

# Editorial

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## From ethics and governance to small business and Higher Education

This volume of the Journal includes articles examining each of the topics that are the focus of the Journal: ethics, business systems and governance. They demonstrate the multidisciplinary nature of the Journal and of course how almost every discipline claims ownership of these areas of research.

Ownership of governance is a good example. Governance is about structures, systems of control and risk management, but also about leadership, the composition of boards and relationships among stakeholders. It is driven by values and strategic directions that impinge on ethics and corporate social responsibility. In respect to governance, because of the regulatory functions of corporate law, the discipline of law claims ownership of the concepts; accountancy has a claim because it is the discipline that designs systems of control and accountability; and management cannot be left out because of the roles and relationships of managers with boards, staff and so on. Researchers from any of these disciplines will develop explanations from agency, dependency, institutional and other theories to support arguments about why governance is important from their individual disciplinary perspective and how it applies in so many different contexts.

This is well illustrated in the range of papers presented in this volume of the Journal of Business Systems Governance and Ethics. The papers describe research in small and large corporations, public and private sectors, qualitative and quantitative modes of data and analyses and range across ethics, governance and organisational issues. They discuss findings from studies conducted in countries as diverse as the US, Sri Lanka, Kenya, Iran and Australia.

The first paper in this volume by Freeman and Lynch is directed towards the ethical values needed if societies are to survive. It begins with some fascinating comparisons of the economic causes of the demise of ancient civilizations and their empires with the path of the US today. They argue that the messages in the parables of the Bible still resonate today. Examples from the Bible are compared with what happened in the US to cause the GFC (e.g. selling mortgages that people could not afford, rating junk shares as AAA; forged and fraudulent bank loans and accounting, etc). They concluded that if the US is to continue as a super power, it must adopt ethical values that show concern for the welfare of the poor, compassion for workers and consideration for those who have lost their homes and jobs.

Nganga's article also addresses ethical issues. He raises the ethical challenges associated with practices that prevent small businesses in developing countries from participating in global markets. This theoretical paper defines ethical behaviour as the principles and practices that morally affect decisions in ordinary life. Nganga argues that small business activity in developing countries is inhibited by regulation, limited access to resources, skills, and contemporary technology, and restrictions on product marketing access evident in advertising which distorts the value of small business products. An ethical issue is the question of whether public finances should be used to support small business as such a move increases private gain at the expense of public resources. A second ethical issue is equality of opportunity of access to resources for every member of the human race. He proposes a universal code of ethics that disregards race, gender and class, intellectual property protection including long term patent rights for small business, and the use by small business of alliances and networks.

Li et al's article on small business exists and how small business can be assisted fits well with the above paper. Over 300,000 small businesses in Australia close their doors every year. The paper by Li et al is the first in Australia to explore the factors that impact on the demise of small business. It is important because the annually increasing numbers have such a devastating effects o productivity, employment and family well being. Statistical modeling of ABS panel data from over 3000 observations of 577 Local Government Areas in Australia identified variables that positively and negatively affect business exists. Among these size was a major factor.

Regulatory and compliance costs are known to be a disproportionate cost to smaller businesses. In a second paper on small business, Li et al analysed the results of a survey using a non-parametric logit model to determine the impacts and consequences of regulation for future policy.

Many small businesses are family owned. Wellalage and Locke analysed panel data from Sri Lanka to take a new look at ownership structure and its impact on firms' performance. Traditionally shareholder ownership in Sri Lanka was concentrated in families (insider ownership) but more recently there has been a rise in foreign and institutional ownership. Institutional and foreign ownership impacts on firms' performance are largely unexplained. They found that while high insider ownership of the Sri Lankan firms increased performance and management entrenchment, lower insider ownership increases misalignment between the objectives of managers and owners.

The final two articles in this volume by Mehdi and Davodi and De Silva and Armstrong reports the results from research directed towards internal issues, the first investigating employee commitment and the second examining governance and performance in the Higher Education sector.

Organisational citizenship behaviour (OCB) is shown when employees use their discretion to go beyond their formal job responsibilities in the interests of achieving organisational goals. Mehdi and Davodi's study examined the relations between three components of OCB, affective commitment, normative commitment and continuance commitment. From their analysis of 350 employees in Iran using SEM, they found that Affective and normative commitment have a positive influence on OCB but that there was no relationship between normative commitment and OCB.

The final paper by DeSilva and Armstrong examined the impact on the Higher Education Sector following the introduction of Governance Protocols. The study measured compliance with the Protocols by publically funded universities in Australia (an external governance mechanism) and internal governance mechanisms (board size and composition, transparency and reporting) and their impact on performance. The authors ' conclusions were that effective governance structures play an important role in performance, building stakeholder confidence and being demand driven in the competitive university sector.

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