DEVENDRA KODWANI: I want to talk about the corporate governance and regulatory systems globally as they have been developing over last two or three decades. So what we find, as the markets have become more globalised, corporations are expected to comply with a range of practises about disclosures and corporate governance practises that reassure the investors and other stakeholders in the business about the quality of management those corporations are using.

So my research has focused on corporate governance within Europe and outside Europe, particularly in Africa. So our research has been focused on finding out why is this not happening, that a particular set of corporate governance systems, their regulations, disclosure practises that seem to be effective in the Western Europe and in North America, why are they not effective in Africa or in Asia? So what we are finding from our research is that corporate governance systems are broadly part of a regulatory system in an economy. And for a regulatory system to be effective, they need to be in tune with the customs, the traditions, the law and order arrangements, and various other institutions within those economies.

So the findings are suggesting that, if you take the corporate governance systems from, let's say, Western Europe or ECB or from British model and try to transplant them into an emerging market without appropriate changes to those systems that are compatible with the local institutional context, then the results will not be effective. So to illustrate, for example, there is expectation in good corporate governance systems that there is a balance of directors in the board of directors. So, in Europe, for example, we expect diversity in the board of directors, women representation, employee representation, and other stakeholders in business get some representation, as executive or non-executive directors.

Now, when you take that concept of balanced boards to Africa, for example, and say, OK, there, also, we are expecting a racial or ethnic balance in the board and still deliver the good economic performance, there is a clash. So you might be able to strike the balance on ethnic equality or racial equality, but it may not translate into good performance for the firm.

Other thing that we are finding, for example, that many countries have come to rely on corporate governance to deliver more than what actually they can deliver. So corporate governance, for example, in the English companies were brought in to improve the quality of monitoring, the scrutiny of strategic performance, and so on.

When it was taken to Africa, for example, in Kenya, the government there started imposing quite a different set of expectations. So they were expecting them to maintain their racial equality, to deliver on the community projects. Now, if you're going to introduce a lot of non-economic social and other aspects as expectations from the board, then board's attention is going to be divided, not necessarily deliver on the economic agenda of the companies.

So these are some of the things we are finding in our research, which suggests that a simple, straightforward-- taking up an institutional mechanism such as corporate governance from one country, particularly, which is very different in social and economic configuration from Western Europe or North America, and trying to implement in the developing markets or emerging markets, that will not work. They need local adaptation at institutional level. So what we are finding is that you need to think very carefully about the institutional compatibility of the regulatory and governance systems when you import them from outside the local country or region.

Another interesting challenge that the globalisation of business poses is finding the right type of people. So we know global practises are international in nature, so one has to have staff, the manpower, people, who are tuned to global business practises, whether it is in corporate governance in the boards or in the senior management or in the middle management.

And the challenge is this-- that, in the emerging markets or less developed economies, the educational attainment and educational opportunities are very skewed. So there's a small proportion of people who go to very good schools, very good universities, and they can easily adapt to international practises. They are sensitive to the cultural aspects of doing good business internationally, and they can adapt to the different corporate governance systems, different technological systems, and working practises. But because this educational attainment and educational opportunity divide is so big that when businesses in those economies become big, those companies then struggle to get right type of people.