Editorial

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Biographical notes: Željko Šević is a Professor of Accounting, Finance and Public Policy and the Dean of the Caledonian Business School at Glasgow Caledonian University in Scotland. Prior to joining the Caledonian Business School in 2008, as the Head of the Division of Accounting, Finance and Risk, he was the Professor of Accounting Finance and Public Policy in the University of Greenwich Business School, where he was also the Director of Research, Outreach and European Affairs. He has extensive professional experience not only in academia, but also private, public and third sectors. He holds terminal degrees in Law and Financial Economics, is a professionally qualified accountant and certified fraud examiner. He has research interests revolving around the public sector and the application of business models in public sector organisations.

The modern world is a place where diversity is highly appreciated. In fact, all the well-performing organisations are in a constant search as to how they can perform better, imbedding the cultures and practices that come from other meridians and from other organisations (countries). Although the ‘difference’ (‘the other’) and diversity are appreciated and widely acknowledged as contributing to the overall company’s success; one cannot really say that there are no other, reverse trends detected in the modern world, as well. The recent, 2008 World economic crisis, has taught us of the perils of protectionism and closing its own borders on the eve of the serious economic decline. The protectionist legislation is equally pushed both in the US Congress and in other, less developed countries in the World. Focusing on one’s own resources has been a paramount political motive for all those involved in the public policy processes. So, diversity is tamed by the internationally wide-spread practice to close and protect domestic industry in challenging times, on one hand, and by the international trends of promoting harmonisations and mutual rapprochement of various (regulatory) regimes, either through the mutual convergence or through the adoption of the internationally set standards, on the other. In either case, the new organisational forms will be looking for a more or less hybrid model that can perform well in challenging times.

Finance research has been more or less ‘traditional’ since its own ‘modernity’ revolution took place in the late 1950s, early 1960s with the publication of seminal Markowitz papers on portfolio design and theory. The development of CAPM model has marked a stage in the development of business finance, and set the path that we still follow in the academic discipline. However, academics alone, may be even somewhat critical to CAPM (as it was voiced through the development of somewhat alternative models), whilst the business is still largely comfortable using CAPM and not really innovating as often as one would expect, especially at the times of gross need and major societal challenges. Businesses still prefer using CAPM model to any other model, including most recent developments of EVA® as a valuation option. Scholars have, however, failed to establish a link between the accuracy of the model, and the frequency of its use. In fact, there is probably an adverse relationship …

This selection of papers tackles the number of issues that the challenging times have put upon us. Maditinos, Šević and Theriou are looking at the performance at the Athens Stock Exchange (ASE) using EVA® methodology. The authors have engaged in extensive first hand primary research and have built their own database for this particular research, not relying exclusively on the data provided by major data-providers. The results may be somewhat distorted because of this privately built dataset, but as for a number of years Greece was considered an emerging (financial) market, it was their idea to rely on the first hand collected information, rather than databases. The results reported in the paper are based on a complex research that the authors have conducted in Greece with listed companies, their investment advisers and brokers, and have looked on the use of classical and modern methods by the various classes of firms.

Globerman and Singleton are looking at the harmonisation of voluntary practices in Japan. At present the Japanese Accountancy Board is looking at the approximation of the Japanese (American inspired accounting standards) and the International Financial Reporting Standards (IFRS), promulgated by the International Accounting Standard Board (IASB). It is expected that early in the next decade the agreement will be reached on the process of convergence and fazed introduction of IFRS in Japan. Research on companies operating in the Western economies, which are advanced and open, has shown that voluntary disclosures in the normal conditions do not really improve performance. The reasons for this are complex and not always the market is to blame for it. Market filtering, can be a useful instrument in assessing the performance of the firm and its products/services; but for the market to be a successful allocator of resources, it has to be well developed and fully functional. In advanced industrial economies, despite all the perils and challenges, the market does perform its function rather well – but in developing and transitional economies, it is another story. Japan as such is a highly advanced industrialised economy on one hand, but also fairly specific in a way it conducts its business affairs. The societal trust networks are important and other privately held information, or obtained from a 'trusted source' may be decisive in the process of formulating the decisions. Harmonisation *per se*, may improve the overall disclosure quality and consequently enable better market monitoring. The diversity of practices in the case of providing basic data on economic performance of the companies does not really deliver. Investors should be able to decide on the destination on their funds based on a comparable investment data.

Tsaturyan and Bryson have looked at the link between corruption and development, assessing the current Armenian situation. It is common knowledge that transitional and developing economies do face a huge challenge when it comes to fighting corruption. Corruptive practices have been long rooted in a way transitional states operate, and the bribe has almost become a source of supplementary income. Not surprisingly the authors have found that corruption is a hindrance for the overall national economic performance as there is a strong negative correlation between corruption indices and real per capita GDP. Armenia *per se*, is an interesting case to be observed, as the country's corruption indices have been increasing steadily since the year 2000, which is different trend in comparison to the European transitional economies. Interestingly, the economy is generally improving despite the adverse influence of the corruption. In the times of crisis corruption practices flourish, and often the countries are more prone to defend inherent corruption practices as something that may be acceptable, and socially condoned.

The most recent economic crisis that has swept through the World has been, in the opinion of many scholars and professionals, ignited by the serious mortgage crisis. A number of countries, despite sophisticated regulatory frameworks, failed to envisage the crash happening and position themselves for the changed economies. The over-lending in mortgage markets has led to a situation of quasi-domino effect, where many ambitious and fast growing institutions have become vulnerable and unable to meet their dues on time, due to the inter-linkages the whole systems at the brink of illiquidity. Chatzoglou, Eleftheriades and Tsifora have looked at the perceptions of credit risk in Greece, talking to all the important user groups. They have focused on the credit rating procedures in the Greek banks, primarily taking into consideration financial information that banks have and may acquire on their clients. The authors have proven that a good mix of financial and non-financial information, in fact, provides the best results in the terms of envisaging the path that a company/client under scrutiny may take.

China, as one of the leading emerging markets in the world, has attracted undivided attention of scholars since the late 1980s; when China embarked on a series of comprehensive economic and societal reforms. Whilst the former may be assessed as rather successful, (taking into consideration the overall level of economic development of China), the latter cannot be given a pass mark. Chinese society is still dominated by the leading role of the communist party. Any organised opposition is dealt with promptly and dissonant voices are usually silenced, either by the central government or local communities. It is still obvious that the role of the party has changed a little, but still it is a massive cadre based organisation controlling almost all aspects of social life. McIver focuses on banking and financial performance, avoiding to a large extent the societal controversies surrounding the Chinese transitional model. In the late 1980s when the reform part has been instigated by at the time ruling elite, the economic life in a centrally planned economy has largely been controlled by the Central Planning Commission (Authority). Money did not play an active role, although it was present. Consequently, the banking system was government dominated, and there was very little latitude what could be done. State Bank of China has controlled the system and a classical Soviet blueprint of a mono-bank financial system has been endorsed. In that context McIver has been looking whether even after two decades or so, there is in fact a functional classical commercial banking system. The author has concluded that China has the commercial banking system, but that financial indicators abstracted from the bank financial statements clearly suggest that there is still lack of sufficient balances sheet liquidity, which suggests that the system may not be fully ‘commercialised’. On the other issue, as to whether China is facing a serious financial crisis, it is generally concluded that although there have been many indicators of Chinese troubles and possible overheating, the serious crisis and run on banks have not been recorded, as yet. Also, it is a shared optimism that the Chinese economy picks up and facilitates the recovery in other countries.

Finally, whilst the crisis cyclicality is something rather normal in a market (or rather capitalist) economy, a number of developing countries have generally being exposed only to the crisis situations. The crisis was usually complex, being a well stirred mixture of economic, political, societal, cultural crisis. In that context, Zaïre, or now again known as the Republic of Congo (or in the Imperial literature as the Belgium Congo), Dr. Edouard Mambu ma Khenzu is looking at the issues of dollarisation, which was rather endemic to the Congolese economy in the 1990s, especially. Dr. Edouard Mambu ma Khenzu analyses macroeconomic and political causes of dollarisation, especially in the context of a chronically failing national economy and the inability of the government and other political structures to steer the country in a more positive direction. Congo, being a mineral (natural) resources rich country has always attracted attention from abroad, but also has been a good polygon for steering troubles and having ethnical conflicts amongst different African tribes, not only the Congo itself, but also crossing the border and coming from neighbouring countries, most notably Rwanda. The lack of coherent economic policies, endemic corruption enticing the all levels of the government and finally the brutal but failing regime of President Mobutu in the mid to late 1990s has brought inflation in the country to the obscene levels and one of the possible solutions to the problem was the informal dollarisation in the country, as the national, central bank has been constantly failing to protect the national currency. In fact, it did not have any instruments, or rather effective instruments to protect the value of the national currency. With inflation, becoming hyperinflation and spiralling, the normal and expected reaction of the population was – unilateral, informal dollarisation. And, for a number of years it has been the case, although probably even nowadays, the escape in the hard currency of the USA or EU countries (notably Euro) can be a solution to achieve at least short-term stabilisation. Dr. Edouard Mambu ma Khenzu has documented very well all the developments in Congo and ensured that this important episode in the financial history of Africa is not forgotten, as well as in the theory of hyperinflations.

The financial crises, the responses of national governments, especially in the Western highly developed countries have shown that the very ideas of diversity and globalisation, may be put on a back burner, when the immediate national (economic) interests may be threatened from abroad. In the early 2009 a number of governments in the World, have been looking at the economic measures that should provide the stimulus for a failing national economy and ensure that there is positive economic growth in the years to come. To that extent we have looked in this special issue at the number of challenges, ranging from measuring performance in an emerging market, via hyperinflation in an African country to Islamic finance, back reforms, etc. All these issues are of utmost importance for a policy-maker, especially when challenged by the externally initiated events; beyond their usual control. The papers listed here address all these important issues and provide a good insight into the overall process of change in a number of countries (primarily developing).