



CORPORATE
GOVERNANCE
and ACCOUNTABILITY

Jill Solomon
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We dedicate this book to our parents and our daughter

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Preface

Interest in corporate governance is growing at an exponential rate. Improvements in corporate governance practice are being orchestrated at a global level. International bodies such as the Organization for Economic Development (OECD) are developing internationally acceptable standards of corporate governance. In the UK, companies are continuing to strengthen their generally sound corporate governance systems, focusing on shareholder and stakeholder relations and accountability, improvements in the performance of boards of directors, auditors and the accounting function, and paying attention to the ways in which their companies are controlled and run. Similarly, institutional investors, accountants, auditors and the general public are increasingly aware of a continuing need to promote corporate governance reform. Recent scandals such as Enron have driven home this need for constant reform.

As a result of increasing interest in corporate governance matters within the practitioner community, academic research has burgeoned in the area. At universities across the UK, new modules are springing up on corporate governance-related issues, with corporate governance as a subject in its own right becoming central to many business-related degree courses. We therefore felt that a general text on corporate governance and accountability was overdue and that students needed an up-to-date reference book covering theory and practice in the area. In this text we aim to provide an overview of corporate governance as a growing academic discipline. We attempt to give a flavour of the academic research in the field, with reference to theoretical frameworks. We also aim to demonstrate the close relationship between academic research and professional practice in the area. The text includes a number of contemporary illustrations and case studies, and provides students with questions for reflection and discussion at the end of each chapter.

The text is designed specifically to accompany a one-semester module in corporate governance and is oriented toward undergraduates studying accounting and finance, business and management, as well as toward MBA (Master of Business Administration) and other postgraduate students taking modules with a corporate governance component. However, given the growing interest in corporate governance issues, we hope that a wide range of other readers may find the book useful. For example, given the growing emphasis on corporate governance training for pension fund trustees, following the Myners Review (2001) we hope that this book will be a useful guide for trustees on the many training courses that are being developed for

them around the country, as well as for other professionals in the institutional investment community who require a reference text on corporate governance issues. Further, as can be seen from the international orientation of the text, we do not intend the book to be limited to UK students but hope that students of corporate governance in other countries may find it useful. We focus throughout the book on the relevance of corporate governance reform to countries all over the globe. There is an emphasis on corporate governance reform in East Asian economies, reflecting the specific research interests of the authors. We have set aims and learning outcomes at the beginning of each chapter so that students have a clear picture of what they are expected to assimilate and how their learning should progress at each stage of the book. There is also a summary at the end of each chapter bringing together the main concepts learned and providing continuity throughout the text.

This book represents the culmination of a decade of research into corporate governance and corporate accountability to stakeholders by the authors. Throughout the book we have referred to the results of our own research activities, including numerous postal questionnaires and a long-term series of in-depth research interviews, principally with members of the institutional investment community. We are extremely grateful for the financial support we have received for our research, from a number of institutions including the ESRC-funded centre for Business Relationships, Accountability, Sustainability and Society (BRASS) at Cardiff University, the Nuffield Foundation and the ESRC.

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The *Combined Code on Corporate Governance* (2003) has been reproduced in full as an appendix to this book with the kind permission of the Financial Reporting Council. For further information regarding *The Combined Code* please contact the Financial Reporting Council on 020 7611 9700. To order a copy of *The Combined Code* please call 0870 777 2906.