Journal of Good Governance and Sustainable Development in Africa (JGGSDA), Vol. 7, No 5, 2023.
Available online at http://journals.rcmss.com/index.php/jggsda**. Covered in Scopedatabase-** https://sdbindex.com/Sourceid/00000431, google scholar, etc. **ISSN: 2346-724X (P) 2354-158X (E)**
Okonkwo, Chigozie Christian, Okoro, Nkemdi Collins & Okoro, Ngozi Uchenna, 2023, 7(5):22-29

Globalization and Corporate Governance: Trends, Issues and Challenges

Okonkwo, Chigozie Christian[1], Okoro, Nkemdi Collins[2]& Okoro, Ngozi Uchenna[3]
[1,2&3]Department of Management, University of Nigeria, Enugu Campus, Nigeria.
Corresponding author: dominicansventure@gmail.com
Phone: +2349133100008

Abstract
This research on globalization and corporate governance: trends, issues and challenges examined the universal best approach to corporate governance and to ascertain the challenges faced by Multinational Corporations in adopting theory Z in corporate governance. The methodology adopted for the work was a review of previous works related to the topic, the study made use of secondary data sources, findings revealed that multinational enterprises (MNEs) have extended their presence all over the globe, conducting a multitude of activities for a multitude of purposes. In doing so, Multinational Enterprises (MNEs) have had to manage the various forces–geographic, product, market, and technology–that interact and become more complex on a global scale. The study concluded that it is pertinent to managers of global enterprises to adopt the theory Z management approach that combines American governance and Japanese management styles because a blend of these two will make corporate governance hitch free no matter the terrain, they found themselves.
Keywords: *Globalization, Corporate governance, Issues and Challenges.*

Introduction

The need for convergence of corporate governance practices as a result of globalization means that global companies must adopt a unique pattern of practices everywhere in the world, as companies must operate whenever they exist, for their benefits, the benefit of community and the government of the place they exist, there is need for universal practice in daily conduct of their business and strategies. The Globalization of Corporate Governance provides a detailed analysis of the evolution of the key corporate governance systems in the UK, the US, Japan and Germany from the perspective of the development of economic globalization.

Globalization as a concept connotes the main element in business practice overall removal of restrictions so that businesses can expand to expand to new markets without barriers. This process affects the economy, business, life, community and environment in diverse ways, and almost generally corporations have been confronted by these changes that shape their mode of operation and competitive strategy so as to remain relevant in the market segment they operate. We can visually perceive these transformations mostly associated with incrementing competition and the swift changing of technology and information conveyance. This makes corporations more prosperity oriented and customer centric than it were decades before now. However, corporations are a noteworthy component of a community which needs to be organized properly. Therefore, the need for several social norms, regulations and rules in society and business life; are necessary as this is the practice of governance (Bhowmick, 2017).

This work sought to examine the universal best approach to corporate governance and to ascertain the challenges faced by corporations in trying to adopt the theory Z approach of corporate governance which is a combination of Japanese and American management practices as it tries to answer the following: 1) what is the universal best approach to corporate governance?; and 2) what are the challenges faced by corporations in trying to adopt theory z management approach while operating on global scale?. The thrust of this research is therefore examined the issues and challenges of globalization and corporate governance.

Review of Related Literature

Globalization can be seen as the process by which businesses or other organizations develop international influence or start operating on an international scale. Sklair (2008), "globalization is the process of interaction and integration among the people, companies, and governments of different nations, a process driven by information technology. This process has effects on the environment, on culture, on political systems, on economic development and prosperity, and on human, physical well-being in societies around the world". Giddens, (1990) "globalization is the intensification of worldwide social relations, which link distance localities in such a way that local happenings are shaped by events occurring many miles away and vice versa".

The above does not cover all the prospects of globalization or global changing. Globalization further should be a form which integrates world economies, culture, engineering science and to government. This is because globalization further involves the relinquish of information, skilled member of the working-class mobility, the exchange of technology flows, capital flows and geographic arbitrage between developed countries and developing countries (Bhowmick, 2017).

Moreover, globalization has religious, environmental and communal dimensions. In parliamentary law to make this broad impact area globalization covers all dimensions of the world economy, environment and society. Moreover, it is apparent all over the entire world and the continuation is changing dramatically. Every legislature has an undertaking to protect all of their savings and domestic market from these changes occasioned as result of globalization.

The question is how society and businesses will conform to these changes. Management of all companies must know diverse effects of globalization. Globalization has some opportunities and menaces. A company might have learned how to retrieve it from some negative effects and how to earn opportunities from this state of personal business.

Corporate governance

In recent years, multinational enterprises (MNEs) have extended their presence all over the globe, conducting a multitude of activities for a multitude of purposes. In doing so, MNEs have had to manage the various forces–geographic, product, market, and technology–that interact and become more complex on a global scale. Governing these activities with the appropriate balance of transparency and efficiency or accountability and growth requires a well-prepared plan that strategically plots which governance mechanisms and accountability systems ought to be employed and how they should be deployed. At the heart of total governance of international business activities is "corporate governance", which is the set of market-based, culture-based, and discipline-based mechanisms that induce self-interested executives to make decisions that maximize the company's value to its main stakeholders (especially shareholders), and corporate accountability, which is the set of institutional and accounting systems that enhance transparent disclosure and responsive support in corporate activities, strategic decision-making, and financial information (Luo, 2005).

Current research on globalization, corporate governance and accountability almost completely focuses on macro- or national-level analysis, which compares different countries' corporate governance and accountability systems (e.g., Anglo-Saxon, Germany, Japan, and emerging economies) and the possible impact of institutional and legal environments (e.g., political structures, legal regimes, property rights protection, investors' rights law, and regulatory frameworks) on corporate governance and accountability structures and effectiveness (Shleifer & Vishny, 1997, Tricker, 1994). The abovementioned research did not investigate micro- or firm-level insights—how an MNE's globalization behavior affects corporate governance and accountability. To address these issues, this paper suggests that an international firm's corporate governance and accountability systems are influenced by its globalization scale, local responsiveness, foreign competition, and international experience. Normatively, the design of corporate governance and accountability should be properly aligned with these firm-level globalization characteristics.

In presenting this premise and its related propositions we take a perspective that combines information processing and agency theories. The complexity an MNE faces is directly related to its geographic dispersion for several reasons including (but not limited to) its dependence on foreign sales and value creation inputs, the diverse institutional and task environments within which it operates, and increased competitive pressures for cooperation and coordination across geographically distributed operations. Operations are further complicated by national adaptation requirements and foreign competition. This complexity in turn increases information processing and agency demands; the MNE will manage such demands by instituting more efficient governance arrangements (in terms of information acquisition and monitoring). Meanwhile, information processing and agency demands are partly determined by an MNE's international experience in that such demands become even stronger when a firm is not globally experienced. Hence, we propose that globalization scale, adaptation requirements, foreign competition, and international experience affect information processing and agency demands and as a result, corporate governance and accountability as well. Overall, the convergent and complementary insights of information processing and agency theories provide a richer theoretical context for studying corporate governance and accountability than would either perspective alone (Palpacuer, 2006). This theory can be buttressed in the diagram below:

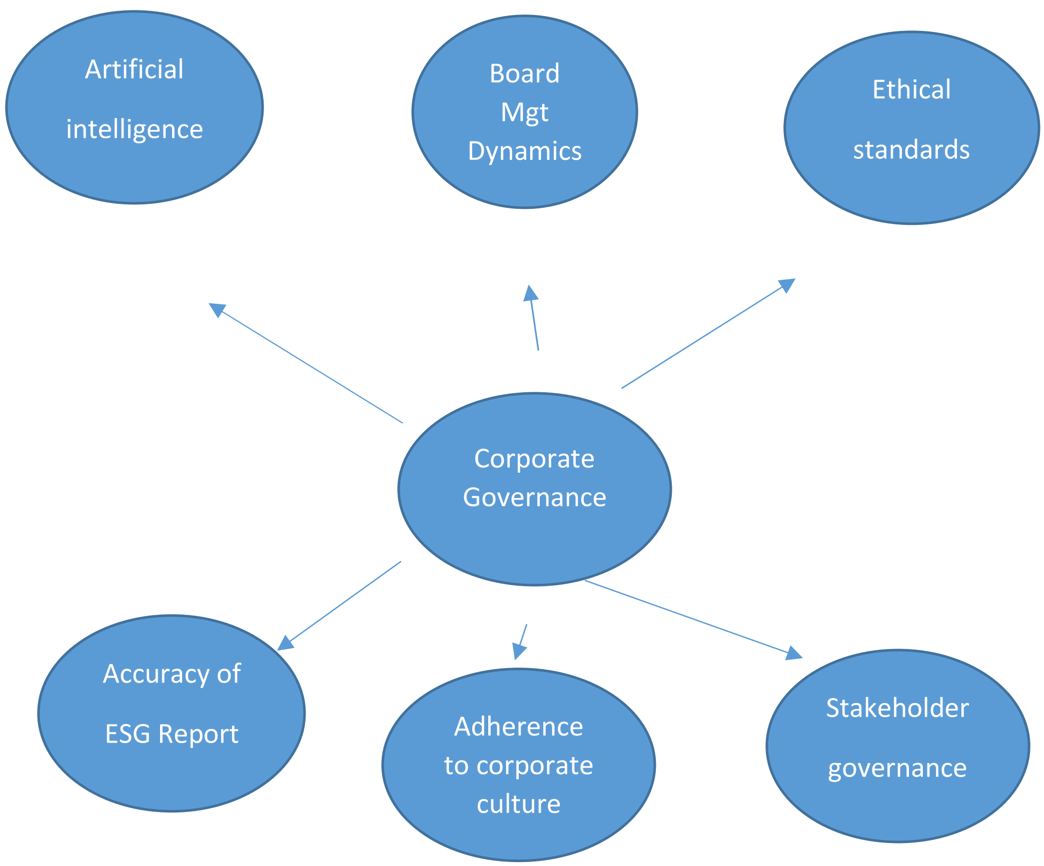

Figure:1 Analytical Trends in corporate Governance. Source: Researchers conceptualization 2023.

The figure 1 depict present trends in corporate governance because for corporation to be globally competitive and exercise their corporate governance well, they must adopt artificial intelligence in their daily operations within their enterprise; they must align themselves to the dynamics of board management to suit their strategy whether, Ethnocentric, Polycentric, Region centric and Geocentric. It must also ensure ethical standards that distinguish them from their rivals; they must as well protect their shareholders interest and as they do that, strict adherence to corporate culture is required of the management team and maintain standard environmental sustainability goal (ESG) action that has the potentials to protect and enhance their organization value to their customers.

AI Oversight

The regulatory landscape surrounding artificial intelligence (AI) systems continues to grow over the past years. Leading the regulatory efforts is the European Commission, which attempts to a cross-sectoral AI regulation referred to as the GDPR of AI. If passed, extensive compliance obligations on the use of AI systems will be implemented. AI is also predicted to be at the forefront of data-driven scenario planning for companies and boards. However, there's currently an emerging oversight in the use of AI systems. A survey by Baker McKenzie found that executives and boards are aware of the risks associated with AI, but only 4% consider these risks to be "significant" and 52% label the risks to be "somewhat significant". Business Roundtable launched the initiative, "Roadmap for Responsible Artificial Intelligence (AI)", to support companies in the implementation of responsible AI. This is followed by the release of a set of policy recommendations for AI governance and oversight. Following this, the US Chamber of Commerce launched its Artificial Intelligence (AI) Commission on Competition, Inclusion, and Innovation to advance the US leadership in AI utilization and regulation (Barao, 2023).

Board and Management Dynamics

The dynamics between the board and management is a critical facet of strong corporate governance. This relationship, however, is expected to be strained by changes. Boards and CEOs were previously challenged by reckless corporate behaviour and other corporate scandals. Now, more boards are seeking true independence from management. In one survey, 51% of directors in private company boards identified as independent. Such change causes constraints in the management's influence in the boardroom, wherein mutual respect is not relatively easy. As for management, its independence is typically influenced by conflicts of interest or board oversight. In some cases, top management often feels that board actions are not monitored and evaluated appropriately, resulting in feelings of unfairness and questioning of work responsibilities. A clear definition of roles, responsibilities, and authorities is recommended to achieve a balance of corporate power between the board and management (Barao, 2023).

Reinforced Ethical Standards

Unethical behaviour or corporate misconduct has been affecting companies for several years now. Thousands have experienced compliance failure and risks of illegal behaviour, resulting in reputational risks and expensive lawsuits. Unethical behaviour may also lead to heavy fines. One notable instance is when Wells Fargo paid $3 Billion for its staggering fake accounts scandal. This unlawful conduct harmed customers' credit ratings and uses their personal information to wrongly collect millions in interest and fees. Reinforce ethical conduct by establishing clear, lawful standards and procedures and ensuring directors and employees understood them. Explicit ethical expectations should also be set, which should apply to any employee or supervisor (Roth, 1991).

Accuracy of ESG Reports

Investors and consumers are digging deeper into environmental sustainability goals (ESG) disclosures, ensuring it contains only truthful and accurate data. In PwC's 2022 Global Investor Survey, 87% of investors suspect that corporate reports contain unsupported sustainability claims like greenwashing. Research also suggests that only one-third or 33% of investors believe the quality of ESG reporting they are seeing is "good". As sustainability reports contain various data types, one could improve accuracy by implementing a strict monitoring process. This involves critical progress tracking of targets and industry benchmarks. Developing strong data collection and validation processes can also help produce the highest-quality reports. To do so, companies must utilize ESG reporting tools for the seamless collection of sustainability-related data and generation of reports. ESG reporting software like Convene ESG delivers flexible reporting capabilities, from tracking internal data, performing industry benchmarks, to actual creation of disclosures (Barau, 2023).

Growing Resistance to Bad Corporate Cultures

Poor corporate cultures lead to high levels of waste and complaints and can stunt business growth. More policymakers and consumers show increasing resistance to bad governance. Just last year, the European Union set up a new rule to ban iPhone chargers and encourage the use of the same plug starting in 2024. A perfect example that bad governance can cripple even the biggest businesses. In fact, 88% of employees say that a positive company culture can influence business growth and success. A survey by Glass door also found that 56% of employees consider company culture to be more important than salary in terms of job satisfaction. Developing positive corporate culture requires strong leadership, and increase efforts and communication when driving change.

Firms will consciously need to cognizance on creating cost now not simplest in monetary phrases, but additionally in ecological and social terms. The task confronting the commercial enterprise area is the way to set about assembly those expectations. Firms will want to change now not simplest in them; yet, likewise within the manner they interact with their environment (Cramer, 2002).

The Shift to Stakeholder Governance

Among all events, the pandemic indeed elevated the shift to stakeholder governance. This prompted companies to consider the best interests of their workers, customers, and other investors. Stakeholder governance encourages ethical behaviours and seeks to prevent the spread of disinformation and environmental risks. Talking about stakeholder capitalism, BlackRock CEO Larry Fink said in his Annual 2022 Letter to CEOs, "*In today's globally interconnected world, a company must create value for and be valued by its full range of stakeholders in order to deliver long-term value for its shareholders*." He further emphasized effective stakeholder capitalism can also lead to better profitability and capital allocation. In relation, a survey from The Conference Board found that 90% of executives believe a shift from stockholder to stakeholder capitalism is underway and 80% reveal that it is affecting their companies. Such change demands an evolution in corporate culture, as well as roles and responsibilities (Pauly, 1992).

Challenges of Globalization on Corporate governance

Globalization reduces the state boundary. Though globalization evolved as an economic and business term but now it is an unavoidable matter and influences all the sectors of a country. Globalization scale increases, information processing and agency demands increase as well. As a result, both parent-level corporate board size and the number of subsidiary boards are expected to increase. This poses a serious challenge on governance and accountability.

Globalization encourages companies to internationalize and to substantially increase the volume and types of cross- border transactions in goods, services and capital. Also, the globalization leads to rapid dissemination and diffusion of products, technology and knowledge in the world, regardless of the origin. It enables a company to maximize the long-term value of the company which is seen in terms of performance of the company. Directors, managers, shareholders and auditors, who are stakeholders in the organization, have clearly-defined responsibilities

Issues in globalization and Corporate Governance

Globalization advance increased competition and subsequently multiplied competition vent of globalization. This competition can be familiar with the product and service cost and value, target market, technological evolution, swift response and agile production by companies, in addition to such things as quality and client satisfaction. When a company brings forward by all of less cost and sells cheaper, it will be proficient to grow its market share.

Customers have further much choice in the grocery store and they prefer to materialize goods and services abruptly and in a more reasonable way. And besides, they are expecting valuable situation and a cheap value which they are contented to pay. All these expectations require a response from the fellowship, otherwise, the sales of the company will shrink and they will lose profit and market share. A company must be always quick for price competitions for product and service and for changes in client preferences because all of these are broad market needs (Scherer,2008).

One of the most commanding manifestations of globalization is the regard of trendy technologies by entrepreneurial and internationally oriented firms to exploit incipient business opportunities. Internet and e-commerce procedures aid particular intensity for SMEs seeking to go around their participation in new international markets (Wright & Etemad, 2001). Engineering science is further one of the most prevalent tools of competition and for enhancing the quality of goods and service. On the other hand, it necessitates fully a part of the cost for the company. The company has to handle the latest technology for increasing their gross receipts and merchandise quality. Globalization has increased the age of technology grant and technical progress. Client expectations are directing markets. Most companies in capital intensive markets are at risk and that is why they need brisk adapting toward the customer and market expectations. These companies must have feasible technology administration and sensible R&D management. The company has to handle the latest technology for increasing their gross receipts and merchandise quality. Globalization has increased the age of technology grant and technical progress. Client expectations are directing markets. Most companies in capital intensive markets are at risk and that is why they need brisk adapting toward the customer and market expectations. These companies must have feasible technology administration and sensible R&D management (Kriger,1988).

Information is a most dear and valuable production component in the present-day environment. Information can be obviously transferred and exchanged from one country to another. If a company has a chance to consider knowledge and information formerly it means that it can habituate to this global changing. This effect is similar to the technology transfer issue in global marketplaces. The swiftly changing of the market requires also brisk transfer of knowledge and efficient using of that knowledge and information.

Globalization encourages increased international portfolio investment. Additionally, economic markets have become increasingly open to international capital flows. For this intent, portfolio investment is one of the major problems of developing economic systems. It is almost the deserted path to gain liquidity of the markets and economies of emerging countries through attracting foreign cash in hand. Significantly, this short-term investment can dramatically impact on the financial markets. When the emerging economies have some problem in their country or investors reckon enough profit from their investment, then these investors might depart the market. This would exemplify that market liquidity diminished and financial market indicators descend immediately (Lambert,1993).

Globalization calls for heavier regulation of the markets and the economic organization. There are multiple new and sophisticated economic instruments and methods in the mart and such instruments absolutely transfer and trade in distinctive countries because of the globalization issue. Every new system, instrument or tool requires classy rules and regulations to prove its strength area. These principles are further necessary to protect countries against sweeping risks and crises. When the dilemma comes erring of one nation, then it influences diverse countries with trade channels and blood transfers, which we call the contagion effect (Leksell,1999).

On the contrasting hand, during globalization the shares of notable companies are trading in international stock markets and these companies have stockholders and stakeholders in many divergent countries. International conventions and regulations offer precaution, particularly to small investors against the noteworthy scandals and other problems with companies, examples of which we have seen overall the late economic crisis. International standards also regulate markets and economic systems by means of international regulations and conventions such as international accounting standards, international auditing standards. These tips to figure corporate reporting standardized and are comparable. And then that is why the globalized world has greater rules and more regulations and international standards than earlier (Leuz, 2000).

In fact, globalization has the conversion of many markets and savings into one market and economy. The readiness of international standards and principles is further to deregulate all these markets. The economy needs economic structures effective of handling the higher grade of risk in the new economic organization. For these reason economic markets intend to be liberal, deep, and liquid and at present exclusively the U.S. money markets are lavish enough to allow this monetary structure in the world marketplace. Worldwide stock market projection and Pan-European stock market projection are precedent of this changing. Thither are many similar examples of the contemporary situation for market integration, which are as well demonstrated by increasing competition in the economic system. Integration examples are suitable in company mergers and acquisitions as well (Defond et al, 1999).

Another issue of globalization is human capital mobility through knowledge and information transfers. One of the causes is that international/multinational companies have subsidiaries, partners and agencies in diverse states. They prefer skilled and efficient international employees and rotation from country to country to provide effective international business practice. This changing further requires preferably skilled, well-trained and efficient employees who can adapt abruptly to different market conditions (Busham,2001).

Financial crises are routinely determined through globalization and as a test of the globalization impact. In fact, this is fully a true account. The financial world has witnessed a number of crises in late years. Broadly speaking, financial crises arrive out from international funds/capital flows (portfolio investments), lack of significant rules and measures, complex financial instruments, quick development of fiscal markets, asymmetric reference and data transfers (Sanders, 2008).

One country dilemma can cruise into a global deadlock with systemic risk issue. Systemic risk refers to a spreading financial crisis from one country to another nation. In various events, crises spread even mid countries which do not modernize to have any common economic fundamentals/problems. Previous global crises have further indicated that one of the causes for the deadlock is unregulated markets (Tushan, 1978).

Conclusion

Equally we can see, globalization has an enormous effect on society and business spirit which can be apparent in a number of different ways. So, business life requires more regulation and proper and socially responsible behaviour. In this work we have demonstrated the relationship between corporate governance and globalization. We pointed out that the relationship between business failure and scandals, increased after globalization, and good governance is needed to solve this problem. Moreover, a blend of Japanese and American management styles will produce the best corporate governance as studies have found out that a combination of the two management styles will bring a converging point in corporate governance

It is therefore pertinent for managers of global enterprises to adopt the theory Z management approach that combines American governance and Japanese management styles because a blend of these two will make corporate governance hitch free no matter the terrain it found itself.

References

Barao, J. (2023) Corporate governance trends in 2023 and beyond. www,goggle.com retrieved 18/ 05/2023.

Bhowmick, A. (2017) Globalization and Corporate governance, www.google scholar. Retrieved, 20/05/2023.

Cramer, J. (2002), "From Financial to Sustainable Profit", Corporate Social Responsibility and Environmental Management, 9, pp. 99–106 Published online in Wiley.

BushmanR M, Smith, A. J.(2001) Financial accounting information and corporate governance. Journal of accounting and economics.journal of Accounting and economics. Vol.32, No. 1-3, 2001.

Defond, M*& Park C. W.* (1999) The effect of competition on CEO turnover Journal of accounting and economics. Vol.27, Issue1. 35-56.

Giddens, A. (1990) The Consequences of Modernity. An academy Publisher, Polity press.

Kriger, M. P. (1988) The increasing role of subsidiary boards in MNCs: an empirical study. Strategic Management Journal, 9: 347-360.

Pfeffer, J & Salancik, G. R.(1978) The external control of organizations: a resource dependence perspective. Harper and Row, New York.

Leuz, C. Verrechia, R. E.(2000) The economic consequences of increased disclosure. Journal of Accounting Research. 36: 31-40.

Leksell, L & Lindgren, A. (1982) The board of directors in foreign subsidiaries. Journal of International Business Studies.Doi. 10.1057/Palgrave. JIBS.8490536.

Lambert, R. Larcker, D.(1993) The structure of organizational incentives Administrative science quarterly. 38, 438-461.

Luo, Y. (2005) How does globalization affect Corporate governance and Accountability? A perspective from MNEs. Journal of International Management. Vol.11, Issue 1 pp,19-41.

Pauly, L. W & Reich S.(1997) National structures and multinational corporate behavior: enduring differences in the age of globalization. International organization. Vol. 51, Issue 1, 1-30.

Scherer, A. G., G. Palazzo (2008), "Globalization and corporate social Responsibility" The Oxford Handbook of Corporate Social Responsibility Eds.: A. Crane, A. McWilliams, D. Martin, J. Moon, D. Siegel Oxford University Press.

Sanders, W. G. & Mason, A. (1998) Internationalization and firm governance: the roles of CEO compensation, top team composition, and board structure. Academy of management. Vol. 41 No.2.

Sklair, L. (2008) Discourses of globalization: a transnational capitalist class analysis. Press, Minneapolis, USA, pp.215-227. ISBN 9780816646081.

Tushman ,M. L. (1978) Information processing as an integrating concept in organizational design. Academy of Management Review.Vol.3. No.3 613-624.

Tricker, R. L. (1994) International Corporate governance. www.sciepub.com.

Wright, R. W, H. Etemad (2001), SMEs and the Global Economy, Journal of International Management, 7, pp 151–154.