Report on

The First 10 Years

of the Emerging Markets Corporate Governance Research Network (EMCGN)

by

Melsa Ararat, Stijn Claessens, and Burcin Yurtoglu
About IFC Corporate Governance Group

The Group brings together staff from investment support and advisory operations into a single, global team. This unified team advises on all aspects of corporate governance and offers targeted client services in areas such as increasing board effectiveness, improving the control environment, and family businesses governance. The Group also helps support corporate governance improvements and reform efforts in emerging markets and developing countries, while leveraging and integrating knowledge tools, expertise, and networks at the global and regional levels.
Report on the First 10 Years of the Emerging Markets Corporate Governance Research Network (EMCGN)

by Melsa Ararat,1 Stijn Claessens,2 and Burcin Yurtoglu3*

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* The views expressed do not necessarily represent those of the IMF, its board of directors, or its management or IMF policy.

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2 IMF and University of Amsterdam
3 WHU Otto Beisheim School of Management
Executive Summary

This paper provides an account of the Emerging Markets Corporate Governance Research Network (EMCGN) and its first 10 years of activities. The paper describes the history of the EMCGN and its objectives—to stimulate research focused on corporate governance in emerging markets as well as transition and developing countries—it structure, which is a joint undertaking of corporate governance research centers and internationally recognized scholars with IFC Corporate Governance acting as its catalyst; and its modalities: organizing workshops, holding biannual conferences, and disseminating and communicating research.

The paper reviews EMCGN’s output in terms of quantity and quality, based on objective research rankings, and its effects on countries in terms of capacity building and policy changes and development, based on the experiences of participants and policy makers exposed to its work. Analysis of publication data shows that EMCGN has been successful in encouraging research on CG in emerging markets in most areas of research that identified as critical at the inception of EMCGN and through its interactions with practitioners and policy makers. EMCGN has been also successful in stimulating collaborative research and facilitating dialogs between scholars and the larger CG community. Its impact on policy and practice development, inherently difficult to pin point, seems to have been most effective when channeled through efforts of local CG associations with professional members to influence relevant policy makers and when using actively media to communicate needs for key reforms.

It concludes that EMCGN has been highly instrumental in delivering quality research, encouraging empirical cross-country investigations and collaborations, and fostering local research capacity building. Successfully informing and influencing policy at the country and global levels has required institutional endorsements, engagement with complementary institutions, continuity in leadership and involvement of high-profile scientists. Depending also on resources available and the quality of communications, success in fostering policy changes has consequently varied.

This review of EMCGN also provides lessons for other networks aimed at supporting research related to economic and social development issues in emerging markets and developing countries. Experiences with research networks in emerging and developing countries are relatively new and networks have met mixed success. The case study of EMCGN shows that research networks in emerging markets can generate significant payoffs provided key success factors are in place as well as barriers networks faces are recognized early on and addressed.

As the EMCGN has been instrumental in encouraging cross-country research, its experiences also highlight the fact that developing countries are different in many ways. The work of the EMCGN also reveals the large need to assure that research continues to improve and that research on individual countries is better disseminated so as to share methodologies and, to the extent possible, generalize lessons. In summary, more and better research remains needed.
1. INTRODUCTION: EMCGN’s Purpose and History

The Emerging Markets Corporate Governance Network (EMCGN)'s primary purpose is to stimulate research focused on corporate governance (CG) in emerging markets as well as transition and developing countries. The Network aims to raise the academic quality of CG related research through fostering international exchanges among scholars in all regions, providing young and promising scholars with exposures to international experts, and exploring the common aspects of corporate governance issues across countries.

EMCGN was kicked off on April 5 2002. Its formation was in large motivated by the outcome of research showing the role of CG deficiencies in leading to the East Asian financial crises in the late 1990s, as well as the subsequent CG failures in other emerging markets and major advanced countries. Furthermore, pioneering studies then available demonstrated that CG greatly matters for firm performance and sustainability and for countries’ growth and development. The essentiality of CG for development has been reinforced since then in many ways by the findings of other studies (for a comprehensive review see Claessens and Yurtoglu, 2012 and 2013). The channels through which CG affects development that have been identified can be presented in Figure 1 below.

Figure 1: The Channels through which CG Affects Development

<table>
<thead>
<tr>
<th>Channel</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased access to external financing by firms</td>
<td>This can lead to greater investment, higher growth, and greater employment creation.</td>
</tr>
<tr>
<td>Lower cost of capital</td>
<td>This makes firms more attractive to investors, leading to growth and more employment.</td>
</tr>
<tr>
<td>Better operational performance</td>
<td>Through better allocation of resources and better management.</td>
</tr>
<tr>
<td>Financial crises less likely</td>
<td>Important, as highlighted recently again, given the large economic and social costs of crises.</td>
</tr>
<tr>
<td>Better relationships with all stakeholders</td>
<td>Improves social and labor relationships and aspects such as environmental protection, and can help further reduce poverty and inequality.</td>
</tr>
</tbody>
</table>

Source: Adapted from Claessens and Yurtoglu (2013).

Acknowledging the channels through which CG operates and recognizing the crucial importance of countries’ institutional environment for fostering “good” CG, the Network supports dialogues of researchers with policy makers and the private sector. Such dialogs serve to communicate the outcomes of research and their implications for policy development. They also help to better understand real world challenges in order to

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5 Some key references from that period include Shleifer and Vishny (1997) and LLSV (1998). La Porta, Lopez-de-Silanes and Shleifer (2008 and 2013) provide an overview of this research.
identify knowledge gaps and align research agendas accordingly. Furthermore, while substantial reforms have taken place in many (developing) countries, the outcomes of these reforms have not been yet systematically captured by academic research. Doing so is most efficiently done by building global links, encouraging research collaboration and facilitating outreach.

From the start, EMCGN was conceptualized as a joint undertaking of CG research centers and internationally recognized scholars, with the Global Corporate Governance Forum (GCGF) acting as its catalyst. The Forum was later merged into International Finance Corporation’s (IFC) Corporate Governance Group, which continues to support the Network’s activities. The kick off meeting was held at the World Bank in 2002 and was attended by 50 participants including besides leading researchers on CG, selected policy makers, practitioners and staff from international institutions. The Network was subsequently formally launched in February 2004 in Tokyo by Stijn Claessens, then professor at University of Amsterdam, and Florencio Lopez-de-Silanes, then professor at Yale University.

The Network has evolved, however, over the years. While it still works with IFC and builds on the work undertaken by leading scholars in developed countries – as many are its members, institutional capacity and research conducted in emerging markets on CG has increased substantially over the past decade. A number of regional and national CG research networks and centers have emerged, most often associated with premier developing/emerging country universities, boosting local research and policy-making capacity. AICG (Asian Institute of Corporate Governance) is the best example of this in Asia and BICG (Brazil Institute of Corporate Governance) is a good example in Latin America. These days, CG research in emerging markets is increasingly conducted by researchers associated with these regional and national centers, even when the researchers themselves are not based there.

Parallel to this development, the debate on what constitutes good CG outside developed markets has intensified. Notably, increasingly research by these centers and elsewhere has shown that models applicable

6 The Global Corporate Governance Forum is an International Finance Corporation (IFC) multi-donor trust fund facility located in the IFC/World Bank Corporate Governance and Capital Markets Department. The Forum was co-founded by the World Bank and the Organization for Economic Co-operation and Development (OECD) in 1999. The Forum promotes sustainable economic growth and poverty reduction within the framework of agreed international development targets. The Forum focuses on practical, targeted corporate governance initiatives at the local, regional and global level.

7 In summer of 2005, Erik Berglof, then professor at Stockholm School of Economics and Luigi Zingales, professor at University of Chicago took over the co-chairmanship. The Network activities were stalled for a short period until 2007 when Claessens reassumed the role of the chair and a secretariat was established at Sabanci University Corporate Governance Forum

8 Web Site: http://www.aicg.org/
9 Web Site: http://www.ibgc.org.br/English.aspx
to developed countries do not always translate and have to be adapted. More general, research has demonstrated the need to revisit and adapt what constitutes good CG. And the work of these centers demonstrates that a dialogue at the country or regional levels between researchers and practitioners are valued by both parties, as it can foster the right forms of adaption and adjustments.
2. NETWORK OBJECTIVES, ACTIVITIES AND OUTPUT

Objectives of CG Research in Emerging Markets

The first meeting of the EMCGN in 2002 articulated the challenges for CG research in emerging markets as follows:

“..., evidence on the importance and impact of CG is still fragmented and not always in a form to support policy recommendations. Especially in developing countries, the full relationships between CG, financing and development has yet to be clearly articulated and tested. Ownership structures, and legal and economic environments in developing and emerging markets still pose challenges to reform, and the implications for effective strategies are not fully understood. While researchers are tackling some of these issues, there is limited synergy between efforts in terms of data collection, exchange of ideas and development of a broad research agenda that tackles the most urgent issues from a policy perspective in developing and emerging markets.” (Claessens, 2002)

The meeting highlighted lack of data as the key obstacle for future research work. Data issues were grouped in around several themes; (i) data on institutional frameworks, (ii) firm data, and (iii) data on CG choices by firms. The need for new empirical research to address important methodological issues was also discussed, including the simultaneity and endogeneity that impede inferences about causality from correlations and new structural models at the micro and macro level. The key areas of research were identified included (i) the evolution of countries’ institutional framework, (ii) insider (family) ownership and control, (iii) the role of first-stage financing and debt financing on CG, (iv) role of different types of owners and other stakeholders on CG including banks, institutional investors and employees, and (v) alternative mechanism of CG such as changes in ownership structures and competition in factor markets.

Network Activities

The Network activities over the past decade have concentrated on organizing workshops and biannual conferences and on the dissemination and communication of research.

**EMCGN’s Workshop and Conferences**

In the first few years, the Network organized several regional workshops: Chile in December 2002; South Africa in January 2003; Korea in May 2003; Hungary in July 2003, India in December 2003, Turkey in May 2004, Shanghai in March 2005, with participations by researchers from the regions. A key activity for the Network has become the *International Conference Series on Corporate Governance in Emerging Markets*. This has become the top global conference dedicated to on CG, where the forthcoming issues in CG are identified and broad lessons of CG in developing countries are drawn. The conferences typically include policy makers and practitioners in special sessions, and can include a separate day for local market participants and investors’ community. The keynote speakers are carefully selected from among internationally acknowledged scholars and reflective practitioners.

*“The conference and the meetings were a good opportunity to further my research with more confidence. I am grateful to all who have made it work! The Network and the conferences helped our school and our scholars to expand their exposure to international cooperation and widen its activities.”*

Prof. Kyung Suh Park
Korea University Business School
(Presenter, member of the Third Conference’s Organizing Committee)
The 1st International Conference on Emerging Markets was held on November 16-19, 2007 in Istanbul with participation of more than 100 researchers from 30 countries. The conference took stock of ongoing research on CG in emerging markets and the expanding research in developing countries. More than 40 academic papers, including those papers specifically focused on Turkey, were presented and discussed and 2 keynote speeches were delivered. It attracted researchers from all key emerging markets and brought them together with internationally acknowledged senior researchers in the Network and GCGF’s Private Sector Advisory Group (PSAG) members as reflective practitioners. This broad range participation facilitated a lively debate between scholars and practitioners on the boards’ role in CG, which also led to a publication on the topic.  

The 2nd Conference on CG in Emerging Markets was held in São Paulo, Brazil, July 2nd and 3rd, 2009, and was a similar success. In between the two conferences, a number of research projects supported by the Network were presented in a workshop hosted by Yale University’s Millstein Center of CG and Performance in September 2008. The 3rd Conference took place in Seoul, Korea, June 28-29, 2011 and the 4th in Hyderabad, India, August 23-24, 2013. Preparations for the 5th Conference, planned to take place in Cape Town, South Africa, were underway at the time this paper was written.

**Dissemination**

Key tasks for any network will be dissemination of activities, new research and publications. EMCGN research newsletter, electronically distributed by IFC to more than 1000 addresses around the world, is the main vehicle for informing the CG community on state of the art in CG research in emerging markets. It is also featured prominently in IFC’s Corporate Governance Network Bulletin that is distributed to more than 7000 practitioners in emerging markets, thus helping to enhance the dialogue of researchers with policy makers and the private sector. EMCGN, with the support of and in collaboration with the IFC, published 14 quarterly newsletters from 2011 to March 2014. The newsletter features an interview with a well-known scholar within the Network. The interviews are very effective in communicating the most recent thinking in CG through the words of interviewees.

IFC also hosts and manages the EMCGN Web page. It serves as a knowledge repository and is the institutional backbone of the Network. It provides links to the conference Web sites, newsletters, facilitates downloading of publications, and features a calendar of Network events. Video recordings of conference keynote speeches and panels whereby scholars interact with practitioners are featured on conference Web sites.

**New Research**

The network is not envisioned to commission research given the understanding that scholars themselves need to ensure academic quality and independence, and other forms of peer review must oversee any research. The Network however organizes from time to time workshops where a smaller number of senior, international researchers can interact with a small group of emerging market based researchers. One such example is a workshop at Yale University. The Scientific Committee selected eight research projects from an initial list of 63 research proposals in May 2007 and a small amount of grant was allocated to research proposals to cover data collection efforts. Researchers from 8 countries presented their work in September 2008 at Millstein Center of Corporate Governance and Performance. In addition to these papers, a review of the empirical literature on CG in emerging markets had been commissioned, both to serve as background information for the workshop and to highlight future areas that should be particularly encouraged so as to address research gaps (an updated version of this review is the most popular EMCGN-resource based on the number of downloads from the IFC Web site).

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10 See Ararat and Dallas (2010)
One other way by which scholars have been able to support the mission of its main sponsor IFC has been to contribute to its publications. Many members of the Network have authored articles and reports, which are disseminated to IFC CG Group’s global network of policy makers and practitioners. Table 1 provides a list of such publications.

### Table 1: IFC Publications by EMCGN members as of 31 December 2013.

<table>
<thead>
<tr>
<th>Authors</th>
<th>Year</th>
<th>Title</th>
<th>GCGF Publication</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stijn Claessens</td>
<td>2012</td>
<td>Corporate Governance and Development, an Update</td>
<td>Focus 10</td>
</tr>
<tr>
<td>B. Burcin Yurtoglu</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Melsa Ararat</td>
<td>2011</td>
<td>Corporate Governance in Emerging Markets: Why It Matters to Investors - and What They Can Do About It</td>
<td>PSO 22</td>
</tr>
<tr>
<td>George Dallas</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Melsa Ararat</td>
<td>2008</td>
<td>Novo Mercado and Its Followers: Case Studies in Corporate Governance Reform</td>
<td>Focus 5</td>
</tr>
<tr>
<td>B. Burcin Yurtoglu</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ira Millstein</td>
<td>2003</td>
<td>Enforcement and Corporate Governance: Three Views</td>
<td>Focus 3</td>
</tr>
<tr>
<td>Shri G.N. Bajpai</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Erik Berglof</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stijn Claessens</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eric Berglof</td>
<td>2003</td>
<td>Enforcement and Corporate Governance</td>
<td>Discussion Paper 5</td>
</tr>
<tr>
<td>Stijn Claessens</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Florencio Lopez-de-Silanes</td>
<td>2003</td>
<td>A Survey of Securities Laws and Enforcement</td>
<td>Discussion Paper 4</td>
</tr>
<tr>
<td>Ross Levine</td>
<td>2003</td>
<td>The Corporate Governance of Banks</td>
<td>Discussion Paper 3</td>
</tr>
<tr>
<td>Enrico Perotti</td>
<td>2003</td>
<td>State Ownership: A Residual Role</td>
<td>Discussion Paper 2</td>
</tr>
<tr>
<td>Randall Morck</td>
<td>2003</td>
<td>Corporate Governance and family Control</td>
<td>Discussion Paper 1</td>
</tr>
</tbody>
</table>
3. CONTRIBUTIONS TO RESEARCH AND POLICY

Research focus

Consistent with the channels by which CG is thought to affect development and the key topics in CG in emerging markets identified during the first and subsequent meetings, the focus of research has largely been on a select group of issues. These include: dynamics of ownership and control structures; the role of family controlled firms, with especial focus on the governance of business group firms; the role of the board of directors; the role of institutional investors; as well as the effects of institutional environment, capital market regulations and related legal issues. These are common topics that researchers have explored in all biannual conferences and are recurring themes in all work. Table 2 provides an overview of the specific issues of each conference.

Table 2:

<table>
<thead>
<tr>
<th>Conferences</th>
<th>Key Notes</th>
<th>Conference Call Themes</th>
<th>Session Themes</th>
<th>Number of Countries Registered</th>
</tr>
</thead>
</table>
2. Randall Morck: The Mystery of the Great Pyramids | 1. Political power and corporate control in emerging markets  
2. Relationship between financial sector development and corporate governance  
3. Determinants of board compositions and the role of the board in emerging markets and implications for corporate performance  
4. The role of stakeholders in emerging markets and sustainable development  
5. Corporate governance and enforcement mechanisms in emerging markets | N/A | 30 |
| Sao Paolo Conference (2009) | 1. Randal Morck: Corporatism and the Ghost of the Third Way  
2. Vikramaditya Khanna: Corporate Governance in India: Past, Present and Future | 1. Dynamic aspects of ownership and control structures  
2. Inside the Emerging Market Companies  
3. The role of external and voluntary mechanisms of governance  
4. The role of stakeholders in emerging markets and sustainable development  
5. Corporate governance and enforcement mechanisms in emerging markets | 1. Corporate Governance and Value Creation  
2. Foreign Listings  
3. Stakeholders and Cultural Values  
4. Institutional Shareholders  
5. Issues of Control  
6. Corporate Control  
7. Ownership and Control | 19 |
2. Joseph Fan: Corporate Governance in Emerging Markets: Lessons from China and Brazil | 1. Dynamic aspects and effects of ownership and control structures in emerging market corporations  
2. Political economy and institutional aspects of corporate governance in emerging economies  
3. Corporate social responsibility, the role of stakeholders and sustainable development | 1. Agency Problem and Managerial Incentive  
2. Capital Markets and Corporate Governance  
3. CEO and the Board of Directors  
4. Corporate Governance Mechanisms and Corporate Decisions  
5. Family-Controlled Firms  
6. Green Financing and CSR  
7. Institutions and Corporate Governance  
8. Shareholder Rights and Corporate Control  
9. Market for Control  
10. Governance of Business Groups | 18 |
Table 2: (continued)

<table>
<thead>
<tr>
<th>Conferences</th>
<th>Key Notes</th>
<th>Conference Call Themes</th>
<th>Session Themes</th>
<th>Number of Countries Represented</th>
</tr>
</thead>
</table>
| Hyderabad Conference (2013) | 1. Viral Acharya: Private Firms, Public Firms and the Financing of Innovation  
2. Steve Lydenberg: Emerging Trends in CSR data and Disclosure  
3. Vladimir Atasanov: Shock-Based Causal Inference in Corporate Finance Research | 1. Dynamic aspects of ownership and control structures  
2. New dimensions of firm-society interactions and governance implications  
3. Public and private enforcement and dynamic changes | 1. Corporate Governance and Disclosure  
2. Debt and Corporate Governance  
3. Management Behaviour and Dominant Shareholder  
4. Managerial Labor Market  
5. Debt, Equity and Corporate Governance  
6. Board of Directors  
7. Law and Enforcement  
8. External Monitoring | 22 |

Quality and Impact of Research

Evaluation of research quality used to be somewhat subjective, but more recently the quality of research produced can be assessed quite objectively by publication performance of accepted papers (Arnold et al. 2003; Currie and Pandher, 2011). There is also some indication that rankings of scholars are used in tenure decisions (Glover et al. 2006) Table 3 below shows the publication records of accepted papers in the four global conferences organized by the Network.

Table 3: Number of accepted and published papers

Table presents the total number of papers accepted for presentation in the four IFC-GCGF conferences and the number of published papers as of 31 December 2013.

<table>
<thead>
<tr>
<th>Conference</th>
<th>Year</th>
<th>Number of Submitted Papers</th>
<th>Number of Accepted Papers</th>
<th>Number of Published Papers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Istanbul</td>
<td>2007</td>
<td>108</td>
<td>30</td>
<td>23</td>
</tr>
<tr>
<td>Sao Paulo</td>
<td>2009</td>
<td>138</td>
<td>28</td>
<td>15</td>
</tr>
<tr>
<td>Seoul</td>
<td>2011</td>
<td>107</td>
<td>38</td>
<td>12</td>
</tr>
<tr>
<td>Hyderabad</td>
<td>2013</td>
<td>133</td>
<td>27</td>
<td>1</td>
</tr>
</tbody>
</table>

The majority of the papers presented at the four conferences have been empirical (103) and only a small fraction (9) theoretical. Seventy-two of the 103 empirical papers were focused on a single country and 31 of them were multi-country corporate governance studies. With the exception of analyzing a handful of developed countries (3 papers on USA, one paper on Sweden and Australia), all empirical papers have focused on one or more emerging markets.
Table 4: Topics

Table classifies the papers presented in the four IFC-GCGF conferences according to their broad orientation (theory papers vs empirical papers). It also documents the number of multi-country empirical papers and single country empirical papers.

<table>
<thead>
<tr>
<th></th>
<th>Istanbul</th>
<th>Sao Paulo</th>
<th>Seoul</th>
<th>Hyderabad</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theory Papers</td>
<td>5</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>9</td>
</tr>
<tr>
<td>Empirical Papers</td>
<td>23</td>
<td>24</td>
<td>33</td>
<td>26</td>
<td>103</td>
</tr>
<tr>
<td>Empirical: Multicountry Studies</td>
<td>6</td>
<td>9</td>
<td>10</td>
<td>6</td>
<td>31</td>
</tr>
<tr>
<td>Empirical: Single-Country Studies</td>
<td>17</td>
<td>15</td>
<td>23</td>
<td>20</td>
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<tr>
<td>Australia</td>
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<td>Bangladesh</td>
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<td>Brazil</td>
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<td>Bulgaria</td>
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<tr>
<td>China/Hong Kong</td>
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<td>India</td>
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<td>Ukraine</td>
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<td>2</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>28</strong></td>
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<td><strong>35</strong></td>
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</tbody>
</table>
The top outlet for the conference papers is Journal of Corporate Finance, followed by Review of Financial Studies, Journal of Financial Economics, Corporate Governance, Journal of Financial Intermediation, and the Pacific-Basin Finance Journal. Table 5 presents the positive trend in the quality of the journals conference papers are published in. These journals belong to set of top tier journals in finance and have the highest impact factors in the field and fare disproportionately well on other factors such as Awareness and Importance as well (Currie and Pandher, 2011). According to Table 5, 73% of the papers of the first conference are already published and only 27% are working papers whereas the same figures are 54% and 36% for the second conference and 32% and 66% for the third conference respectively.

**Table 5: List of Journals**

Table 5 lists the journals where the papers are published. The last three columns report the impact factor, 5-year impact factor and the immediacy index of the journals.*

<table>
<thead>
<tr>
<th>Journal Title</th>
<th>Istanbul</th>
<th>Sao Paulo</th>
<th>Seoul</th>
<th>Hyderabad</th>
<th>Total</th>
<th>Impact Factor</th>
<th>5-Year Impact Factor</th>
<th>Immediacy Index</th>
</tr>
</thead>
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<td>Accounting Review</td>
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<td>1</td>
<td>1</td>
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<td>3.2</td>
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<td></td>
<td>0.42</td>
<td>0.35</td>
<td>0.1</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Chinese Business Review</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Comparative Economic Studies</td>
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<td></td>
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<td>Corporate Governance</td>
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<td>3</td>
<td>3</td>
<td>1.4</td>
<td>1.58</td>
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<td>1.17</td>
<td>0.36</td>
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<td>India Macroeconomics Annual 2008</td>
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<tr>
<td>Int. Journal of Business Gov. and Ethics</td>
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<td></td>
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<td></td>
<td></td>
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<tr>
<td>Journal of Accounting and Economics</td>
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<td></td>
<td></td>
<td>1</td>
<td>3.91</td>
<td>4.02</td>
<td>0.29</td>
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<tr>
<td>Journal of Banking &amp; Finance</td>
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<td>1</td>
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<td>1</td>
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<tr>
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<td>1</td>
<td>2.98</td>
<td>3.95</td>
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<tr>
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<td>5</td>
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<td>1.77</td>
<td>0.16</td>
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<tr>
<td>Journal of Economic Literature</td>
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<td></td>
<td>1</td>
<td>6.67</td>
<td>10.16</td>
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<td>1</td>
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<tr>
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<td></td>
<td>1</td>
<td>1.07</td>
<td>0.14</td>
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</tr>
<tr>
<td>Journal of Financial Economics</td>
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<td>3</td>
<td>3.42</td>
<td>5.09</td>
<td>0.67</td>
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<tr>
<td>Journal of Financial Intermediation</td>
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<td>1</td>
<td>3</td>
<td>3</td>
<td>2.21</td>
<td>2.46</td>
<td>0.11</td>
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<tr>
<td>Journal of Fin. and Quant. Analysis</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td>1.64</td>
<td>2.13</td>
<td>0.21</td>
<td></td>
</tr>
<tr>
<td>Journal of International Economics</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td>2.09</td>
<td>3.27</td>
<td>0.37</td>
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<td>Northwestern Journal of Int. Law</td>
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<td></td>
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<td></td>
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<tr>
<td>Pacific-Basin Finance Journal</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>0.57</td>
<td>0.07</td>
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<tr>
<td>Post-Communist Economies</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
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<td>0.5</td>
<td>0.03</td>
<td></td>
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<tr>
<td>Review of Accounting Studies</td>
<td>1</td>
<td></td>
<td></td>
<td>1</td>
<td>1.36</td>
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<tr>
<td>Review of Finance</td>
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<tr>
<td>Review of Financial Studies</td>
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<td></td>
<td>3</td>
<td>3.26</td>
<td>5.37</td>
<td>0.42</td>
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</tbody>
</table>
Another measure of quality as well as of impact of the work of EMCGN is the number of downloads and the citation records papers. Table 6 presents this progress over the years. It shows that the papers presented at conferences appear to be increasingly more downloaded. For example, the average number of downloads of papers presented in the first conference is 103 per year per paper whereas the same figure is 128 for the third conference. It is difficult to compare the improvement in citations since papers get more citations, as they are older. The average citation of papers presented in the first conference is 1.8 per year for 7 years and the same figure is a comparable 1.6 for the third conference for 3 years.

**Table 6: Publication years of published papers accepted in the four IFC-GCGF conferences**

Table presents the publication years published papers accepted in the four IFC-GCGF conferences and in total. The last three rows indicate average number of downloads and citations at the Social Science Research Network (SSRN)* website and the average number of Google Scholar** citations of all papers accepted for presentation.
One of the EMCGN’s objectives is to enhance the links of young researchers with international scholars and help with capacity building in emerging markets. Table 7 shows that the leading roles of US based researchers have been gradually reduced and the ratio of papers with first, second, and third author affiliated with and emerging market institution has increased. The analysis of the data also shows that collaboration between members has increased over time.

Table 7: Geographic distribution of the affiliation of authors

Table 7 presents the geographic distribution of first, second (if available) and third authors (if available) of accepted papers in the IFC-GCGF conferences. The affiliation of authors refers to the location of the institution with which the authors are affiliated.
One other objective of EMCGN is helping authors in revising papers. Analysis of the publication records of papers presented in Istanbul conference shows the publication performance reached its peak 2-3 years after the conference. The period between conference presentation and publications also seems to be narrowing since then as the peak is reached in the fourth year after the conference for the first conference, and in the second year for the second and third conferences. This demonstrates that the Network has increasingly been successful in guiding authors in revising papers, and guiding them to the right journals.
Contributions to Policy Changes

It is inherently difficult to demonstrate a direct causal affect of research outcome on say new CG rules and regulations that may come into effect after publication of the results. We solicited therefore network members for their views on the impact of their research on policy development. The responses show that the CG centers that the researchers are affiliated with are more instrumental in promoting improvements in regulations and other elements of the institutional environment. In doing so, policy makers relied more and more on research inputs.

Anecdotal evidence also suggests that in all countries where there is collaboration between researchers and CG associations, CG agenda is more informed by research outcomes. A recent example of such collaboration inspired by EMCGN is the appointment of CGFT (Sabanci University CG Forum) as the academic advisor to TKYD (CG Association of Turkey). And in general awareness of CG is greater in those countries with more established researches, including those connected to the EMCGN.

"EMCGN provided a great opportunity for our faculty and students to become aware of the extant research and policy imperatives related to corporate governance. It also provided a platform to India and its institutions to display their seriousness in implementing higher standards of governance in the country."

Prof. Subrata Sarkar
Indira Gandhi Institute of Development Research (Presenter, member of the Fourth Conference’s Organizing Committee)

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12 See Ararat and Karacar, “One size does not fit all, but one network can serve all”, in ICGN Year Book 2013,
4. OVERALL LESSONS

Based on our analyses, and complemented by observations and discussions with members, the key success factors for EMCGN to continue to pursue its mission are:

- **Institutional endorsement and financial support by IFC** has been critical in the early days reviving the Network. Financial support gradually has become less important as local hosts managed to raise local funding. The contribution from IFC has been reduced from $134K for the first conference to $32K for the fourth conference. The credibility of the host universities and the involvement of IFC in identifying potential sponsors made it easier to raise funds locally.

- **Involvement of senior international scholars** as discussants or keynote speakers has been and will continue to attract scholars working on CG in emerging markets to EMCGN conferences. Continuity of coordination capacity, albeit minimal, led to standardization of conference processes, which in turn help the host organizations to be more efficient.

- **The knowledge management and dissemination support provided by IFC** has formed the institutional backbone of the Network. Dissemination would have suffered if left to researchers whereas IFC CG Group had the capacity and the expertise to support the dissemination. The Network remained largely informal, while the local CG research centers the EMCGN is associated with evolved into more formal structures. The informal nature of the Network eliminated the need for costly administration; however, this was only possible thanks to IFC CG Group and its donors. The Network is now more of a joint undertaking of CG research centers with internationally recognized scholars. CG advocacy centers are collaborating with and supporting the research centers as it was envisaged during the initial stages of the Network.

- **Knowledge Gaps** Despite the bourgeoning research on CG in emerging markets, there are issues requiring continued work as explained below (see Box).

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**General CG research gaps**

A recent paper authored by the EMCGN chair and co-coordinator and based on a survey summarizes the current status of CG research in emerging markets (Claessens & Yurtoglu, 2012). According to the paper, research has documented the role of CG for access to financing, cost of capital, valuation, and performance across the countries. Various papers documented differences in institutional features and their role in the effectiveness of CG mechanisms. But many issues remain to be researched, notably three:

The first topic is **ownership structures and relationships with performance**. Much research in this field establishes that more concentrated ownership can be beneficial unless there is a disparity of control and cash flow rights. Too little is known, however, on ownership structures in complex groups, the role of multiple shareholders and the dynamics of ownership structures. The role of institutional investors in emerging markets is not clearly understood. Finer studies, which analyze the links between outside shareholders such as institutional investors and their board representation, deserve further analysis. An equally important question
is the role of banks in emerging markets. While there is some research on state ownership of banks and on
the group banks, the full impact of their governance in emerging markets - and in developed markets for that
matter is not yet documented.

The second area is internal CG mechanisms and stakeholders’ roles. More research focus on how CG
actually takes place would be very useful, even though data are hard to get. Most evidence shows that truly
independent boards clearly contribute to better firm performance and higher valuations, but independence
in essence is hard to establish. Relatively little evidence exists on executive compensation and managerial
labor market mechanisms. A similarly under-researched area is the role of other stakeholders and the role of
CG on environmental and social performance. This is an area, which suffers from data issues as CG research
had in the early days. The analysis of employee representation, interactions with suppliers and civil society
institutions and issues related to corporate social responsibility are almost empty research fields in emerging
market countries. The role and governance of institutional investors is an under-researched area in emerging
economies, a topic closely related to the local saving capacity and channels for encouraging savings to be
invested in stick markets. This topic is closely related to pension fund development and has a potential to
contribute to the dynamics of institutional frameworks.

The third area is enforcement, both private and public. There is some evidence that when a country’s overall
CG and property rights system are weak, voluntary and market CG mechanisms have limited effectiveness.
But not more than a few studies exist which analyze how to enhance enforcement in such environments. The
degree of public-private partnership in enhancing enforcement is presumably important, but understudied
both from a theoretical and empirical perspective. There is more evidence needed on how voluntary
mechanisms (such as cross-listings, adopting codes of best practices or international accounting standards)
can be valuable. The interaction of cross-listings with domestic financial development is a further potentially
useful research area.
5. CONCLUSION

Experiences with research networks in emerging markets, developing and transition countries are relatively new, but already point to significant payoffs. The African Economic Research Consortium (AERC) and the Global Development Network (GDN) and, Bureau for Research and Economic Analysis of Development (BREAD) are some successful examples. The experience of EMCGN has confirmed one again the general value of global networks focused on emerging markets and developing countries.

Networks are effective in expanding and disseminating knowledge. They also often lead to the inception of new research projects between nodes members, and can particularly favor the participation and mentoring of young, inexperienced researchers. EMCGN has been successful in facilitating collaboration between senior international scholars and emerging market-based scholars.

EMCGN experience confirmed that incentives remain of limited power in affecting the research agendas. Academics are agents largely driven by curiosity, not necessarily by the needs of the societies or policy makers. Interactions with policy makers and practitioners can have some affect on the research agendas, but the best incentive to encourage research is on specific issues is to facilitate access to data and facilitate interaction with senior scholars.

The Future

Much of the work on CG to date, both empirical as well as analytical, has taken off from models of CG in existence in stable and mature economies. Experiences have highlighted that the CG in many developing countries is, however, quite different from those facing more advanced markets. These experiences showed that best practices derived from developed market experiences are not always effective in an emerging market context. The differences are not necessarily related to deficiencies or institutional weaknesses, but are largely related to ownership and control structures that are different than most developed countries. These structures seem to be persistent and also have emerged in transition countries.

As various crises reveal, CG is a work in progress not only in relation to emerging markets but also in relation to developed markets and will remain so in the foreseeable future. It is thus all the more important that the transfer of knowledge, which has been largely unidirectional to date, travelling from developed to emerging markets, should flow both ways. First of all because emerging markets have come of age where governance is concerned. They have accumulated significant know-how and experience in improving corporate. They have developed novel approached to CG issues. Second, there were, and are continue to be, many failures in the oversight and performance roles of regulatory and supervisory agencies in advanced countries. There is much to be learned from CG research in general, and specifically from emerging markets, which can be useful lessons for advanced countries.

Best practices in CG will evolve around the world and expand in response to changing context, changing priorities and also based on new experiences and knowledge coming from emerging markets. Emerging market networks such as EMCGN can be instrumental to this end.
References


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