Editorial

Junaid M. Shaikh

Department of Accounting,
School of Business, Sarawak Campus (Off Shore Campus),
Curtin University of Technology,
CDT 250 98009 Miri, Sarawak, Malaysia
E-mail: junaid.s@curtin.edu.my
Website: http://www.curtin.edu.my

Shirish Sangle

National Institute of Industrial Engineering (NITIE),
Vihar lake, Powai, Mumbai-400087
E-mail: shirishsangle@nitie.edu

Biographical notes: Junaid M. Shaikh is a Senior Lecturer of Accounting in the School of Business, Curtin University of Technology, Sarawak Campus, Malaysia, (Offshore Campus in Perth, Australia). He has worked as head of accounting in various international Universities, published numerous research papers and has successfully supervised a number of doctoral candidates. His research interests are in managerial accounting, financial accounting and other accounting-related issues. He is a member of the American Accounting Association and the Accounting and Finance Association of Australia and New Zealand. He is on International conferences organisation committees and is a member of the Editorial Board of International Journals.

Shirish Sangle is Assistant Professor of Business and Society at the National Institute of Industrial Engineering, India since 2001. Earlier, he worked for about a year (2005–2006) as Lecturer of Sustainable Business at the University of Leeds, UK. His main interests are business and society, role of stakeholder management in sustainable development, Corporate Social Responsibility, and Social Entrepreneurship. He has published papers in international, national journals and conferences. He is on the editorial board of the *International Journal of Green Economics*, UK, *International Journal of Public Services, Economics and Management*, UK and *International Journal of Ecological Economics and Statistics*.

Welcome to this special issue of WREMSD, which is a devoted to *Accounting Standards Convergence, Corporate Governance and Sustainability Practices in East Asia*. East Asia is home to many of the most dynamic economies in the world and the competition to join in regional trade agreements is intensifying. According to the World Bank, East Asian growth topped 7% in 2004. Economies in East Asia and the Pacific continued to grow at a steady pace in the first half of 2006. Many of East Asia's development challenges are regional in nature. Regional trade, investment, economic integration, and economic governance are high priorities. The role of the modern corporation (e.g., public listed corporations) is pivotal to the public debate on globalisation and sustainable development. East Asia's miracle has been its ability to meet this challenge. The present crisis provides an opportunity to lay the foundation for a new system of improved corporate governance that brings in sizeable outside shareholders and encourages transparency, strengthened minority shareholder rights, broader capital markets, and sound financial systems. In developing countries, such reforms occur in a context that is primarily defined by previous attempts at promoting 'development' and recent processes of economic globalisation. East Asia's continued rapid development is of great importance. Although policymakers and experts recognise the importance of entrepreneurship for economic growth, this region is well developing in entrepreneurship and innovation compared to the rest of the developing world, and making continuous efforts for strong development. However, eventually, and the sooner the better, the companies in the region must move towards convergence, and harmonisation, with international best practices and standards. Papers for this special issue have been selected to reflect, as closely as possible, the key themes of this Journal. The task of reviewing all papers was mostly carried out at the Curtin University of Technology, Sarawak Campus, Malaysia; however a few papers were also reviewed by expert referees from the UK, USA, Japan, Australia, China and India.

The first paper, 'Loss and dividend changes: analysis of Indian firms', examines the influence of losses on dividend changes of selected Indian firms over the period 1990–2001. The test of signalling hypothesis reinforces the earlier findings that dividend omissions have information content about future earnings. However, analysis of other non-extreme dividend events such as dividend reductions and non-reductions shows that current losses are an important determinant of dividend reductions for firms with an established track record and also that the incidence of dividend reduction is much more severe in the case of Indian firms as compared to that of firms traded on the NYSE. Further, dividend changes appear to signal contemporaneous and lagged earnings performance rather than the future earnings performance.

The second paper, 'Corporate Social Reporting in Malaysia: an institutional perspective', seeks to explore Corporate Social Reporting (CSR) practice among Malaysian companies. It has been a new phenomenon among Malaysian corporates to include social and environmental information in their annual reports. A recent survey by ACCA (2002) provides evidence on this phenomenon. Although this is an encouraging signal, it begs a bigger question as to why Malaysian companies are directing additional resources in terms of time and money to produce corporate social reports Review on the theories used to explain this phenomenon reveals that it is still inconclusive. This study attempts to apply Institutional theory in the understanding of the Malaysian CSR phenomenon.

Interviews with the senior management of ten Malaysian companies practicing CSR provide qualitative data that are analysed to determine motivations that influence CSR. This exploratory study provides evidence that Institutional Theory demonstrates a feasible explanation of CSR practice in Malaysia.

The third paper, 'Corporate governance reforms in Malaysia: insights from institutional theory', uses the institutional theory framework to explain the current corporate governance reforms in Malaysia between 1998 and 2004, after the 1997 financial crisis shook the region. It explores the roles played by both existing and new institutions in promulgating regulations and voluntary codes on corporate governance. It is argued that 'coercive', 'normative' and 'mimetic' pressures have shaped current corporate governance practices in Malaysia. 'Normative' pressures from the accounting and legal professions and international developments in corporate governance reforms seem to have 'coerced' Malaysia into reforming and strengthening its existing corporate governance practices. It also concludes that securities market regulators in Malaysia are backing 'voluntary' codes on corporate governance by embedding them into securities rules and listing requirements, thereby forcing companies to comply. Thus, although the regulatory authorities posit that the Malaysian approach to corporate governance is a hybrid one, it seems to be mostly geared towards regulation.

The fourth paper, 'Lessons in corporate governance from Kautilya's *Arthashastra* in ancient India,' explores the lessons in corporate governance from Kautilya's Arthashastra, highlighting the contribution made by Kautilya in ancient India (4th Century BC). The lessons from Kautilya's Arthashastra are relevant even today and can be integrated into the modern context of corporate management towards achieving the ultimate aim of corporate governance, which is to provide shareholders and stakeholders value. Chinmayananda (2003), states that from time to time there is a need to take a second look at some of the ancient works and provide intelligent interpretation and re-interpretation to apply effectively in the context of modern corporate management. The prospects of analysis of Kautilya's Arthashastra in other areas of corporate management such as strategic management, financial management and human resource management can be considered for future research.

The fifth paper, 'Holistic approach for diagnosing, prioritising, implementing and monitoring effective strategies through synergetic fusion of SWOT, Balanced Scorecard, and QFD'.

The integrative fusion of three powerful strategic tools yields obvious synergetic benefits for strategy planners. This holistic approach provides a pragmatic framework for developing a list of key success factors and converting them into the respective internal strengths and weaknesses of an organisation. A systematic method is adopted to explore and evaluate the significance and occurrence likelihood of various external factors to generate the list of external opportunities and threats. Through matching the internal factors with the external factors, the SWOT analysis yields a list of action items such as the basis for strategies. Slotting these action items (strategic performance measures) in the Balanced Scorecard framework portrays subjective, yet democratic, 'cause and effect' relationships among them through QFD. A Double House of Quality is introduced to depict the relationships among the internal key success factors and the derived strategies. This holistic strategic formulation approach is called BSQ (short-form of Balanced Scorecard-SWOT-QFD).

The sixth paper 'Microfinance for Renewable Energy: financing the 'former poor'', outlines how microbanking facilities have helped large numbers of developing country nationals to claw their way out of abject poverty, specifically by supporting the establishment and the growth of microenterprises. And yet, the microfinance movement has grown on the back of passive replication and needs to be revitalised with new product offerings and innovative service delivery. Off-grid Renewable Energy systems viz., solar home systems, biogas digesters, solar water heating systems, serve to improve indoor air quality, provide superior light and extend working and study hours. Such applications are not inherently income generating and returns on such investments accrue, primarily, from cost avoidance. By definition, and often by explicit regulatory limitation, domestic RE applications do not qualify for microfunding. 'Quality of life' investments such as RE systems, funded through non-self-liquidating loans, reflect borrower maturity and simultaneously contribute to MFI sustainability. Larger loan amounts and longer tenures reduce credit appraisal and service delivery costs per dollar lent. By promoting the consumption of RE systems, MFIs would be contributing to environmental conservation, as well. Innovative institutional structures need to evolve to facilitate the progression of the MFIs into more formal outfits, capable of accessing refinance and capital from banks and commercial investors, and of providing larger loan sizes for longer tenures.

The seventh paper 'An approach to develop Sustainability Management Systems in the steel industry', steel is a material which is in line with sustainable development as it can be recycled over and over again. Steel industries believe that the sustainability through balanced development of society, environment and economy contributes to the heightened corporate value and ultimately enhances the benefits for stakeholders. The key sustainability concerns for the steel industry are achieving consistent profitability, creating value for stakeholders, minimising environmental impacts, resource conservation, and innovative application of steel, health and safety of employees, employment creation and welfare of community. Accordingly, industries have already responded to these challenges through adoption of pillars of sustainability. Steel Industries have considered improvement in sustainability performance as a strategic competitive advantage. In order to achieve improvement in the sustainability performance, concerted effort needs to be taken by applying a 'system based approach' in the organisation. Steel industries have been addressing the sustainability issues in pockets. There has been a growing interest in the industry to embrace system based sustainability management. There has been a paradigm shift in the approach of the organisation from adopting isolated systems to integrated system based approach. Over the years many steel plants have implemented the Environmental Management Systems (EMS) based on the framework of the ISO 14001 standard. This paper discusses the development of Sustainability Management Systems (SMS) for a large steel plant, aimed at integrating sustainability considerations into the decision-making processes of steel companies. The various elements of sustainability requirements and its methodology for implementation across a large organisation are discussed. A simple methodology for evaluation of sustainability aspects has been suggested. This work also aims to prepare a platform to develop a specific standard for SMS, in line with the ISO 14001:2004 and the Global Reporting Initiative (GRI) 2002.

We are sure and confident that this Special Issue of the journal will strengthen readers' understanding of the challenges faced by researchers, practitioners, academics and policy makers in the East Asian region with regard to 'Accounting standards convergence, corporate governance and sustainability practices' and that it will enhance interest and readership of the 'WREMSD'.

Finally, we wish to thank the Editor in Chief, the individual authors, reviewers, the journal's editorial team and staff who have contributed directly and indirectly for making a success of this special issue.