Corporate Governance in Emerging Markets

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Abstract:

This chapter provides an overview of corporate governance (CG) in emerging markets (EMs). Focusing mainly on the BRIC countries (Brazil, Russia, India, and China), the chapter adopts a systematic cross-national comparative approach. It begins by highlighting the importance of better understanding CG in EMs, and identifies some of the key challenges these countries face as they seek to enhance their CG. The chapter goes on to review managerial research conducted after the year 2000 on CG in emerging markets in the following four categories: ownership, boards of directors, top management teams (TMTs), and CG practices and reform. The chapter discusses the main research questions and findings from this collective body of work. It is noteworthy how "siloed" this research has been in terms of drawing few cross-national comparisons. The third section offers an overview of the main CG features of each of the BRIC countries relative to one another, taking on the OECD Guidelines of CG as its benchmark framework. To do so, the chapter first addresses core governance areas related to the overall model of CG, ownership types and ownership rights, information disclosure and reporting, and stakeholder management and corporate social responsibility. The chapter concludes by highlighting common themes for CG in emerging markets and suggesting fruitful areas for future research.

Keywords: corporate governance, BRIC countries, ownership, TMTs, boards, privatization

This chapter seeks to take stock of what we know about corporate governance (CG) in emerging markets (EMs) and what research questions scholars should focus on moving forward. Although, the chapter adopts a systematic cross-national comparative approach, we draw on the national cases of the BRIC[1] (Brazil, Russia, India, and China) countries. BRIC countries are four major emerging national economies that cover about 40% of the world population (or 3.6 billion people), representing a large share of the world economy in terms of trade and access to natural resources (nominal GDP of US$16.6 trillion, equivalent to approximately 21% of the gross world product). These four countries share similar features of both centralized and pro-market economies, recording a high economic growth and degree of foreign direct investment (FDI) attractiveness. However, in most other respects particularly referring to political regimes and strength of institutions, they differ substantially, which has critical repercussions to the patterns of CG and makes their cross-national comparison interesting. We begin this chapter by identifying the main tenants of CG in EMs as well uncovering key country-level idiosyncrasies. We then turn to a thorough literature review of managerial research post-2000. Our core exercise is to empirically compare BRICs along different governance dimensions as defined by the OECD Corporate Governance Guidelines. We conclude with a discussion of ideas for future research.

There exists extensive conceptual and empirical research on the CG of developed markets, particularly the USA and the UK, as well as Continental European countries. This is the context where the main theoretical contributions have been established and testes. Two main CG models exist: shareholder-oriented and stakeholder-oriented (Aguilera & Jackson, 2003; Shleifer & Vishny, 1997), although more recently, there is refinement in terms of how different dimensions of CG align with each other into different governance configurations or types (Aguilera, Desender, Bednar, & Lee, 2015; Haxhi & Aguilera, 2017). CG research in EMs is less extended and started later due to the initial lack of interest to improve CG and empirically the dearth of available and reliable data. This trend is changing rapidly.

CG in EMs firms is important from the investors' point of view because effective CG might make up for country weakness in the overall national governance system—for example, in terms of enforcement of minority shareholder protection rights. Khanna and Zyla corroborate in an IFC survey this firm-level filling in for institutional voids. It is interesting to learn that surveyed investors valued and were willing to pay higher premiums for well-governed EM firms, yet as noted by these authors there is a lot of ambiguity regarding what is the CG threshold for investment and what governance practices matter the most for well-governed firms in EMs. CG related reforms suggested by survey respondents had to do with "improved and more consistent enforcement of investor protection laws and contracts" (2017: 14). In particular, they referenced to: "(1) less opacity in China; (2) fewer judicial and bureaucratic delays in India; (3) reduction in the number of multiple class structures in Brazil; and (4) improvements to the rule of law in Russia" (2017: 14).

It is critical to highlight at the outset that governance practices that might be considered key and effective in developed countries, such as independent boards, might likely not apply or be less of a priority for EM firms, which are typically controlled by either the state or families. Firms in EMs face greater concerns associated with minority expropriation than firms in more developed markets, and as a consequence, EM investors need to equip themselves with self-protection measures given the weaker legal enforcement and institutional structures. Self-protection strategies might include greater due diligence, third-party arbitration, larger discounts on price, or greater focus on firm-level governance attributes.

Law and finance scholars have explored the connection between good CG, interpreted as strong legal systems, and dispersion of ownership structures (La Porta, Lopez-de-Silanes, & Shleifer, 1999)—although this thesis has been disputed on the causality between the strength of a country's the law and its economic development (Aguilera & Williams, 2009). In the context of EMs, reducing tunneling schemes within business groups seems to be one of the most effective ways to improve governance and in turn enhance firm performance (Grosman, Aguilera, & Wright, 2018). Management and finance scholars mostly agree that effective CG in EMs might be a form of investor protection, particularly given the absence of strong institutions and presence of key institutional voids.

In this chapter, we will focus on the formal CG practices, which are observable and taken at face value. However, moving forward, it is imperative to incorporate some of the insights that we gain from mainstream international business (IB) such as non-linear and discontinuous dynamics in explaining business processes (Santangelo & Meyer, 2017), from organizational theory such as neo-configurational perspectives to explain outcomes (Misangyi, Greckhamer, Furnari, Fiss, Crilly, & Aguilera, 2017), and from sociology and economics in terms of thinking more about the ecosystem and the power informal relations (Estrin & Prevezer, 2011; Nee, Opper, & Wong, 2007).

Taking stock of what we know

It is intriguing that there are only a handful of reviews or surveys on the CG of EMs across different fields. We now describe some of them to give a sense of what they cover. These reviews vary in terms of countries they cover and how systematic they are in the literature review. The first set of literature reviews take a finance approach yet they are interested in the firm-country fit. Gibson (2003) examines CG in eight EMs through the drivers and consequences of CEO turnover, as a prominent Western governance practice. He concludes that CG across these countries tends to be ineffective, and firm performance is unrelated to this practice, particularly in family-owned firms. Klapper and Love (2004) explore the effectiveness of firm CG in a cross-national study of 11 EM economies. They stress how country-level institutions play a critical complementary role to firm level governance. In a related article, Claessens and Yurtoglu's (2013) finance survey uncovers that firms with better CG in EMs have a series of benefits such as easier access to capital, better financial performance, and more favorable treatment from shareholders and non-shareholder stakeholders. They also demonstrate that voluntary and formal CG practices are less effective when firms are embedded in weak institutional environments. Fan, Wei, and Xu (2011) provide the introductory review chapter to a special issue on government quality, state ownership, and financial development in EMs (relative to developed economies) with a special focus on institutional settings. Black, De Carvalho, and Gorga (2012) challenge the universality of CG practices, and after examining Brazil in depth, they conduct a cross-country study of Brazil, India, Korea, and Russia and conclude that country institutional features strongly influence the effectiveness of CG and its relationship with market value.

Turning the focus on the owners, Claessens and Fan (2002) in a cross-national study of CG in Asia, which includes several EMs, highlight the salience of the weak minority shareholder rights, and the risk of majority owners' expropriation. A related agency problem is raised in the management field by Young, Peng, Ahlstrom, Bruton, and Jiang (2008)'s article, where they introduce the principal-principal perspective CG in EMs, particularly with majority owners such as families or the state. Estrin and Prevezer (2011) develop a CG framework in the BRIC countries by focusing on the strength of informal institutions as well as the fit between formal and informal CG institutions with an emphasis on ownership and external investors. Aguilera, Kabbach de Castro, Lee, and You (2012), and Kabbach de Castro, Aguilera, and Crespí-Cladera (2013) illustrate with empirical data the ownership changes in publicly traded companies in EMs due to privatization trends, focusing in particular on South Korea, Brazil, Chile, and Central European countries. They show that often the goals of dismantling or weakening ownership concentration and empowering minority shareholders are rarely accomplished due to weak minority shareholder protection rights.

In this chapter, we seek to take a different approach to a literature review by conducting a thorough bibliometric search of what has been written on CG in the BRIC countries by surveying the management literature post-2000. We chose this cutting point because the year 2000 is considered a milestone of emerging CG reforms among BRIC countries, signaling globally their desire to enhance CG by developing national CG codes (Aguilera & Cuervo-Cazzura, 2009; Haxhi & van Manen, 2010). These codes represent a transition to the country's adoption of governance practices that comply with international (Western) standards in an effort to attract foreign investment, particularly following the Asian crises. Post-2000 also coincides with China joining the World Trade Organization (WTO).

In order to conduct a systematic literature review of the existing research, we relied on three search strategies. First, we looked over the 14 leading journals[2] across the disciplines of IB, management, and CG that have published articles on the CG of emerging markets since 2000. In searching these journals, we used the following search terms: (1) “emerging market” and “corporate governance”; (2) “Brazil” and “corporate governance”; (3) “Russia” and “corporate governance”; (4) “India” and “corporate governance”; (5) “China” and “corporate governance.” Second, we used the same keyword combinations and searched for the first 20 results for each keyword combination on Google Scholar. This resulted in 191 unique articles (repeated results are discarded) examining different facets of EMs governance.

Finally, to further expand our parameters, we conducted additional search with the individual search terms (without the boundary of journals) to look for books, book chapters, and other relevant publications by collecting the first 40 articles from 2000 to 2017 for each keyword used. Combined with the result above, we receive a total of 269 unique entries. Our systematic literature review yield four main CG research streams, namely, (1) *ownership*; (2) *board of directors*, (3) *top management team* (TMTs); and (4) *CG practices*. Generally, labor would be another key research domain of CG which includes the overall labor participation, human capital skills, and labor market mobility. However, in the context of BRIC countries very few studies (e.g., Ardichvili, Jondle, Kowske, Cornachione, Li, & Thakadipuram, 2012; Earle, Spicer, & Peter, 2010) focus on this important governance dimension. Therefore, it is not included in our literature search. Our review discusses these four core streams of existing research of CG in BRIC countries and we summarize the main references in Table 1.

[INSERT TABLE 1 ABOUT HERE]

Ownership is the cornerstone of CG research. While a decade earlier much of the political economy work was devoted to privatizations, in the 21st century, governance research has been devoted to explore the post-privatization or at least the new role of the state in the economy. As such, this research stream incorporates various country-level research topics on the structure and size of capital and equity market as well as the firm-level type and structure of ownership. We identify four main areas of research in the existing literature on ownership and capital in the BRIC countries.

First, considering the growing research about ownership effects on firm financial performance across the EMs (Aguilera & Crespi-Cladera, 2016; Claessens & Fan, 2002; Fan, Wei, & Xu, 2011), a body of work focuses on the effect of ownership structure on firms' performance and valuation across the BRIC countries (Black & Khanna, 2007; Black, Love, & Rachinsky, 2006). For example, in the context of Brazil, several studies investigate how the introduction of the new listing segment Novo Mercado of the Sao Paulo Stock Exchange (Bovespa) has affected firms' performance and strategic decisions (e.g., Carvalhal da Silva & Camara Leal, 2005; Leal & Carvalhal, 2005; Lopes & Walker, 2012). They assess whether publicly traded firms perform better than private ones, and to what degree the new listing standards are improving firm performance. However, in the Chinese context it is vital to explore the transformation of state-owned enterprises (SOEs) through asset management, business affiliation, and ownership concentration (Li, Guo, Yi, & Liu, 2010; Su, Xu & Phan, 2008; Wang, Guthrie, & Xiao, 2012). For example, Li, Tsang, Luo, and Ying (2016) study the impact of different control modes in China and uncover that non-state-controlled firms are more likely to have post-state withdrawal enhanced performance and reduced agency costs than fully state-controlled firms. While, Wang, Guthrie, and Xiao (2012) analyze how the changing ownership patterns following the rise of State-Owned Assets Supervision and Administration Commission (SASAC) positively influenced firm performance.

A second large body of work analyzes different organizational outcomes contingent on the type of ownership. The role of the state prevails in the Russian and Chinese settings (Black et al., 2006; Lyubashits, Mamychev, Vronskaya, & Timofeeva, 2016), while family firms and business groups are ubiquitous in Brazil and India (Gaur & Delios, 2015; Khanna & Palepu, 2000). Contrary to the Russian case where the governmental economic policy led to mass privatization, in the Chinese context, the state kept a stronger controlling role in the economy. Research demonstrates that political connections are critical in the acquisition process in China (Buck, Filatotchev, Nolan, &Wright, 2000; Fan, Wong, & Zhang, 2007; Nee, Opper, & Wong, 2007). Nevertheless, both China and Russia face important institutional and regulatory challenges related to corruption and poor transparency (Chen, Firth, Gao, & Rui, 2006). For example, Black, Kraakman, and Tarassova, (2000) argue that due to a lack of good CG regulation and infrastructure for controlling self-dealing, mass privatization in Russia led to massive self-dealing by managers and controlling shareholders, who used their wealth to further corrupt the government and block governmental reforms that might rein in their rent-seeking actions. Also, Chen, Chung, Lee, and Liao (2007) investigate the effects of disclosure, and other CG mechanisms, on equity liquidity, arguing that those companies following poor information transparency and disclosure practices will experience serious information asymmetry and higher costs for the shareholders.

A third body of research within the ownership stream analyzes the relationship between the ownership structure and broader formal and informal institutional and governance mechanisms (Estrin & Prevezer, 2011; Patibandla, 2006; Peng, Zhang, & Li, 2007; Ramaswamy, Li, & Veliyath, 2002; Singh & Gaur, 2009). For example, Sarkar and Sarkar (2008) explore the role of institutional investors in India and emphasize the beneficial effect that foreign equity ownership can have on the CG of EM firms as well as the conflicting effect of institutional investors and financial institutions when they both are government controlled. In addition, Luo, Wan, Cai, and Liu (2013) focus on the principal–principal perspective in multiple large shareholders' (MLS) structure in the context of Chinese family firms. They argue that the competition over control among large shareholders and the number of MLS involved can shape the ability of these multiple owners to exert governance.

Finally, a few studies focus on how the ownership structure affects the internationalization of EM firms, and especially the outward FDI (Liu, Li, & Xue, 2011; Lu, Xu, & Liu, 2009; Singla, Veliyath, & George, 2014). Among other scholars that explore this research question, Bhaumik, Driffield, and Pal (2010) find that ownership type is determinant with respect to the FDI outward in EMs. More particularly, in the cases of Indian automobile and pharmaceutical sectors, their two main takeaways are that family firms and firms with concentrated ownerships are less likely to invest overseas, and that strategic equity holding by foreign investors is likely to facilitate outward FDI.

The *board of directors* research stream is concerned with two main areas of interest. First, a rich body of empirical research examines the structure, composition, and functioning of the boards in BRIC countries (Dahya, Karbhari, Xiao, & Yang, 2003; Melkumov, 2009; Singh & Delios, 2017). For instance, focusing on Indian large firms, Jackling and Johl's (2009) findings suggest that while larger boards impact positively performance, independent directors have limited effectiveness in the EMs context. A second, and more sizable body of work explores the degree of independence, auditing, and transparency (Black, Gledson de Carvalho, & Gorga, 2010; Jia, Ding, Li, & Wu, 2009; Kumar & Singh, 2012; Lin & Liu, 2009; Ma & Khanna, 2016; Robertson, Gilley, & Street, 2003), and the effect of board structure, independence, and reporting on firm performance (Judge, Naoumova, & Koutzevol, 2003). For example, for a sample of 266 companies listed on the Shanghai stock exchange, Lo, Wong, and Firth (2010) find that firms with higher percentage of independent directors, separated chair, and CEO functions are less likely to engage in transfer pricing manipulations, resulting in higher transparency of their CG practices. Likewise, focusing on transparency and reporting, McGee (2006) studies the telecommunications industry in Russia. He concludes that Russian companies compared to foreign firms take longer to report financial results, although due to the scarcity of the data it is premature to conclude whether there is any real improvement over time in the reporting of companies in Russia. It is interesting to observe that typically the performance outcomes are related to reducing corporate misconduct and overall institutional uncertainty.

The top management team (TMT) research stream covers areas related to the background, career paths, and compensation structure of TMTs. We identify three main areas of research in the existing literature on TMTs in the BRIC countries. First, several scholars have studied the role of TMTs' characteristics, particularly political connections (Fan, Wong, & Zhang, 2007; Li, Yao, Sue-Chan, & Xi, 2011) vis-à-vis post-IPO firm performance (Kumar & Singh, 2012), CSR (corporate social responisiblity (Lau, Lu, & Liang, 2016), or corporate philanthropy (Jing & McDermott, 2013). For example, Jia and Zhang (2013) find that corporations with CEOs who hold political affiliations have a significantly higher probability of making donations.

A second more sizable body of work looks at the relationship between CEO turnover, compensation, and firm performance in both private and public sectors (Conyon & He, 2011, 2012; Gibson, 2003; Vasilieva, Rubtcova, Kaisarova, Kaisarov, & Pavenkov, 2015; Wen, Rwegasira, & Bilderbeek, 2002). An illustrative example of research on this topic is Conyon and He's (2012) article. They use data on CEO compensation in China's publicly traded firms from 2000 to 2010 and show that CEO pay is positively correlated to both accounting and stock market performance for non-state firms, and that CEO equity ownership and grants are influenced by the composition of the board and presence of state ownership. The main takeaway is that the TMTs in EMs are heavily influenced by ownership structure.

Finally, several studies examine succession-related issues in business groups especially in the Indian context. For example, Saxena (2013) highlights that succession in business groups in India has frequently entailed family feuds and business splits and acknowledges the emergence of business groups in the broader historical, economic, political, and sociological context.

To conclude, CG practices are the fourth stream of research, which is concerned with the implementation of broader CG reforms in BRIC countries, the diffusion of CG practices in a cross-country perspective, and the adoption of CG or legal practices at the firm level. The majority of studies on CG reform zooms in one specific country by exploring the process and outcome of the implementation of CG reforms in one of the BRIC countries. For example, most studies on Brazil focus on three aspects of this reform: its effect on firm's value creation (Black, Gledson de Carvalho, & Oliveira Sampaio, 2014), on the quality of CG firm-level practices, and on the structural changes of the Brazilian CG system. While in the Indian country case, several studies cover multiple dimensions ranging from the effect of CG firm-level practices on firm value to the enforcement mechanism as one of the weak spots of Indian CG regime (e.g., Balasubramanian, Black, & Khanna, 2010; Dharmapala & Khanna, 2012; Goswami, 2000). In the Russian setting most of the studies take a historical and institutional approach in explaining the path-dependent nature of its economic reform (Buck, 2003; Jesover & Kirkpatrick, 2005; Judge & Naoumova, 2004; Lyubashits, Mamychev, Vronskaya, & Timofeeva, 2016; McCarthy & Puffer, 2003). Alternatively, in the Chinese context, governance reform research addresses the central role of the state as the implementer and pacer of CG reform (e.g., Clarke, 2003; Lin, 2004; Lin, Ming, & Xu, 2006) and the role of business ties or Guanxi (Chen, Chen, & Huang, 2013; Guo & Miller, 2010; Luo, Huang, & Wang, 2012).

Another set of studies has adopted a cross-national comparative approach by contrasting two or more BRIC countries, along several CG dimensions (e.g., Black, Gledson de Carvalho, & Gorga, 2012; Haxhi, 2015; Klapper & Love, 2004; Li & Nair, 2009; Lazareva, Rachinsky & Stepanov, 2008; Rajagopalan & Zhang, 2008). For example, Buck, Filatotchev, Nolan, and Wright (2000) argue that while economic reform in Russia driven by rapid privatization, price liberalization, and political system changes led to insider control of most manufacturing firms with important consequences for FDI, China's incremental reforms, without privatization or democratization, facilitated foreign joint ventures as the dominant means of reforming SOEs.

Finally, a few studies related to overall CG practices focuses on how the US or shareholder-oriented type of CG or legal practices affect performance and behavior of firms in EM and BRIC countries (Klapper & Love, 2004; Li & Nair, 2009; McCarthy & Puffer, 2003; Reed, 2002). For example, Aivazian, Booth, and Cleary (2003) find that similar to US firms, EM firms adopt behavioral practices such as dividends, explained by the same financial parameters such as profitability and debt; however, they differ in terms of institutional features related to financial policies resulting in different outcomes across operating environments.

It is clear from this review of the existing CG research on BRIC countries that there is quite a bit of interest in better understanding how CG is evolving in these countries by focusing on how both economic transformations toward market-oriented models and better availability of data have triggered a spur of research. The challenge continues to be to understand each of these countries in their own contextual constraints and opportunities.

Comparative corporate governance in BRIC countries

The diffusion of CG practices through codes of good governance differs across countries (Aguilera & Cuervo-Cazurra, 2004, 2009; Haxhi & Aguilera, 2012, 2014; Haxhi & van Ees, 2010; Haxhi, van Ees & Sorge, 2013; Haxhi & van Manen, 2010); however, the "Principles of Corporate Governance" issued by the OECD (Organisation for Economic Co-operation and Development) have served as a benchmark for developing and upgrading national codes, especially in EM countries. The codes, despite not being legally binding practices, provide recommendations about the firm governance behavior and structure to overcome or mitigate some of the broader national CG deficiencies. The role of the OECD has been crucial in diffusing these CG tools and in promoting CG best practices across the BRIC countries through the issuance of several White Papers and Guidelines of CG in these countries (Pargendler, 2015), such as the 2011 OECD "Corporate Governance of Listed Companies in China." In this section, we systematically compare the BRIC countries by taking as a template the 2015 *OECD Principles of Corporate Governance*. These principles are useful because they are meant to offer guidance on the desired nature of the main governance dimensions. They include the (1) corporate governance framework, (2) ownership and shareholders' rights, (3) information disclosure and reporting, as well as (4) responsibility boards and supervision, and (5) stakeholders' rights and CSR.

A country's path-dependent socioeconomic development is critical in understanding its national CG framework. Embedded in the country's legal system and capital, product, and labor markets, the CG framework is part of a broader macro-economic and societal context. The four BRIC countries share several comparable historical paths regarding their economic transformation, state intervention, and governance structures. All of them followed similar paths of structural change from centralized economies to more open market economies, where the state continues to have an interventionist role but modified from prior to the opening of the economy. As a result, these countries have experienced an ownership shift from strong state ownership control to differing waves of privatizations, leading to an increase in private and foreign ownership, and to indirect ways of state intervention in the economy. These changes have paved the way to the adoption of more effective forms of CG practices, the implementation of which varies substantially across the four BRICs. For this purpose and in an effort to facilitate a systematic comparison, we discuss in turn each country's overall CG dimensions following the OECD Principles. In Table 2, we include a summary of each country CG dimensions, staring with the CG framework.

[INSERT TABLE 2 ABOUT HERE]

Corporate governance framework

The notion of CG emerged in Brazil in 1999 with its first code of good governance, alongside the early privatization programs, which transformed the ownership structure of large SOEs, not only in the telecommunication and transportation sectors but also in the natural-resource (e.g., oil company Petrobras) and financial sectors (e.g., Banco do Brasil). This increase in private and foreign equity led to pressures in strengthening corporate and stock market regulation, creating, for instance, the three new listing segments of Sao Paulo Stock Exchange (Bovespa), where Novo Mercado has stricter CG standards—including the one-share-one-vote model and higher transparency and accounting requirements. To gain legitimacy and credibility, large Brazilian firms tend to cross-list in both, Bovespa and the New York Stock Exchange. The introduction of Novo Mercado also led to an increase in the number of listed firms; however, the majority of Brazilian family-owned small and medium-sized enterprises (SMEs) remain unlisted (Black et al., 2010) and have difficulties raising capital.

The following are the main institutional challenges. First, external financing is not readily accessible, in part because of the underdeveloped domestic capital market. Thus, only large Brazilian firms have access to foreign capital, and due to high interest rates, banks are more likely to lend to large firms than to SMEs. Second, given the gaps between written and de facto law, the inefficient legal system allows many appeals that create enormous backlogs and huge legal delays, resulting in onerous costs. This is particularly pervasive in non-listed family- or group-controlled businesses that dominate the corporate landscape in Brazil. Finally, since the informal economy is widespread in Brazil, informal institutions substitute for the weak rule of law leading to corruption, uncertainty, and inefficiency (Estrin & Prevezer, 2011).

The emergence of first CG practices in Russia was triggered by the rapid political and economic changes in the early 1990s accompanied by a radical process of privatization, and the emergence of a new class of owners, the oligarchs or domestic tycoons backed up by the government. Russia sought to put some order in the post-privatization era by issuing its first corporate conduct code in 2002. Regulating CG was acutely critical in the context of newly privatized SOEs, acquired by managers and private owners, who knew little or nothing about governance (Heinrich, 2005). Due to the lack of regulation and the nescience of the benefits of an open market, the expected changes in the CG structures were substituted by inefficient and short-term solutions, which led to several cases of violations of shareholders' rights and corporate conflicts (McCarthy & Puffer, 2003). Putin's leadership increased state involvement and FDI attraction policy, but Russia was required to establish international CG standards, including information disclosure and shareholders' rights; however, a number of CG problems related to equity market and protection of property rights prevail, especially regarding the dilution of stock, corruption, and asset stripping (Zhuplev & Shein, 2005).

The nascent state of CG in Russia remains fragile. First, despite an abundant written CG legislation, its implementation and enforcement are limited as a result of a combination of weak formal and strong informal institutions (Guriev, Lazareva, Rachinsky, & Tsukhlo, 2004). Second, in order to comply with OECD standards, the CG framework requires further improvement through three types of actions: to pursue the government administrative reform and cooperation with influential business groups, to strengthen independent financial institutions, and to collaborate with international institutions such as global ratings agencies and OECD (Judge & Naoumova, 2004). Finally, informal institutions, e.g., culture and religion, by affecting the behavior of managers and owners, have a deterring effect on the Russian regulatory reforms (Buck, 2003).

Compared to the other BRIC countries, India has developed the first and most advanced CG framework. Its first code of corporate governance was issued in 1998, but it was able to build on its British legal legacy—for instance, as early as in 1956 the Institute of Chartered Accountants of India (ICAI) set the first Companies Act of Listing

Agreement, governing the operation of joint-stock companies and protection of investors' rights. The Act provided a framework for disclosure and shareholders' rights, although in practice minority shareholders and creditors remained unprotected despite the Act (Chakrabarti, Megginson, & Yadav, 2008). In the early 1990s, confronted with several corporate scandals, the Indian government initiated a series of economic reforms and liberalization programs leading to rapid changes in laws, regulations, and CG landscape (Sharma, 2012). The most important was the establishment of the Securities and Exchange Board of India (SEBI) in 1992 with a growing jurisdiction on CG ever since.

India also faces several institutional challenges. First, the CG system in Indian SMEs, consisting mainly of family firms, is mostly controlled by informal mechanisms based on trust, reciprocity, and reputation, making the SMEs face issues of corruption and limited recourse to the legal system (Allen, Qian, & Qian, 2005). Second, although the national legal framework applies in all Indian states, the enforcement of the legal system varies across states. Thus, in poorly performing states, property rights and rule of law are weak, and informal CG institutions largely substitute for the ineffective formal framework (Estrin & Prevezer, 2011).

Due to significant economic and political changes, the CG framework in China has undergone major transformations over the last 30 years. Prior to 1978, the government played a central role in all corporate decisions in a scenery dominated by SOEs (Cheung, Jiang, Limpaphayom, & Lu, 2010); while, during the period 1978–1991, the changes in ownership of SOEs led gradually from a planned centralized to a socialist market economy (Guo, Smallman, & Radford, 2013). The launch of both Shanghai and Shenzhen Stock Exchanges in early 1990s represents most likely the biggest step toward market-oriented reform and privatization (Jiang & Kim, 2015), although shares were only gradually released as tradable. Therefore, by slowly changing the corporate ownership structure from state to partially private owned, and by joining the WTO in 2001, Chinese firms became increasingly more responsible for operating in line with the OECD governance principles. In addition, the government took more a regulatory stance rather than being involved in a multiple-tier governance monitoring system (Tam, 2002; Wei, 2003). The first code of good governance for listed companies was issued in 2001.

Shen, Zhou, and Lau (2016) offer an insightful review the empirical research on CG in China with a focus on the internal and external governance mechanisms and identify several key concepts such as the importance of the social context and a new conceptualization of governance and its different outcomes. Yet, as shown by Haveman, Jia, Shi, and Wang (2017), China still faces important institutional challenges. First, governance in China is very much focused on de jure regulations to solve conflict among the various interests groups; however, governance de facto focuses mostly on agency problems within the SOEs and listed firms (Clarke, 2003). Thus the implementation of CG heavily relies on the capability of Chinese institutions to perform their task (Tam, 2002). Second, although the transition of the SOEs to limited liability companies changed significantly, the institutional framework, inefficacies, and redundancies persist in terms of role and responsibilities among these institutions such as the China Securities and Regulatory Commission (CSRC), government agencies, and the capital market (Cheung et al., 2010). Finally, in the Chinese context it is important to consider the role of informal institutions, which complement the ineffective CG by the informal rules (Estrin & Prevezer, 2011). The Chinese culture and traditions, by shaping the norms and values of all parties involved, will continue to define Chinese CG, including the unique role of boards (Wei, 2003).

Legal framework

To better understand the legal skeleton of CG rules and regulations; we briefly describe each legal framework of the four BRICs. First, the CG legal framework in Brazil was established in the Corporation Act of the Federal Law (1976) regulating all matters related to publicly or privately held companies. All listed companies should comply with Bovespa's listing rules and regulations issued by the Securities and Exchange Commission of Brazil (CVM). Since the liberalization policies in the 1990s, foreign companies can register at the CVM or national bank and are required to act toward the long-term commitment of Brazilian national interests. All forms of foreign direct investment are allowed, except golden shares in areas of national strategic interest. Publicly listed business groups seek to establish a sound CG system, in part to overcome the liability of emerging CG countries that it is tied with weak legal enforcements and property rights (Penna, 2016).

Second, the mass and rapid privatization in Russia triggered several legal advancements including the passing of the Joint Stock Company Law that theoretically strengthened shareholders' rights (McCarthy & Puffer, 2003). Built upon the civil law tradition, the Russian legal framework consists mainly of three pillars: the Joint Stock Company Law (1995) regulates board structures and audits, the Investor Protection Law stipulates rules on shareholders' rights, aiming to reduce legal uncertainty among companies during the mass privatization, and the Securities Market Law was introduced to simplify shareholders exit and address CG abuses that occurred before its implementation (Judge & Naoumova, 2004). However, as noted, despite the abundance of legislation, law enforcement in Russia is extremely weak. Following the 2009 financial crisis, the state decided to implement more targeted CG regulations in an attempt to ease the integration of Russia as an OECD member, yet it does not seem to have had a strong positive effect (Belyaeva & Kazakov, 2015).

Third, the Indian CG legal framework is broadly covered in the New Companies Act (2013) and the regulations issued by SEBI. The New Act, as the principal CG legislation, contains provisions on shareholder rights, disclosure requirements, and board responsibility including board constitution, meetings, and processes (SEBI, 2013). All listed firms are required to follow the directives issued by SEBI and standard listing agreement of Bombay Stock Exchange and National Stock Exchange. The listing rules consist of mandatory and non-mandatory provisions, aligned with New Act. In sum, India adopted a hybrid voluntary and rule-based approach of compliance with CG practices, where the voluntary principles provide a broad direction,while the legal rules enforce specific aspects of CG. In the Indian scenario, this hybrid approach is considered the most effective mechanism for improving CG (Ghosh & Jatania, 2016).

Finally, legal experts refer often to the Chinese legal system as nascent, which affects companies operating in this market (Liu, 2005). There are two main hard laws: the Company Law and the Securities Law is enforced by the CSRC and the two stock exchanges (Jiang and Kim, 2015) and were both revised in 2014, granting stronger investors' protection (Yang, Chi, & Young, 2011). Finally, the full CG Code, issued in 2007 (updated in 2016) functions as an extension of the Company and Securities Law and provides guidelines rather than explicit rules on CG matters such as shareholders' rights, board structures and meetings, and information disclosure (Jiang & Kim, 2015).

In sum, regardless of variations across CG systems and despite persisting noticeable efforts, the current CG frameworks of the BRICs are characterized by poorly enforced legal systems or state strategic loopholes in CG regulation. The latter is more observable in the cases of China and Russia, although Brazil and India still lag behind OECD countries' CG standards. As noted by Estrin and Prevezer (2011), due to the lack of implementation and enforcement mechanisms, informal institutions often substitute for the deficiencies in the legal landscape.

Ownership and shareholders' rights

The predominant ownership pattern among the BRIC countries is a configuration of concentrated ownership, either in business groups or SMEs, and either family-owned or state-owned enterprises. As in most EMs, their weak institutional context fails both to fully protect property rights and to expediently enforce contractual agreements. These institutional flaws require different compensatory mechanisms. For example, the lack of property rights protection may lead to state concentrated ownership (Pargendler, 2015). However, there exist large differences among the four BRIC countries in terms of ownership structures and shareholder treatment as shown in Aguilera et al. (2012) or in the special issue on ownership and family firms in EMs (Aguilera et al., 2015). Ownership structures tend to be pretty sticky or not to change radically over time unless there is a major transformation such as the Russian privatization in the 1990s or China's adherence to the WTO in 2001. Below we summarize the main ownership traits in terms of shareholder rights for each of the BRICs.

Brazilian firms are highly concentrated and mostly owned by family business groups. The state is present as blockholder in a few large firms such as Vale and Petrobras, or as debtholders in other firms such as JBS, through the Brazilian Development Bank (BNDES) (Musacchio, Lazzarini, & Aguilera, 2015). Brazilian law allows both voting and non-voting shares, which is often considered a weakness of Brazilian corporate governance, given minority investors' non-voting shares. Most listed firms are controlled by a majority shareholder—prior to 2000, ownership concentration, dual class share structure, and low levels of disclosure introduced the risk of minority shareholders' expropriation. New Bovespa listing rules are intended to enhance protection of minority shareholders but have yielded limited results.

As a result of the Russian mass privatization program, the ownership structure became relatively concentrated in favor of company insiders, initially employee ownership and subsequently domestic private business groups, colloquially referred to as oligarchs. Both employees and the state eluded some influence to managers and foreign capital, although the outsiders, who often have strong ties to the government, lost some control through the re-nationalization movement in the 2000s when the state continued its substantial presence in a number of strategic sectors (Buck, 2003; Chernykh, 2011; Guriev et al., 2004). Main regulations to ensure the equitable treatment of shareholders tackle conflicts between majority and minority shareholders. Even though Russia struggles to improve minority shareholders' protection, the enforcement mechanisms have been weak (McCarthy & Puffer, 2003), although there are signs of improvement (Grosman, Aguilera, & Wright, 2018)

A distinctive feature of Indian CG is the concentrated ownership structure with diversified family-owned business groups. Two-thirds of the largest 500 Indian companies are business group-affiliated (Chakrabarti et al., 2008). The conflict of interest between majority and minority shareholders appears in the three main company types: family-owned business groups, SOEs, and MNEs (Ghosh & Jatania, 2016), which, accompanied by weak legal protection of minority shareholders, trigger rent-seeking behaviors, such as related party transactions (Khaitan, Jhunjhunwala, & Jalan, 2015; OECD, 2014).

In China**,** the state continues to be the main owner through block shareholdings and with high ownership concentration (Jiang, Kim, Nofsinger, & Zhu, 2017). The state, which includes different levels and legal persons who are not individuals but mostly state-owned or partially state-owned entities, are both categorized as “ordinary institutional investors” and operate under the oversight of the State-Owned Assets Supervision and Administration Commission (SASAC) (Jiang & Kim, 2015). Until the 2005 split share reform, most of these ordinary institutional investors owned non-tradable shares, and tradable shares were owned by domestic and foreign parties. Conflicts between majority and minority shareholders remain a major challenge to ensure equitable treatment (Clarke, 2003; Wang, 2014), which is mitigated through as one-share-one-vote or a cumulative voting. However, because these governance mechanisms are not mandatory, majority shareholders still control most decisions (Cheung et al., 2010), and puts minority shareholders at risk Berkman, Cole, & Fu, 2011; OECD, 2011).

In sum, the current ownership landscape of BRICs consists of concentrated ownership either by family, by individuals (Russia and India), or by SOEs (Brazil and China), with weak protection for minority shareholders that results in principal–principal agency conflicts with high risk of expropriation. This is more visible in China and Russia (Chen, 2009), while Brazil and India, even though more advanced in terms of shareholders' rights protection, still lag behind the OECD CG standards.

Information disclosure and reporting

Information disclosure and reporting is one of the weakest BRIC governance dimensions reflecting the scarce mechanisms of enforcement of CG rules in these emerging economies. In Brazil**,** the new Bovespa listing standard (2000) improved the information disclosure of listed firms required to publish an annual consolidated financial statement as well as financial disclosures and a quarterly financial reporting meeting the international standards (Back et al., 2014). Auditing committees are an uncommon practice, especially for family firms or business groups, but many Brazilian firms use a fiscal board as an alternative approach to ensure financial statements.

While Russia has made progress toward better CG over the last few years, particularly in the area of information disclosure, transparency of state-owned firms lags behind the standard of the OECD countries. A particularly affected area is the transparency of related party transactions, executive compensation, and board practices (OECD, 2012). In response to weak regulatory enforcement, Russian stock exchanges have taken coercive measures to strengthen disclosure requirements; however, enforcement is far from being perfect and a set of sanctions or delisting may be necessary to respond to compliance failures (Vasilyev, 2000).

The Indian Companies Act requires company boards to disclose financial information to shareholders, registrars of companies, and the stock exchanges (Amarchand, 2012). Similar to Anglo-American legislation, financial reports must be certified by the CEO and CFO, who are legally responsible for internal controls).

When disclosing annual financial reports, listed Chinese firms must follow the General Regulations on Financial Reports established by the CSRC (2002). The annual reports must be audited by qualified accounting firms and officially stamped. The adequacy and transparency of disclosure in Chinese companies is a primary concern of both foreign and domestic investors (OECD, 2015). Poor and ineffective regulation and law enforcement was traditionally believed to be a major source of inefficiencies in the Chinese stock market (Allen et al., 2005). Information disclosure by listed companies has improved over time, with progress in accuracy, scope, and depth of disclosed information as well as its use by investors and intermediaries (OECD, 2011), although there is still a long way to go for China to meet the OECD disclosure standards.

Board and managerial supervision

Most of the BRICs attempt to follow the OECD recommendations in terms of board and supervision; nevertheless, important structural differences exist regarding the board structure and composition. Most notably, the degree and internalization of director independence as it is understood in the advanced industrialized economies differs substantially from and across the BRICs. Table 2 summarizes the core information for each country in terms of board structure, responsibilities, and independence.

First, in Brazil firms can adopt either a unitary or a two-tier board system consisting of both an executive and supervisory boards. The board of directors is mandatory in cases of publicly held corporations, and consistent with international standards, the board is responsible for defining the corporate policy and appointing officers and independent auditors. The executive board should be composed of at least two or more individuals for non-listed companies and a minimum of five for the listed ones, and dual leadership is not allowed (see Gallo, 2016, for specific details). In 2015, the Securities and Exchange Commission and CG committees jointly issued the revised Unified Code of Good Governance, although it is thought that some of the recommendations are unrealistic and too costly for companies to endorse. Institutional investors, such as private equity funds, pension funds, and the BNDES are influential role models in terms of setting the appropriate governance standards.

Russian corporate law is fairly similar to global standards, stating that the board of directors is responsible for monitoring executives, offering advice on business and strategic decisions, including the appointment and dismissal of the TMT. Regulation requires joint stock companies with more than 50 shareholders to have a dual tier board with a supervisory body and an executive body as it intends to grant non-executive directors the opportunity to more effectively monitor management (Bezemer, Peij, de Kruijs, & Maassen, 2014). Current code recommends a minimum of three independent board members, although the code is voluntary. In reality, most directors are representatives of major shareholders and vote as instructed, which often leads to rent-seeking behaviors (Grosman et al., 2018).

In India, the boards are entitled to practice all the powers complying with the Companies Act, including the appointment of the TMT. Furthermore, governance regulation requires that the board of a listed company is comprised of at least half of non-executive directors and one female director. To ensure independent auditing, the audit committee shall be comprised of at least three directors and two-thirds of those should be independent and all members shall be financially literate (Ghosh & Jatania, 2016).

Chinese listed companies have adopted the two-tier board system, loosely based on the German model, with both boards of directors and supervisors (Dahya et al., 2003), and where two-thirds of the directors are meant to be independent. The board of directors is the principal decision-making authority, whereas the supervisory board is independent and serves to contribute impartial opinions and monitor executives and board directors (CFA, 2007). Dual leadership where the CEO and chairman are the same individual is fairly widespread in China, although there are some notable exceptions such as Petro China, China Construction Bank, China Shenhua Energy, and China Southern Airlines, which have separated these two roles (CFA, 2007).

Theoretically, the two-tier board structure should help managerial monitoring; however, these directors' incentives and ability to exercise internal controls are mostly aligned with the dominant shareholder, i.e., the state and its Chinese Communist party. This calls into question the effectiveness of such a structure due to additional costs, the strong presence of Communist party members in boards, and administrative obstacles related to the functioning of two boards (Cho & Rui, 2009).

Stakeholders' rights and corporate social responsibility

Stakeholders' rights and CSR-related activities vary substantially across the BRICs. While Brazil is the most CSR-oriented country, India is the only country in the world with codified duty of CSR, and Chinese and Russian firms are less unified as managers lack full understanding of the competitive advantages of attending to stakeholder and CSR demands. We discuss the main country highlight below.

First, although Brazil faces large economic inequalities, the labor market is firmly regulated by the law, protecting employees likely better than in the other BRICs. Due to the high bureaucracy per region, employer and employee relations are mainly based on the consolidation of 1943 Labor Code. Other than this attention to labor, the Brazilian CSR is not codified, although most large firms have a CSR report. Established in 1988 as a non-governmental organization, the Brazilian Instituto Ethos is the main driver for CSR, developing recommendations in the form of non-binding rules and standards to improve the relationships with stakeholders. The vast majority of the listed companies (representing 35% of the Brazilian GDP) utilize CSR in their firm policies in order to measure performance, value, and engagement. Among the BRIC countries, Brazilian firms are the most communicative about their CSR initiatives such as sponsorship, health and environment (Alon, Lattemann, Fetscherin, Li, & Schneider, 2010).

Second, conducting socially responsible strategic initiatives in Russia is, for the most part, still seen as a burden or window-dressing activity. While Russian companies comply with official regulation on stakeholders' rights, such as those related to creditors' rights, and incentivizing charity donations, only a limited number of companies engage in voluntary actions aimed at better relations with their non-shareholder stakeholders (Estrin

& Prevezer, 2011). The state has been largely ineffective in addressing socioeconomic and environmental issues, and only due to an increasing demand from their stakeholders, Russian companies are becoming more involved in CSR activities (Belyaeva & Kazakov, 2015).

Third, India is so far the only country in the world with codified requirements to engage in CSR. The New Companies Act (2013) prescribes that all companies with a certain annual net profit (currently over INR 50 million) are required to devote at least 2% of the average net profits during the three consecutive financial years to CSR activities. In addition, they should also constitute a CSR committee, formulate a CSR policy, and make CSR recommendations to the board on CSR activities that should have a broader beneficiary scope beyond the company's employees or their family members (Ghosh & Jatania, 2016).

Finally, in China, in recent decades, stakeholders have been able to put a great amount of pressure on companies in particular, in terms of employees' rights and environmental issues (Hussain, Rigoni, & Orij, 2018). The CG code and other regulations, explicitly require Chinese companies to comply with environmentally responsible actions, devote resources to charity, and set mechanisms to prevent bribery (Jiang & Kim, 2015; OECD, 2011). The change of the ownership structure of Chinese firms had a significant impact on their CSR, since most of the SOEs used to provide a great deal of social services, while the private companies seem to focus more on market competition and less on social and environmental issues (Tam, 2002). Although, focusing on issues related to stakeholders and environment improves the international legitimacy of Chinese companies, these firms continue to prioritize their financial growth and political goals, and it remains debatable whether acting socially responsible will help in achieving these dual goals (Lau et al., 2016).

Discussion: Future CG challenges and opportunities

Overall BRIC countries face corporate challenges derived from weak institutional environments, which could partly be tackled by improving CG practices. There also exist macro-level challenges characteristic of rapidly growing economies such as social and economic inequality, political risk, environmental spillovers, corruption, food security, etc., all of which make the institutional environment uncertain. It is fascinating to observe that these countries tend to operate in a two speed economies, one in which navigate large firms versus the informal economy of SMEs. The former is fully integrated into the global economy, while the latter is embedded in the local constraints and flows more informally. Some of the classic governance practices widely adopted in advanced industrialized countries simply will not work in these environments; they might in fact have unintended outcomes, and therefore often governance solutions might need to be implemented at the firm level or at the sectorial level in order to have a competitive plain field. It seems that a core difficulty in these markets has been the principal–principal agency problem between majority shareholders and minority shareholders, and the risk of expropriation. A firm-level governance solution to attract investment and build confidence is to improve the levels of corporate transparency and disclosure quality in EMs. Khanna and Zyla (2017) share that about 40% survey respondents were concerned that non-domestic firms operating in EM violate the US Foreign Corrupt Practices Act. This interface between foreign (non-domestic) firms and domestic firms is worth exploring. There are some interesting and important areas of future research that we would like to highlight.

A first key avenue for future research is the globalization and internationalization of EM companies. First, it is important to take a multilevel multidisciplinary approach. Research on the globalization of EM firms is slowly developing, yet we must include the cultural dimensions in the equation as illustrated by Erdener and Shapiro (2005), who trace the role of cultural and economic factors in the success of Chinese MNEs. However, should Western-centric theory prevail, be adapted, or abandoned in favor of new indigenous approaches to theorizing, based on context? Utilizing a hybrid approach of adapted theory, controlling for the various multinational contexts, Alon, Child, Li, and McIntyre (2011) argue that no theory has a monopoly on explanation and a multilevel, multidisciplinary, and, perhaps, Eastern-centric theory may prove to show great potential in future theories of EM MNCs.

Furthermore, it makes sense to adopt a dual home-host-country approach and study the internationalization through the lens of institutional arbitrage. This calls for an analysis that is sensitive to both home- and host-country contexts, and that takes into account how the institutions and political systems in those contexts establish institutional and resource capital needs for the overseas-investing firm (Child & Marinova, 2014). Moreover, Boisot and Meyer (2008) argue that due to the fragmentation of the Chinese economy whose firms are small by global standards, SMEs' internationalization is driven by an institutional arbitrage of relative transaction costs of crossing domestic (or provincial in the case of China) and international borders. In the case of China, local protectionism and inefficient domestic logistics increase the costs of doing business domestically; moreover, protection of property rights in the West and the advantages afforded Chinese-owned firms reconstituted as foreign entities operating in China decrease the costs of “going out.” They argue that strategic exit from the home country rather than strategic entry into foreign markets may explain the internationalization of many Chinese firms.

Finally, we must underscore the critical multinational advantages in the internationalization of EM business groups. Yiu (2010) argues that business groups, an organizational form that emerged to substitute market imperfections in China, constitute a micro-institutional environment for generating ownership, location, and internalization advantages, as well as for capitalizing on the linkage, leverage, and learning opportunities for internationalization. Chinese business groups facilitate such an internationalization process via their unique attributes including internal market, inward linkages, and institutional support.

A second area of future research is to explore the consequences of changes in ownership and ownership rights—this is slightly more salient in the context of China as this country is at the crossroad of significant changes in ownership structure and identity. Delios, Wu, and Zhou (2006) argue that official categorization in state shareholding, legal person shareholding, and A-shares obscures the ultimate identity of a shareholder. They refine the existing classification by re-categorizing shareholders into 16 types, such as government or private, to enable analysis of ownership identity and ownership concentration issues in China’s listed companies. With the opening of the two stock markets and the legitimation of the Hong Kong market, this is an area where we need to understand better its firm governance outcomes.

Third, while we have explored quite a bit the political liaisons between politicians and business in China (He & Tian, 2008; Lin, 2011), there is less known on the effects of crony capitalism in the other BRICs. Political implications of Chinese government intervention toward a more controlled centrally managed capitalism and ideological transformation from Marxist ideology of communism and socialism moves toward the maintenance of economic growth and social order. The second step then allows the legitimacy of party rule to be based on indigenous Confucian ideology that emphasizes enlightened leaders, moral institutions, and social relations (i.e., Xiaokang) (Lin, 2011).

Finally, it seems imperative that in order to move research forward in the corporate governance of EMs, we need to get closer to the data and collaborate with scholars who are very familiar with the context in its path-dependent sequence. In other words, to understand what we observe today, it is essential to know how things looked before today. The data availability and reliability were a problem that seems to become less of an issue given the demands for corporate transparency and disclosure. Thus, while we have made great progress in understanding CG in China and this work is also published in international journals in English, there is less progress in empirical research on the other BRICs, and even much less focusing on other small and medium firms so salient in EMs. The research opportunity is to design comparative studies just like political economists, political scientists, and economic sociologists did comparing Germany and Japan or France and the UK. It seems that the transition to market economies in post-2000 should be the departing point comparison to assess the evolution.

We conclude from our own literature review that there is much to be done to better understand CG in EMs. We urge scholars to move away from applying Western models to the EM reality and seek to apply context-dependent concepts such as trust, informal norms, process, political power, rule of man, etc., that can help capture the important nuances of these countries that have changed so dramatically so quickly, and how they compete in their integration into the global markets.

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Table 1

Summary of selected key references of the CG in BRIC countries (2000–2017)

CG actors	Brazil	Russia	India	China
Ownership - Concentrated - Family SEO - Principal–principal perspective - Weak minority shareholder protection	Carvalhal da Silva & Camara Leal, 2005; Leal & Carvalhal, 2005; Lopes & Walker, 2012	Black, Kraakman, & Tarassova, 2000; Black, Love, & Rachinsky, 2006	Bhaumik, Driffield, & Pa, 2010; Black & Khanna, 2007; Khanna & Palepu, 2000; Patibandla, 2006; Ramaswamy, Li, & Veliyath, 2002; Sarkar & Sarkar, 2008; Singla, Veliyath, & George, 2014	Chen, Firth, Gao, & Rui, 2006; Chen, Chung, Lee, & Liao, 2007; Jiang, Kim, Nofsinger, & Zhu, 2017; Li, Guo, Yi, & Liu, 2010; Li, Tsang, Luo, & Ying, 2016; Liu, Li, & Xue, 2011; Lu, Xu, & Liu, 2009; Luo, Wan, Cai, & Liu, 2013; Nee, Opper, & Wong, 2007; Su, Xu, & Phan, 2008; Wang, Guthrie, & Xiao, 2012.
Boards - Weak independence - Politically tight	Black, Gledson de Carvalho, & Gorga, 2010	Judge, Naoumova, & Koutzevol, 2003; McGee, 2006; Melkumov, 2009; Robertson, Gilley, & Street, 2003.	Jackling & Johl, 2009; Singh & Delios, 2017	Dahya, Karbhari, Xiao, & Yang, 2003; Jia, Ding, Li, & Wu, 2009; Lin & Liu, 2009; Lo, Wong, & Firth, 2010; Ma & Khanna, 2016; Peng, Zhang, & Li, 2007.
TMT - Political connections - Dual leadership - Succession & issues in business groups	None known	Vasilieva, Rubtcova, Kaisarova, Kaisarov, & Pavenkov, 2015	Kumar & Singh, 2012; Saxena, 2013	Conyon & He, 2011, 2012; Fan, Wong, & Zhang, 2007; Jia & Zhang, 2013; Jing & McDermott, 2013; Lau, Lu, & Liang, 2016; Li, Yao, Sue-

				Chan, & Xi, 2011; Wen, Rwegasira, & Bilderbeek, 2002.
CG Practices - Discrepancy between de jure & de facto practice - Lack of enforcement - Efforts toward CG enhancement - Strong informal institutions substitute for weak formal institutions	Black, Gledson de Carvalho, & Oliveira Sampaio, 2014; Rabelo & Vasconcelos, 2002	Buck, 2003; Jesover & Kirkpatrick, 2005; Judge & Naoumova, 2004; Lyubashits, Mamychev, Vronskaya, & Timofeeva, 2016; McCarthy & Puffer, 2003	Balasubramania, Black & Khanna, 2010; Chakrabarti, Megginson. & Yadav, 2008; Dharmapala & Khanna, 2012; Goswami, 2000; Reed, 2002	Chen, Chen, & Huang, 2013; Clarke, 2003; Guo & Miller, 2010; Lin, 2004; Lin, Ming, & Xu, 2006; Luo, Huang, Wang. & Lu, 2012; Schipani & Liu, 2002; Tam, 2002

Table 2

Summary of selected key CG dimensions in BRIC countries

	Brazil	Russia	India	China	OECD
CG framework					
Institutional framework	- Sao Paulo Stock Exchange - Brazilian CG Associations - Inefficient CG framework, backlogs & huge delays due to strict labor & complex tax laws	- State - FCSM - World Bank, Ratings Agencies, Consultants - Conflict between informal & formal Institutions	- Bombay Stock Exchange - Control SMEs - Informal mechanisms of trust & reciprocity a substitute for poorly performing states, security of property rights & law enforcement	- Financial: CSRC - Government Agencies - Capital & Stock Market - Informal institutions complement inefficiencies of formal institutions	- Stock market regulations needs to support CG - Provide incentives for investors - Promote cross-border collaboration - Clear division of responsibilitie s
Legal framework	- Civil Law - 1976: Company Act - Bylaws of companies - 2002: New Civil Law Code - 2013: Corporation Act - 2013: Securities Act	- Civil Law Judicial review of legislative acts - 1995: Company Law - 1999: Investor Protection Law - 1996: Securities Market Law - 2016: Civil Code of the Russian Federation - 2016: marketNo 39-FZ of Federal Law On securities	- Common-Law - Hindus, Muslims & Christians Distinct codes - Judicial review of legislative acts - 2013: Companies Act - Clause 49 Listing	- Civil Law mixed Soviet & Continental Civil Law - 1993: Company Law - 1999: Securities Law - 2014: The Company Law of the People`s Republic of China - 2014: Securities Law	Effective CG requires: - Consistency with law system in place - Legislation - Regulation & Control - Self-regulation, soft-law, (Comply-or-explain / Codes)

		22.04.1996 - 2016: Bank of Russia regulation, Listing rules,	Agreement - 2014: SEBI Act - 2015: Securities Contract Act - 2015: SEBI Listing Obligations & Disclosure Requirements	of the PRC - 2014: Law of the People's Republic of China on the State-Owned Assets of Enterprises	- Enforceability - Design to serve public interest
State intervention	- Legal system & state intervention varies across different federal states	- Strong & centralized	- Legal system & state intervention varies across different states	- Strong & centralized - State intervention varies across different provinces	- Depends on specific countries
Ownership & Shareholders' Rights					
Dominant type of ownership	- Family-owned business groups - 70% of listed firms controlled by a single shareholder, foreign firms or via pyramidal business groups in 2016	- SOE & business groups - 43% of listed firms have an owner or a group of interrelated owners holding 75% of company shares in 2014	- Conglomerates, family-owned business groups in the form of pyramids with a wide basis in many different activities, - SOE about 10% of the GDP in 2016	- SOE & foreign equity - By the end of 2016, a total of 2887 listed firms, 1019 (47% of market cap.) of which were state-owned	- Private equity
General shareholders' meeting	- Voting & non-voting shares held by	- Access to meeting is not guaranteed	- Appoint the board of directors, vote	- Shareholders have access to the general	- Shareholders should be

	majority shareholders - Approve financial statement, remuneration of directors & managers, amending bylaws, appoint a fiscal board & new executive directors		at general meetings, corporate financial statements & statutory registers - Not associated with statutory duties, not liable for acts or omissions	meeting - Not all decisions are voted	able to participate and vote in the general meeting - Certain matters can only be decided by votes
Access to information & dividends	- Mandatory annual dividend: in interest or net equity (JCP)	- Shareholders do not have access to full information - Weak enforcement of laws regarding dividend payments	- Greater disclosure - Approval-based control: Special majority, - Company Law Tribunal - Related party transaction problem	- Dividend payments are rare	- Shareholders should be able to access relevant and material information; and are entitled to dividends
Takeovers	- Key requirements for the minimum-bidding price: - At least 80% of the price paid to the controlling entity	- Key requirements for the minimum-bidding price: - Weighted average market price of the last 6 months (or appraiser's report price if not listed); - Highest price paid by the offer or its affiliated parties in	- Key requirements for the minimum-bidding price: - Highest negotiated price per share for any acquisition under the	- Key requirements for the minimum-bidding price: highest price paid by offer or within last 6 months.	- Information about material changes, such as takeovers, should be available in order for shareholders to understand their rights

		last 6 months	agreement attracting the obligation to make a mandatory takeover offer - Volume-weighted average price payable by acquirer during 52 weeks - Highest price payable by acquirer during 26 weeks -Volume-weighted average market price of such shares for a period of 60 trading days		
Ownership structure & protection of minority shareholders	- Concentrated - Protection of minority shareholders (25% free floating voting shares) - Minority shareholders can elect one	- Relatively concentrated - Large insider & state involvement - Abuse mainly by state	- Concentrated - Companies Act 2013 grants minority shareholders (a minimum of 10% of the shareholders)	- Relatively concentrated - Large state involvement - Still limited protections for minority shareholders	- No restrictions - Rights of minority shareholders must be respected

	board executive member & temporary fiscal board for the auditing, by majority vote of at least 15% of votes or 10% of shares				
Insider trading		- Management owns a large part of shares - Transfer pricing		- Abuse observed - Successfully monitored by institutional investors	- Insider trading is prohibited
Information Disclosure & Reporting					
Type of information to be disclosed	- Stock exchange requirement includes statutory auditing - Fiscal board (permanent or by request) instead of auditing is required	- Hesitant attitude towards information disclosure - Use voluntary disclosure to gain credibility/legitimacy with investors - A 2004 amendment to the Russian Criminal Code declared it a crime to knowingly withhold information	- Disclosures in the annual report of the company and periodic disclosures to stock exchange - CEO/CFO certification - Auditor/Audit Committee	- All basic principles & core procedures of international audit standards - No formal agreement on a significant event for disclosure - Information related to stakeholder interest & employees disclosed more often than	- Timely & accurate disclosure on all material matters & events: - Financial situation, performance, ownership, remuneration, - Board independence, - Related party transactions, - Issues

				issues classified as "sensitive"	regarding employees & stakeholders, - Annual audit by an independent auditor
Board and Supervision					
Board structure	Unitary & two-tier boards	Unitary board	Unitary board	Two-tier board	Unitary & two-tier boards
Board Responsibilities	- Undertake obligations and exercise rights in the interest of the company - Defines corporate policy, appoint officers & independent auditors	- Firm's management - Risk management & internal control system - Monitor activities of firm's executive bodies	- Composition: Non-executive & independent directors, - Draw a Code of Conduct - Auditing, remuneration & nominations committee	- Loyal & protect firm & shareholders interests, - Supervisory board a permanent body under the leadership of the shareholders' meeting	- Monitor management - Objective corporate strategy - Accountable to shareholders & stakeholders
Board Independence	- Novo Mercado listed-firms minimum ratio of 30-33% independent board members. – Board contract appointment max. 3 years,	- Loosely defined eligibility criteria for independent directors - Executive directors may not make up more than 1/4 of the board of directors - Minimum 30-33% independent directors – Board contract	- If Chairman a non-executive, 1/3 of the board shall be composed of independent directors - If chairman an executive, 1/2 of the board shall be composed of	- 1/3 of the Board of directors must be independent - Supervisory board must include representatives of the shareholders & employees – Board contract	- An effective Board is comprised of both executive directors & outside, independent directors

	possible reappointmen t once	appointment max. 1 year, possible reappointment once.	independent directors. - Every company is required to appoint 1 Indian resident director – Board contract appointment max. 3 years, possible reappointment once	appointment max. 3 years, possible reappointment once	
Stakeholders' rights & CSR					
Stakeholders	- Investors, creditors - Employees, unions - Customers, suppliers - State, banks	- Investors, creditors - Employees, unions - Customers, suppliers - State, banks	- Stakeholders Relationship Committee - Codified duty of CSR	- Employees - Creditors - Customers, Suppliers	- Investors, creditors - Employees, customers, suppliers, Active companies-stakeholders cooperation
Stakeholders' rights	- CSR not codified, however important for large firms counting for 35% of GDP	- Role of state limited in increasing stakeholders' rights - Employees' rights the highest / Social services available	- Codified duty of CSR	- Expected by law to consider stakeholders - Enforce environmentall y responsible actions - Focus on charity & anti-bribery	- Should be constituted by law or mutual agreements - Enforcement of creditors' rights & information access - Employee

					participation should be permitted
Socially Responsible Behavior of Firms	- Listed firms use CSR to measure performance, value & engagement. - CSR communicative	- Seen as obligation - Not voluntarily done - Lack of understanding why it is important	- CSR obligation prescribed by New Companies Act	- Focused on short-term gains and competition - Slow change toward social responsibility	- Voluntary activities are expected - Should be related to creating wealth and jobs
Employee involvement	- Relatively strong - Brazilian Labor Code - Employees on the board: no minimum requirement	- Medium - Employees on the board: no minimum requirement	- Weak - Employees on the board: no minimum requirement	- Medium - Employees on the board: 33% minimum requirement	- Mixed

Notes

[1] More recently, the Republic of South Africa (RSA) is incorporated in the BRICS; however, considering the high degree of similarity of RSA institutions with those of liberal market economies, we have excluded RSA from our analysis.

[2] The journals included in the search are the following: *Academy of Management Journal*, *Asia Pacific Journal of Management*, *Corporate Governance: An International Review*, *Global Strategy Journal*, *Journal of International Business Studies*, *Journal of Business Ethics*, *Strategic Management Journal*, *Journal of International Management*, *Journal of Management*, *Journal of World Business*, *Journal of Management Studies*, *Management International Review*, *Management and Organization Review*, and *Organization Science*.