Introduction

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The last few years has witnessed an increasing interest in 'corporate governance', leading Parker (2007) to state that "corporate governance has commanded the highest levels of attention and debate among legislators, regulators, professions, business bodies, media, and in the general community". This special issue includes papers that explore the behavioural aspects of 'corporate governance'. Since the behavioural aspects of corporate governance is a broad one, this special issue incorporates accounting and finance papers. It also includes papers that highlight the behavioural aspects of the interrelationships between governance structures, systems and rules of financial reporting, internal control, risk management and reporting as well as auditing. The selected papers provide readers with insights into the governance behavioural aspects and their impact on the organisations' performances, stock of prices and pattern of disclosures.

This special issue builds on the OECD (2004, p.11) description of the 'corporate governance' underlying objectives as mechanisms that improve corporations' accountability systems and foster transparency practices. The issue also covers a wide range of topics in both developed and emerging economies. It highlights a myriad of problems such as economic uncertainties, frequent government intervention and weak legal and professional controls, risk disclosure, audit practices and corporate management board meeting discussion. These problems illustrate current practices that may work against what Taylor (2000) describes as 'good corporate governance'.

'Discharging accountability' and 'transparency' are the two aspects of corporate governance (Hassan, 2008, 2011, 2012). This special issue's papers explore various forms of accountability, such as professional, legal, financial and social accountability [Sinclair, (1995), p.220; Parker and Gould, 1999]. It also stresses on what Sinclair (1995) defines as 'public accountability' in which managers and organisations become "more accountable to the public, interested community groups and individuals". Consequently corporations and managers become open to disclose information to all citizens and stakeholders who have an opportunity to make criticisms [Coy and Dixon, (2004), p.81]. The 'public accountability' coincides with another aspect of corporate governance perceived as mechanisms that enhance transparency.

'Transparency' is another aspect of governance. 'Transparency' is the extent to which corporate reports and board meeting reveal how corporations' managers discharge their responsibilities in a way that is readily understandable by those who have legitimate interest in the corporation (Barth and Schipper, 2008). In this regards, Parker (2007) points out that governance is a set of broad responsibilities, at corporate level, that goes beyond the preparation of annual reports. The corporate governance, he argues, involves more than compliance with legal requirements. It incorporates, he adds, the voluntary disclosure of information related to wider organisational issues such as management processes, investors' rights, ownership structure and any other information that discharges corporate management responsibilities. This special issue includes six papers.

A paper by Stiglbauer and Velte examines a ten years experience of the German Corporate Governance Code influence on the firm performance. Their paper contests the 'taken for granted' issue that the German Corporate Governance Code (GCGC) of 2002 has improved corporate governance of German listed firms and to make the German corporate governance system and firm-specific corporate governance more transparent for (international) investors. Their paper explores how far companies are in line with the GCGC and if investors reward companies which comply with the GCGC. They find that compliance with the GCGC not to affect German listed firms' capital market performance significantly.

Another paper by Prasanna and Menon explores the relationship between corporate governance and stock market liquidity in India. Their underlying idea is that corporate governance encompasses the processes of board effectiveness and transparent disclosures. Both these requirements result in improved quality and quantity of information made available to investors, which in turn is expected to result in informed trading, reduced information asymmetry and improved market liquidity. Their paper examines the relationship between a firm's level of corporate governance and stock liquidity in the Indian stock market. They constructed a corporate governance index by analysing annual corporate governance reports of the listed Indian companies and investigate the relationship between that index and market liquidity ratio. Their empirical findings show that corporate governance has a positive impact on stock liquidity; also, better governed companies have higher liquidity. Their paper also examines the relationship between the ownership pattern and the stock liquidity, and found that higher holdings reduce stock liquidity.

Catenazzo and Fragnière's paper tests the perceptions of individual shareholders during Swiss annual general meetings (AGMs). Using AGMs as a corporate governance device, their paper shows that a panel of experts has called on small shareholders to increase their involvement in order to improve meeting efficacy. The paper is an experimental study wherein a theatre-based experiment with 149 participants who act as shareholders of a fictitious Swiss-listed SME. They find that active small shareholders are perceived positively by less than half the subjects. Finally, they note that confidence in the board of directors fell markedly over the course of the experiment.

A paper by Chouaiba and Jarboui investigates the effect of the directors' board characteristics on financial performance through innovation activities. The paper contributes to examining the relationship between the directors' board features, as a governance mechanism, and financial performance through innovation. The paper analyses empirical data derived from a sample consisting of 95 Tunisian manufacturing firms in a bid to test the central hypothesis that the directors' board features are positively associated with the firm's financial performance through the innovation level. The findings suggest that the association between the number of board of directors and firms' financial performance is mediated by the firm's innovation level. Accordingly, the paper extents on previous studies and provides an intermediary step in understanding the board's effect on firm performance.

Chou, Xu, Anandarajan and Valenti's paper extends and refines the welfare game model developed by Coate et al. (2002) in two directions. Firstly, by allowing the client and auditor to choose their strategies sequentially, and secondly, by including the possibility that the client can corrupt the auditor with side payments, which result in a failed audit. They suggest that the regulator can impose an ex ante flexible penalty level that increases in proportion to the client's benefits from misstating earnings. Such a preemptive regulation makes the most efficient equilibrium in which the client will move forward to report earnings honestly, followed by the normal audit strategy, even when the auditor may not be independent.

Ghazali's paper explores the perception of Malaysian corporate managers of risk management and disclosure. The paper examines the extent to which Malaysian companies had established separate risk management committees (RMCs), and investigating factors influencing the establishment of that committee as well as the types of risk disclosure provided in the sample companies' annual reports. In contrast to prior studies, which examine corporate annual reports, Ghazali's paper sought views from corporate managers through questionnaire survey on issues related to risk management and disclosure in Malaysia. The paper findings show that 21 (35.6%) companies had established separate RMCs implying that the revised Malaysian Code on Corporate Governance (2007) have had some positive impact on corporate governance in terms of encouraging companies in establishing separate RMCs. Items presented under the banner of financial risk, particularly 'credit' risk was rated by the respondents as the most important disclosure.

The issue of behavioural aspects of corporate governance is complex one, yet there is a global trend that stresses on the exploration on this issue in both emerging and developed markets. We hope that this special issue provides a variety of empirical and theoretical contributions covering the behavioural aspects of corporate governance in both developed and emerging economics.

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