Preface

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Good governance has recently become a buzzword both in government and corporate policy-making circles, which is frequently used to assess a company's capability, a country's effectiveness of public resource management or even seriousness in national development. In its broader sense, governance is not just about the capacity of the public and private sectors in making decisions and managing resources efficiently, but also in empowering and respecting institutions and processes that govern political, economic and social interactions. Emphasis on governance provides to the public and business sectors to do an institutional mapping of strengths and weaknesses, measure the costs and impact of mis-governance, and identify priority areas for reform and capacity building.

To explore the role of good governance in promoting sustainable development in emerging economies, six papers in this special edition explore the multi-disciplinary knowledge discussing about this region. The topic of foreign direct investment (FDI) opens the discussion by exploring the relationship between FDI's technology spillover and productivity growth through the development of a dynamic model. The results show that increase in technology spillover can gradually increase the productivity of the country and the GDP per capita. The second paper studies the interpersonal trust determinants in Western companies' subsidiaries. It finds that national culture dimensions affect different orientations of organisational practices across all levels but especially for the employee vs. job orientation culture. Formality of performance evaluation will increase trust of supervisors' among local subsidiary members. The third paper demonstrates the moderating effect of human governance. It examines the firm's leverage decision from new perspectives, namely managerial overconfidence and human governance perspectives. Specifically, it explores a behavioural perspective for studying the relationship between managerial overconfidence and firm's capital structure decisions. It finds that a CEO's age, education and prior experience moderate the relationship between CEO overconfidence and leverage decision.

The fourth paper investigates the effect of corporate governance reform on creative accounting practices. It finds a significant difference of income smoothing practices after corporate governance reform compared with its prior period. The three independent variables: profitability, external auditor quality and debt financing, have significant influence on income smoothing practices. The fifth paper analyses the currency substitution phenomenon in a country when it has a high inflation. The results reveal that people react rationally when there is a fluctuation in the exchange rate or financial crisis. The paper also finds that real output contributes significantly to the real money demand and consequently, the central bank should attend to it in conducting the monetary policy. The final paper tests the effects of leadership style and decentralisation on managerial performance. Specifically, it focuses on the management accounting system (MAS) in mediating those effects. The study finds participative and consultative leadership style influence effectively managerial performance, which is significantly mediated by the degree and characteristics of managerial style in the MAS. It implies that an appropriate MAS implementation is a precondition for higher managerial governance and performance.

All the papers' findings affirm that the quality of global governance depends ultimately on leadership. It needs leadership that is proactive, not simply reactive, that is inspired, not simply functional. It is the essence of sustainable development in which good governance performs as a catalyst.