research objectives, framework, methods, results, and conclusions. The results presented into two categories: (1) the development trend of GCG ASEAN research in the 2011-2021 period, (2) identification of findings most GCG in research during 2011-2021.

3. Results and Discussion

3.1. Results

Figure 1 presents the number of publications per year from 2011 to 2021. The numbers presented are the results of searching for articles through four portals that have been selected for use in this study. Figure 1 shows the total published articles found according to the predetermined criteria are 17 articles from 2011 to 2021.

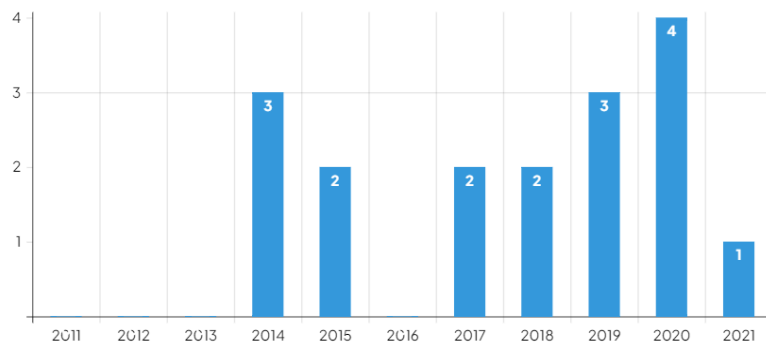


Figure 1. Publication statistics for GCG ASEAN in 2011-2021

There were 5 GCG ASEAN articles from 2011 to 2016. It indicates that even though ACGS has launched, only a few researchers made GCG in ASEAN as their study's focus. However, there was an increase from 2017 to 2021 when 12 articles were obtained. Simultaneously, researchers are increasingly involved in reviewing GCG development practices in ASEAN and developing various methods to better implement GCG.

Not all articles use only one country as the object of research. Several studies observed several countries within a study to compare GCG in these countries. Figure 2 shows that the discussion on 7 countries is contained in 17 research articles. By setting aside the international concept, Malaysia appears to be the country widely studied as the research objects (12 publications), followed by Indonesia and Thailand with three publications.

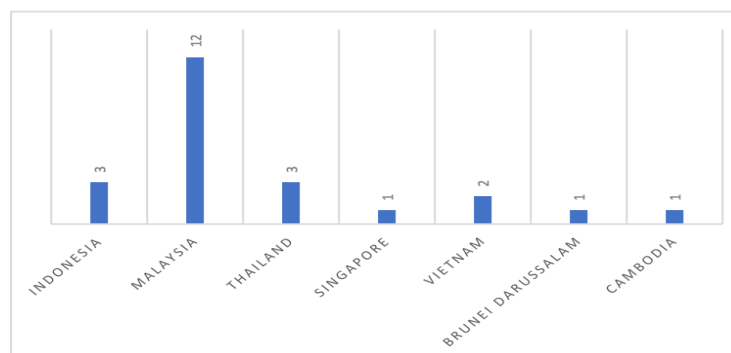


Figure 2. Countries as GCG research object in ASEAN

Malaysia is the country in ASEAN that is the most widely used as the GCG research object. In 1998, Malaysia decided to implement a Good Corporate Governance system, where the Malaysian government made a decision for all companies in Malaysia to implement the system to improve the quality of corporate governance practices after the 1997 crisis. The average overall corporate governance score has continued to increase since 2012, from 62.29 points in 2012 to 94.31 points in 2019. During the last 2 years from 2017 to 2019, the overall average corporate governance score for Malaysia's top 100 public limited companies increased by 11.90 points (from 82.41 points in 2017 to 94.31 points in 2019), with a maximum score of 129.46 points and a minimum score of 67.45 points compared to 122.58 points respectively and 48.82 points in 2017 (Asian Development Bank, 2021).

Based on Figure 2, Indonesia ranks as the most studied country after Malaysia. The financial instability in Asia in the late 1990s had a significant impact on the Indonesia government. Like Malaysia, GCG has increased in Indonesia (Utama, Siregar, &

Simanjuntak, 2022). Thailand occupies a position with the same score as Indonesia (See Figure 2).

3.2. Discussion

A summary of findings for identifying GCG for each article is presented in Table 2. From 17 publications, the number of GCG principals identified is 5 GCGs. The top five principals are independence (identified in 16 articles), followed by responsibility, transparency, accountability, and fairness.

Table 1. GCG in ASEAN from 2011-2021

No.	GCG	Authors	Total
1	Independence	Utama et al. (2017); Purbawangsa et al. (2019); Haji & Mubaraq (2015); Benjamin & Mat (2015); Mohamed et al. (2017); Mgammal et al. (2018); Bhatt (2018); Hussain & Hadi (2019); Jamil et al. (2020); Shwairef et al. (2021); Lee & Yoo (2020); Yaacob & Basiuni (2014); Mamun & Badir (2014); Farooque et al. (2019); Tran et al. (2020); Nguyen & Vo (2020)	16
2	Responsibility	Yapa (2014); Utama et al. (2017); Purbawangsa et al. (2019); Haji & Mubaraq (2015); Mohamed et al. (2017); Mgammal et al. (2018); Bhatt (2018); Hussain & Hadi (2019); Jamil et al. (2020); Shwairef et al. (2021); Lee & Yoo (2020); Yaacob & Basiuni (2014); Mamun & Badir (2014); Farooque et al. (2019); Tran et al. (2020)	15
3	Transparency	Yapa (2014); Utama et al. (2017); Haji & Mubaraq (2015); Benjamin & Mat (2015); Mohamed et al. (2017); Mgammal et al. (2018); Bhatt (2018); Jamil et al. (2020); Shwairef et al. (2021); Lee & Yoo (2020); Yaacob & Basiuni (2014); Mamun & Badir (2014); Farooque et al. (2019); Tran et al. (2020)	14
4	Accountability	Yapa (2014); Utama et al. (2017); Mgammal et al. (2018); Jamil et al. (2020); Shwairef et al. (2021); Yaacob & Basiuni (2014); Tran et al. (2020)	7
5	Fairness	Mgammal et al. (2018); Jamil et al. (2020); Shwairef et al. (2021); Tran et al. (2020)	4

1) *Independence*

Namely to expedite the implementation of GCG principles, companies must be managed independently so that each company organ does not dominate each other and is not intervened by other parties.

The issue of independence of directors has somewhat received more attention as the various CG indexes have incorporated this variable in the construction of the indexes although most studies tend to measure this characteristic as “non-executive director or outside director” rather than independent director (Al-Najjar & Hussainey, 2009).

2) *Responsibility*

Companies must comply with laws and regulations and carry out their responsibilities to the community and the environment so that long-term business continuity can be maintained and be recognized as a good corporate citizen. Directors have a responsibility to be efficient stewards and guardians of the firm.

3) *Transparency*

To maintain objectivity in conducting business, the company must provide material and relevant information in a way that is easily accessible and understood by stakeholders. Companies must take the initiative to disclose not only issues required by laws and regulations, but also matters that are important for decision making by shareholders, creditors and other stakeholders.

From the perspective of the agency theory, corporate governance provides mechanism to oversee the agent and emphasizes the importance of transparency to reduce the asymmetric information between the principal and the agent (Utama, Siregar, & Simanjuntak, 2022).

4) Accountability

The company must be able to account for its performance in a transparent and fair manner. The company must be managed properly, measurably and in accordance with the interests of the company while taking into account the interests of shareholders and other stakeholders. Accountability is a necessary prerequisite to achieve the required performance to achieve sustainable performance.

An escalation of accountability requirements in organizations has surfaced in a vertical and a hierarchical manner. The principle of accountability is primarily associated with the delegation of power, and in this respect, Bovens provides a definition of accountability as “a social relationship in which an actor feels an obligation to explain and to justify his or her conduct to some significant other”.

5) Fairness

In carrying out its activities, the company must always pay attention to the interests of shareholders and other stakeholders based on the principles of fairness and equality. Need to further improve corporate governance to ensure market transparency, to protect investors and to ensure better development of the stock market (Minh & Walker, 2008).

4. Conclusion

It is noteworthy that while there were historically no publications in 2010, there was an improvement and hit the most publications in 2020 with four publications by 17 papers from 2011 to 2021 included in this analysis. Malaysia became the most popular country studied in GCG research in the 2011-2021 period, followed by Indonesia and Thailand. There is little research in developing countries. Research for independence is ranked first as a principal considered in previous studies.

The findings obtained in this study can provide an overview of GCG ASEAN in the future. The identified can also be applied to any ASEAN countries and help stakeholders increase the likelihood of GCG success and be adopted for further research.

With the importance of GCG implementations, it is suggested that researchers should research more about GCG in ASEAN and find the loophole of its implementation so that the companies can implement it better. Because even though there is increasing of the number of GCG in ASEAN researches, there is still low number of researches of these objects compared to other countries with high GCG score like in Europe countries according to Saha (2022).

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