

Editorial

This year, 2015, the *Journal of Business Systems, Governance and Ethics* celebrates its tenth anniversary. During the past ten years it has provided an avenue for publication of the wide range of views and research that reflect an appreciation of what the term ‘governance’ entails.

Sir Adrian Cadbury left with us his influential definition of corporate governance:

Corporate Governance is concerned with holding the balance between economic and social goals and between individual and communal goals. The corporate governance framework is there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim is to align as nearly as possible the interests of individuals, corporations and society”¹.

Moving from the philosophical values espoused by Cadbury, a more functional definition is that of the ASX Principles of Good Corporate Governance for listed companies:

Corporate governance is the system by which companies are directed and managed. It influences how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimized. Good corporate governance structures encourage companies to create value (through entrepreneurship, innovation, development and exploration) and provide accountability and control systems commensurate with the risks involved.²

As the adoption of governance became more accepted, so too did aspirations for what it could achieve. At the same time that governance structures ensured good management and performance for shareholders (Stewardship and Agency theory), through transparency and accountability (Transparency International, OECD), good governance was also expected to build a corporation’s legitimacy through integrity, reputation, and public confidence (Stakeholder and Legitimacy theory). The very variety of these purposes for governance raised different views about what ‘governance’ means to different disciplines. The systems that drive the data for performance management belong to the IT profession, and accountants claim ownership of the reports that ensure accountability. Corporate integrity and ethical behaviour belong to everyone, but are assuredly the province of ethicists. The legal ramifications of governance are enshrined in Corporations Laws so lawyers are concerned about corporate boards and their legal duties and responsibilities.

It was this variety of views, combined with the interests of the founding Editors, that prompted the original name for the Journal: the Journal of Business Systems Governance and Ethics. As the study of governance has matured, the discipline of governance appears to have gathered together aspects from all the disciplines and to have advanced across borders that include the private, public and non-profit sectors, many languages and international boundaries. So too, has the regulation of governance grown as it has become subject to legal mandates. In this context, it is timely to review the name and focus of the Journal.

With this Edition, It gives me pleasure to announce a change of name to the Journal. The College of Law & Justice which has sponsored the Journal for the past five years, has completed a memorandum of agreement with the Chinese Northwest University of Law and Political Science. The Law Schools of both Universities will jointly host the Journal under its new name of **Journal of Law and Governance**. Contributions have previously been received from Europe, America, Africa, the United

¹ Sir Adrian Cadbury in ‘Global Corporate Governance Forum’, World Bank, 2000.

² ASX Principles of Corporate Governance 2003, 2007

Emirates and many Asian countries. We hope that the collaboration with Northwest Chinese University will encourage even more submissions from China.

The name change will not affect its ISDN number or its registration with EBSCO. The Journal will continue as a peer reviewed journal covering the wide context that is governance and being distributed from Victoria University. However, in future, editions of the Journal can also include translations and Chinese language papers. This requires further support from our Chinese partners.

The Journal is seeking a new Editor and inviting new Members to join the Editorial Board. People who are interested in applying for these positions are invited to send an application with a CV to the Editor: Professor Anona Armstrong (anona.armstrong@vu.edu.au) College of Law and Justice, Victoria University.

Volume 10, (1) presents papers which address some of the current governance issues that have emerged in regard to governance within boards, and how it affects their performance. Professor Guo, in his paper on judicial intervention, points out that corporations laws, parts of which are adopted in articles of association, places shareholders' rights at the core of the duties and responsibilities of directors. However, good governance demands a response to the correction of unjust, unfair, or discriminatory corporate decisions approved by a board and which might be shielded by this statutory law. His paper argues that judicial intervention is required to address such governance issues and questions how, and how far, should courts intervene in such cases.

Among current issues of concern to researchers is the role of diversity on boards. Diversity among directors can include their age, gender, education, disability and cultural heritage. Professor Michael Adams and Grace Borsellino review the debates around the world on the value of the various measures being taken to promote gender diversity via quotas, targets, mandatory law and other means. They conclude from their analysis that the glacial pace of change in gender diversity on boards means diversity will probably need specific regulatory intervention. Complementing this paper is an analysis by Song which provides an excellent analysis of the changes in female participation on Australian company boards from 2001 to 2010. Song found that while there has been an increase in the representation of female directors, their membership differs across industries and their roles are likely to be as members of the finance and remuneration committees. The findings of these two articles examining the effectiveness of existing gender diversity initiatives support the need for new corporate governance proposals if gender diversity is to become a reality on company boards.

Research into board effectiveness often examines its relationship with firm performance. Professor Michael Wildenauer's article is a review of the literature in which the effectiveness of a board is measured by behavioural characteristics such as cohesiveness, culture, relationships and task performance.

Research governance in the paper by Davies refers to the effectiveness of decisions made at board level when a health organisation engages in clinical trials. The concept of research governance is a relatively new area for research. Usually a board will be responsible for approving the conduct of the research and allocation of the funds and other resources required. However, where the research involves humans, ethical clearance will be required and boards, project managers and experts in the relevant field will have different roles in the decision process. The governance issues involve not only the process for approval or not, but also who makes which decisions and when. Bernice Davies takes the Australian Mutual Acceptance (NMA) program as a case study. The aim of NMA is to control the time taken to approve clinical trials across multi-sites. Bernice has developed a conceptual framework based on institutional isomorphism theory to describe relationships between hospital boards and NMA performance outcomes of timeliness, value and quality.

The final paper in this journal also addresses board effectiveness, Dr. Keith Thomas and Dr. AJ Purcell develop an "interpretative lens" by which to assess the effectiveness of an audit committee. While there are numerous publications on board structures and the skills needed for membership of a

committee of audit, there is a gap in knowledge relating to the effectiveness of public sector audit committees. This paper examines the behaviours exhibited by an audit committee and the interrelationships between formal processes and power structures. The authors add that the attributes and responsibilities of audit committees are influenced by the principles of integrity, accountability and impartiality, as well as leadership from the audit committee and trust relationships.

In conclusion, Vol. 1 of the journal, published under our new name of Law and Governance, takes us on the next stage of development. As the ASX points out, governance is about how the objectives of the company are set and achieved, how risk is monitored and assessed, and how performance is optimized. But it also has the higher aim as Cadbury said “to align as nearly as possible the interests of individuals, corporations and society”. This issue of the journal shows that governance research has moved beyond its initial contributions to systems and performance management and is delving deeper into the behavioural characteristics and human elements essential for achieving good governance.

The Editorial Board hopes that the inclusion of the first of our papers in Chinese and English will extend the range of the Journal and the contributions from our readers.

The papers for Volume Ten of the Journal were sourced from papers presented to the Governance and Law Conference held at Victoria University in 2015. Papers were both invited and peer reviewed. The four 2015 issues of the journal address board effectiveness, governance issues within the private sector, public sector governance and corporate social responsibility and ethics.

Comments from our contributors are welcome as are applications to join the Editorial Board.

My sincere thanks are extended to the Board Members, reviewers and especially to Dr. Kumi Heenetigala and Victoria University for managing the journal and its publication.

Professor Anona Armstrong AM
Editor

