CORPORATE GOVERNANCE IN EXTREME INSTITUTIONAL ENVIRONMENTS

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Abstract

This paper reviews the literature on corporate governance in extreme institutional environments, including both formal and informal institutions. We focus on three main areas of research: corporate governance in an international context, banking and corporate governance, and governance in entrepreneurship and innovation. We document some classic papers in each of these areas and explain how the papers in this special issue contribute to the development of these areas of research. We discuss recommendations for policy and practice and offer suggestions for future research.

Keywords: corporate governance, extreme institutional environments, international business, banking, entrepreneurship

INTRODUCTION

Institutional and legal environments largely shape corporate governance (CG) structures and institutions. Academic research on institutional conditions and corporate governance has traditionally made use of cross-country comparisons, as well as examining changes over time. Recent times, however, have seen extreme shifts in institutional environments, raising new challenges for researchers to study new settings and governance questions. Shifts towards excessive risk taking, unhealthy firm cultures, and acts of corporate misconduct are among a few of the many challenges to existing models of corporate governance brought about by extreme institutional environments.

The banking sector is a case in point. The 2008 global financial crisis (GFC) demonstrated fundamental weaknesses in the regulatory and institutional frameworks and ineffective corporate governance and control mechanisms. It increased public demand for reforms and offered an opportunity to enhance governance arrangements towards a more ethical and sustainable value creation and to promote professional standards at all levels, from boards to non-executive directors and shareholders. Yet cultural change in the financial sector is proving a complex challenge, and it is arguably not the only one.

Emerging technologies, from fintech to robotics, artificial intelligence and machine learning, need effective and agile governance regimes not only to support their sustainable and socially responsible deployment but also to reassure potential innovators, investors and other stakeholders. Equally, while current corporate approaches to climate change can be affected significantly by agency problems, appropriate governance responses are called for. Further, with a high level of diversity within corporations and other organisations, governance has an important task to fulfil in ensuring suitable mechanisms of inclusion, for example with regard to addressing the persistent under-representation of women and other minority groups on corporate boards.

Moreover, political dynamics are changing rapidly, due to the rise in right wing populism across the western world, and in phenomena such as Brexit in the United Kingdom. Therefore, in order to support sustainable development, governance structures need to anticipate and adapt to the new geopolitical balances, growing extreme socio-economic risks, and other unprecedented long-term trends. To be successful, the design of solid and reliable governance structures requires international co-operation, and dedicated research exploration of how firms' and other organisations' decision-making practices and behaviour across the globe adapt to these new political contexts. At the same time, it is crucial to investigate the challenges that extreme institutional changes and political events pose for the development of effective, sustainable and socially responsible corporate governance systems.

The British Journal of Management therefore put out a call for papers for a special issue on "Corporate governance in extreme institutional environments" in 2018, and the University of Essex hosted a conference on topic in 2019 which drew over 100 submissions. The papers in this issue represent the collection of the best papers from this initiative, including a few excellent papers that were submitted but could not be presented at the conference. We saw an exceptional set of papers that comprised theoretical, conceptual, review, comparative as well as empirical contributions that explored corporate governance systems in extreme cultural, political and legal environments. This special issue offers a selection of studies from different disciplines as well as interdisciplinary research that reflect on and provide recommendations for how governance structures around the world should support the next technological revolution in an equitable, inclusive and sustainable way and to protect future generations. In particular, the special issue advances our thinking on corporate governance by moving beyond the traditional conceptual and methodological approaches associated with the dominance of agency theory in corporate governance research, and to explore new perspectives that will allow us to respond more effectively to contemporary corporate governance challenges at a

global level. The papers in this special issue involve contributions adopting a variety of theoretical, conceptual and methodological approaches, and addressing a range of organisational and geographical contexts. They contribute to a critical appraisal of the strengths, weaknesses and consequences of the current set of rules, standards and institutions in light of the increased interconnectedness of global risks on the one hand, and the costs of uncoordinated responses of national governments on the other.

In total, 10 papers were accepted in this special issue. These papers fall within three main, albeit interrelated, categories by research subject: corporate governance in an international context (Fotaki et al., 2021; Herdhayinta et al., 2021; Klettner, 2021), banking and other papers on corporate governance that have implications for various areas including but not limited to banking (Ayadi et al., 2021; Bedendo and Siming, 2021; Gaganis et al., 2021), and governance in entrepreneurship and innovation (Johan and Valenzuela, 2021; Puthusserry et al., 2021; Shaw et al., 2021; Wang et al., 2021). One of the more interesting things about the papers in the special issue is that we see evidence that in extreme institutional environments, there are exacerbated corporate governance consequences that imply nonlinearities and even reversals in the relation between institutional contexts and governance. Consider five examples from this special issue. First, on one hand, non-family female directors play a pronounced role in protecting minority shareholders in one extreme context (Herdhayinta et al., 2021), but on the other hand, business advisory hubs give rise to growth in male employment at the expense of female employment (Johan and Valenzuela, 2021). Second, on one hand, stewardship codes encourage integration of wider economic and societal concerns into corporate finance in extreme environments (Klettner, 2021), but on the other hand, in some extreme contexts the presence of governance rules does not necessarily mean that there will be compliance (Shaw et al., 2021). Third, there is much evidence that trust and social capital is a strong substitute for extreme weak regulatory institutions, including:

corporate culture has an exacerbated impact on innovation (Wang et al., 2021), trust and social capital have an exacerbated role in internationalization (Puthusserry et al., 2021), and emerging technology firms overcomply with governance and ethical standards relative to firms from traditional environments (Fotaki et al., 2021). Fourth, in the presence of stronger regulatory institutions such as the European banking setting, extreme events still happen such as the global financial crisis; but in these contexts, public institutions matter: post-crisis regulatory reforms in banking positively influence banks to change business models and thereby improve stability, and cost efficiency (Ayadi et al., 2021). Fifth, governance consequences can diverge in the presence of political shifts even in countries with strong regulatory institutions. For example, on one hand, we see that environmentally friendly perceptions result in less reputational pressure in Europe (Gaganis et al., 2021), but on the on the other hand we see that shareholders react negatively and firm value declines in response to CEOs that take a stand on public issues by resigning from the Trump presidential advisory council in the U.S. (Bedendo and Siming, 2021). We summarise these excellent new contributions in greater detail herein. Also, we place the papers in the broader context of the related literature and suggest new future research directions. At a broad level, more work is needed to better understand the non-linear impacts of extreme institutional contexts on governance.

This introductory editorial paper is organised as follows. The first part discusses corporate governance in extreme institutional environments in an international context. The second part reviews the specialness of banks in corporate governance. The third part discusses research on entrepreneurship and innovation in extreme institutional environments. Concluding remarks and suggestions for future research are provided in the last section.

CORPORATE GOVERNANCE AND INTERNATIONAL BUSINESS

The literature addressing corporate governance in the international business context can be seen as consisting of three inter-related bodies of knowledge. The first one, international corporate governance research (Wright et al., 2013) – which represents a 'traditional' IB approach, rooted in the Anglo-American shareholder profit maximisation paradigm – discusses corporate governance issues from the perspective of multinational companies (MNCs). In addition, there is literature advanced not only by IB scholars but also by researchers in other social sciences disciplines which examines national and regional institutional environments and their effects for both international and domestic firms (Jackson and Deeg, 2008). These studies tend to focus either on CG in individual countries and regions or they adopt a comparative perspective. More recently, another body of work has emerged, again with contributions from scholars across disciplines, concerned with the responsibilities of corporations towards multiple stakeholders globally (Matten and Moon, 2008), and especially with the role of corporate governance in addressing the grand challenges that contemporary society faces (George et al., 2016; Scherer and Voegtlin, 2020). Within each of these strands of literature, authors emphasise the need to understand changing and extreme environments. In the remainder of this section, we discuss each of these in turn (see Table 1 for examples of research addressing corporate governance in the international context).

- Insert Table 1 here -

Corporate Governance: MNC Focus

International corporate governance (ICG) research is a mature stream of IB literature, addressing corporate governance in multinational corporations (MNCs). Key areas of ICG interest include CEO selection, monitoring and compensation; governance practices within the

parent-subsidiary relationship aimed at prevention of value expropriation; and the introduction of corporate governance policies and practices, for example codes of good governance or managerial support, at subsidiary level (Wright et al., 2013). A range of studies conducted within ICG research with a transnational focus examine the interests of key actors in the MNC context and explore the relationships among them, seeing these as important to understanding the strategic choices made by MNCs (Filatotchev and Wright, 2011). The transnational perspective within ICG research also addresses the role of MNCs as an engine behind the international mobility of corporate governance practices (Cumming et al., 2017). ICG research is also interested in the distribution of control and rights among all MNC stakeholders (Luo, 2005) and in the institutional environments affecting corporate governance in specific country settings (see sub-section below).

Aguilera et al. (2019) identify three ICG research streams: 1) Corporate Governance of the MNC; 2) MNC Governance; and 3) Comparative Corporate Governance of the MNC. The first stream examines 'classic corporate governance puzzles' (Aguilera et al., 2019: 458), viewed from the perspective of the Anglo-American (i.e. shareholder-oriented) model of CG, in the MNC context. Here, key corporate actors are the unit of analysis and therefore these 'puzzles' centre around the distribution of power, responsibilities and rights among MNC stakeholders – in particular, owners (institutional, foreign, family and state), top management teams (TMTs), boards of directors (BODs) and HQs (headquarters) versus subsidiaries – considered at the level of headquarters, subsidiaries and HQ-subsidiary relations. To account for the conflicting interests of the different MNC stakeholders, extant studies have predominantly drawn on agency theory, at times in combination with other theoretical perspectives (Filatotchev and Wright, 2011).

Within the MNC Governance stream of research, the unit of analysis is the MNC, whereas the emphasis is on the question of why companies expand internationally and,

specifically, on the 'governance modes' employed by MNCs in different foreign markets. These governance modes have as their aim ensuring efficient management and control over the MNCs' international operations, and are selected on the basis of the perceived risk present in the foreign markets. Empirical studies have mainly drawn on internalisation theory (Buckley and Casson, 1976), underpinned by the assumption that a firm will choose the market entry mode with the lowest transaction costs. By contrast, the third stream of ICG research identified by Aguilera et al. (2019) takes the country environment as its level of analysis, addressing firms' CG approaches and preferences across various national institutional contexts. Scholars advancing this strand of work within the IB literature have drawn predominantly on the comparative capitalisms perspective in institutional theory (Jackson and Deeg, 2008) to examine MNC choices from a comparative corporate governance (CCG) perspective.

Since the problematic of institutional contexts underpinning corporate governance in different country environments has been addressed not only in 'traditional' IB research but also in other disciplines, such as corporate social responsibility (CSR), finance, law, management and political economy, we address it in more detail in the sub-section below.

Corporate Governance: Institutional Focus

This body of literature advances a context-sensitive approach to corporate governance, addressing CG as institutionally embedded (Wright et al., 2013), and unique to a given country. It discusses CG systems and issues pertaining to corporate governance that can be observed in groups of countries, categorised into taxonomies – such as those characterised by 'family capitalism' or hierarchical market economies (Schneider, 2009) – or specific country/region environments, for example Asian countries (dela Rama, 2012; Globerman, Peng and Shapiro, 2011), Brazil (Rabelo and Vasconcelos, 2002), China (Clarke, 2003; Lau, Lu and Liang, 2016), Egypt (Elsayed, 2010), India (Sarkar and Sarkar, 2012; Sugathan and George, 2015), Latin

America (Sáenz González and García-Meca, 2015), Mexico (Husted and Serrano, 2002), Nigeria (Adegbite, 2015; Ehikioya, 2009), Russia (Puffer and McCarthy, 2003), Tunisia (El Mehdi, 2007; Klai and Omri, 2011), Turkey (Ciftci et al., 2019), Vietnam (Vo and Phan, 2013), and West Africa (Appiah-Kubi et al., 2020). This body of work examines CG frameworks in different country environments and where these are discussed in terms of their effects on firms' decisions and performance, the situation of both domestic and foreign firms is addressed. Institutional environments underpinning business activity in all these countries and regions are considered to be characterised by changes whose direction is often difficult to predict, and therefore as presenting challenges to corporate governance.

In this body of literature, the main focus of research addressing changing and extreme environments has been on countries and regions that have traditionally been classified as emerging markets, with weak and fluid institutional arrangements (Ciftci et al., 2019), and often with numerous obstacles to effective corporate governance, such as corruption, nondisclosure and nontransparency (dela Rama, 2012; Puffer and McCarthy, 2003). Firms in such countries often have state-owned (e.g. China) and family-based (e.g. Turkey) ownership structures, and their internal corporate governance arrangements differ from the shareholder and stakeholder models prevailing in Western countries (Hoskisson et al., 2013; Witt and Redding, 2013). When operating in such contexts, MNCs headquartered in countries with more robust regulations have been shown to be able to draw on their internal strengths and capabilities to compensate for the weaknesses in the local institutional arrangements (Carney, Gedajlovic and Yang, 2009), with a positive impact on performance, and to protect investors' interests through upholding higher CG standards (Collings et al., 2014). Similarly, foreign direct investment into local, family-owned firms based in such countries and regions is likely to benefit those firms' performance and governance (Fainshmidt et al., 2018). On the other hand, in more extreme circumstances brought about by different types of crises – such as those

resulting from economic and political instability, or ethnic and religious tensions – in countries and regions with weak investor protection and institutional stability and effectiveness, firms whose ownership is predominantly family-based may outperform non-family owned firms (Van Essen et al., 2015), as families develop their own strategies for counter-acting institutional voids (Liu, Yang and Zhang, 2012).

Further, the literature suggests that in countries with weak and unstable institutional environments, informal mechanisms play an important role in corporate governance, albeit the effects of these mechanisms are unique to the particular context (Estrin and Prevezer, 2011). At the same time, countries which have succeeded in introducing effective CG structures independent of local political influences have been shown to have a better ability to attract FDI (Appiah-Kubi et al., 2020). Altogether, the literature highlights the importance of studying the specificities and nuances of corporate governance arrangements in changing and unpredictable environments, and brings to the fore the need for understanding how context-specific institutional environments influence CG approaches and, ultimately, performance of both MNCs and local firms in these contexts.

Thus far, we have highlighted that issues of corporate governance in an international context have been studied in both 'traditional' IB scholarship examining ICG from the perspective of MNCs, as well as in research across social sciences disciplines addressing CG environments in different countries, and the differences among these. To fully understand the relevance of corporate governance issues in the international context – and especially the role of CG in addressing the key challenges facing contemporary world – it is also necessary to draw attention to a body of scholarly work that expresses 'increasing discontent about the role that firms play in achieving society's goals' (Brou et al., 2021: 2), and that calls for investigation of CG issues from a much broader, multi-stakeholder perspective, rather than

viewing it through the lens of the shareholder wealth maximisation imperative (Hart, 2020; Veldman, 2019). We turn to this strand of literature below.

Corporate governance in the context ethics, responsibility and sustainability

As Veldman (2019) argues, since the 1970s, a theory of corporate governance has developed that has privileged market-oriented, short-term executives at the expense of other stakeholders and a broader distribution of the firm's value. Complementarily, Mayer (2013) contends that the excessive level of control that shareholders have over the modern corporation negatively affects the society and economy. Authors contributing to the debates about the role of corporations in society emphasise the need for broadening CG of large public corporations to include their responsibilities towards society and the natural environment (Hart, 2020; Veldman, Morrow and Gregor, 2016).

As far as ethical obligations of corporations towards the society are concerned, research has begun to discuss the links between corporate social responsibility (CSR) practices and corporate governance (Elkington, 2006; Filatotchev and Stahl, 2015; Jain and Jamali, 2016; Matten and Moon, 2008). In their overview of MNCs' CSR strategies, Filatotchev and Stahl (2015) distinguish between three CSR approaches adopted by MNCs across the world: global, local and transnational, each of which is characterised by different advantages and disadvantages with regard to CSR outcomes. The authors argue that since MNC top executives are frequently 'ill prepared' for tackling ethical, ecological, political and social issues, appropriate CG arrangements – such as restructuring boards' composition and decision making processes – need to be put in place to counter these limitations, in order for the firm to be able to meet its 'triple bottom line' objectives. In this special issue, Fotaki et al. (2021) discuss the behaviour of emerging technology (ET) firms in terms of corporate governance and business ethics. They argue that in the present era of Big Data, emerging technology (ET) firms face

particular legitimacy challenges compared to firms operating in a more traditional environment. The authors show how in response to these challenges, ET firms tend to over-conform in terms of both corporate governance and ethical practices, and yet despite this over-conformity, their legitimacy level remains below that enjoyed by their non-ET counterparts. Also in this special issue, Klettner (2021) addresses the connection between corporate governance and corporations' societal responsibilities through a focus on investor stewards and stewardship codes. Following from her analysis of national stewardship codes, she argues that stewardship codes can play a positive role in integrating broader societal and economic concerns into corporate finance.

Arguably, one of the responsibilities that MNCs have towards their stakeholders is the development of corporate governance systems that, in contrast to the currently prevalent model of CG, would play a positive role in reducing global wealth and income inequality. In a recent review of extant literature addressing the link between CG and global wealth inequality, Brou et al. (2021) highlight that: 1) CG arrangements at a national level tend to systematically disadvantage workers, whose situation continues to deteriorate under the conditions of the 'gig economy'; 2) financialisation, which has been on the increase following the global financial crisis, as well as the more recent phenomenon of platform capitalism, contribute to global wealth inequalities; 3) similarly, firms' internal GC arrangements, especially excessive levels of CEO compensation, in combination with decreasing wages of the workers, amplify wealth inequalities; 4) the prevalent model of board composition, whereby primacy is given to shareholder representation, has resulted in policies and practices that deepen inequality. The authors call for research into the development and implementation of alternative CG solutions that would lead to reduced global wealth and income inequality, and as such, could contribute to the creation of a sustainable society.

In addition to playing a role in reducing global income and wealth inequality, CG research and practice can also make a positive contribution towards a more sustainable society through addressing gender inequality within firms. In this special issue, Herdhayinta, Lau and Shen (2021) advance research into board gender diversity, especially within countries with weak institutional environments. They draw attention to the heterogeneity of female directors in the Indonesian context. The authors argue that in particular non-family female directors are effective board directors, contributing to enhancing the firm value and protecting the interests of minority shareholders.

Another relatively new area of corporate governance research focuses on the link between CG and environmental sustainable development (Scherer and Voegtlin, 2020), viewing the role of corporations as crucial to addressing the contemporary global environmental challenges (George et al., 2016), especially global warming and climate change (Galbreath, 2010; Kolk and Pinkse, 2008). Aguilera et al. (2021: 1469) present an integrative framework and a future research agenda for CG scholarship, stressing the need for research addressing 'the management of local and global environmental changes that are degrading every dimension of life', and for studies beyond the focus on US-based firms.

BANKS' SPECIALNESS AND CORPORATE GOVERNANCE

Since the 1980s considerable progress has been made to strengthen corporate governance in developed countries for both financial and non-financial firms, for example through the introduction of independent boards, shareholders activism and new or revised codes, principles, and guidelines. In many respects these developments have contributed to improving firms' corporate governance and internal control frameworks, as observed for example by Adams (2012). Nonetheless, corporate governance failures were often among the

causes of the GFC (e.g., Kirkpatrick, 2009) and a rich literature has stressed the need for either better implementation, more reforms and/or special standards for banks that are separate from non-financial firms.

Hagendorff (2019) recently observed that failure to consider the unique features of banks exacerbated the existing agency conflicts and may have contributed to increasing risks prior to the GFC. The author argues that this is particularly true in three cases: executive pay, boards' composition, and culture. Thus, it is important to understand why banks differ from non-financial firms (e.g., Adams and Mehran, 2003; Becht et al., 2011; Berger et al., 2021; Boubakri et al., 2021; Damsta et al., 2021; Laeven, 2012; Levine, 2003; Macey and O'Hara, 2003; Mehran and Mollineaux, 2012; Mollah et al., 2021). The main reasons can be summarised as follows:

i) *High leverage*: banks are the most highly leveraged firms and, typically, the largest proportion of their debt is held in the form of deposits, received from a large number of diffuse depositors;

ii) *Complexity and opaqueness:* banks' business is complex and opaque and this is also shown in bank business models and structures, especially large conglomerates with systemic importance;

iii) *Regulation:* banks are a regulated sector that benefits from government safety nets like the lender of last resort function and deposit insurance;

iv) *Support to the real economy:* banks are large creditors to the real economy and assist the central bank and fiscal authority in times of crisis.

Prior to the GFC, research on corporate governance in banking was disseminated in journals across different disciplines, mostly finance, economics and management. In addition, empirical studies were focused mainly on the US banking sector (for a comprehensive literature review, see de Haan and Vlahu, 2016 and references therein). The prevalent approach was that

of a corporate governance that ignored stakeholders' interests and the risk and social costs of banks' failure. It was the neo-liberal phase of the financialisation process when senior executives could exert significant influence over their boards, and managers were induced to enhance the valuation of equity-based wealth by focusing on short-term actions (Brou et al., 2021).

In those years, banks in developed countries experienced large-scale structural and conduct deregulation, liberalisation and internationalisation. The lack of 'special' bank corporate governance arrangements meant that traditional mechanisms to align the interests of managers and outside investors, such as ownership structures, could not function for banks due to government and regulators' interventions. Similarly, if banks' directors have the same incentives in terms of remuneration as non-financial firms, their risk-taking can arise in presence of financial safety nets. In several countries – such as the Netherlands and United Kingdom – post-crisis bank-specific codes and guidance for effective corporate governance have been revised or introduced (see BCBS, 2015; Hagendorff, 2015; Walker, 2009).

In emerging markets, bank-based financing is prevalent, and reforms have also been introduced to deregulate and liberalise the systems, allowing for example foreign bank entry (Hawkins and Mihaljek, 2001). Nonetheless, many national governments still exert significant influence on banks and have often maintained major or partial ownership of the largest institutions (Chen and Wu, 2014). In addition, in emerging and transition countries, corporate governance issues can be extremely intertwined with the political, economic and social conditions. The greater risks of institutional failures affect deeply the corporate governance of firms (including banks), their behaviour and the public's level of trust in the system, due to lack of transparency, corruption, and political instability (Arun and Turner, 2004; Arun et al., 2021; Gao et al., 2017). This suggests that in developing countries firms operate within extreme

institutional environments that pose significantly more challenges in terms of governance compared to developed countries.

Bank corporate governance literature in extreme institutional environments

The GFC was an extreme event leading to a global economic recession and corporate defaults, that occurred after over two decades of relative stability known as the Great Moderation years. From a corporate governance perspective, many questions were asked about how banks govern themselves, including their risk governance, risk culture and contribution to systemic risk (Laeven, 2012). Recently, Chiaramonte et al. (2021) emphasised how banks more committed to corporate social responsibility were less risky and more resilient during the GFC. The rich academic literature that developed in those years tried to understand if and to what extent corporate governance had a role in explaining banks' failure and it was focused on board characteristics, particularly members' independence and incentives.

As illustrated in Table 2, several influential studies were published in the wake of the crisis (e.g., Adams, 2012; Beltratti and Stulz, 2012; Erkens et al., 2012). Overall, these studies typically find that board independence is not necessarily associated with less risk-taking and ultimately may not be beneficial for banks. This could be due to banking firms' complexities but there may be other reasons. In discussing the causes of the crisis, the authors also highlight not only regulators' and supervisors' failures (e.g., lack of regulation over the shadow banking system; insufficient capital and high risks taken) but also the distortions caused by the government safety nets and too-big-to fail guarantees in explaining directors' risk appetite (see also Poghosyan and De Haan, 2012).

- Insert Table 2 here -

Adams (2012) uses a large sample of data over 1996–2007, and governance scores and indexes to compare financial and non-financial firms' performance. She finds that boards of banks receiving government bailout packages were more independent, and directors earned less compensation compared to similar sized non-financial firms. Beltratti and Stulz (2012) conclude that banks with more shareholder-friendly boards (i.e., 'better governed' banks according to conventional wisdom) performed worse than other banks, were not less risky and reduced loans more during the crisis. Erkens et al. (2012) find that corporate governance influenced significantly financial firms' performance during the GFC due to greater risk-taking and financing policies. In particular, banks with independent boards and large institutional ownership were the most affected in terms of stock performance during the crisis.

Minton et al. (2014) reveal that while financial expertise of US independent directors is weakly associated with better performance before the crisis, it is strongly related to lower performance during the GFC. Their findings are consistent with the opinion of independent experts supporting higher risk-taking before the crisis, hence challenging the view of regulators that more financial expertise on the board can lower the risk appetite.

Other studies have used international samples to test the relation between bank corporate governance, risks and stability. Anginer et al. (2016) find that shareholder-friendly corporate governance is associated with lower bank capitalisation that suggests that shareholders have incentives to shift risk towards the government safety net. Shareholder-friendly governance includes a separation between CEO and Chairman, intermediate board size and absence of anti-take-over provisions. The study also finds that risk-taking incentives embedded in executive compensation packages are associated with lower capitalisation. In a subsequent study, the same authors (Anginer et al., 2018) provide evidence of a significant effect of shareholder-friendly corporate governance on bank-specific risks and systemic risk in the banking sector. In particular, it seems to increase risks for larger banks and for banks that

are located in countries with generous financial safety nets as banks try to shift risk toward taxpayers.

Recent work by Ferreira et al. (2021) proposes novel indexes of managerial insulation and finds that banks in which managers were more insulated from shareholders in 2003 were less likely to be bailed out during the GFC and targeted by activist shareholders. Alternative measures of management insulation fail to predict both bailouts and shareholder activism.

Another important factor that has corporate governance implications is associated with changes in banks' structures and business models. In this special issue, Ayadi et al. (2021) provides an evaluation of the effects of business models migrations on a sample of European banks over the past decade that includes the European sovereign debt crisis. The authors find that banks strategically migrate to improve overall performance (profitability, stability and cost efficiency) and also as a way to cope with threats arising from a combination of factors, including damaged reputation, low interest rates, increases digitalisation and competitive pressures from non-banking intermediaries. Their results also show that migrations exogenously imposed on bank management (an acquisition, or following state aid), lead to improvements in cost efficiency and stability but not profitability. Overall, the study offers support for government decisions to grant public funds to troubled banks in exchange for a thorough corporate restructuring.

Bank corporate governance during the twin crises

In the first part of this section, we summarised the most important reasons for banks' specialness, including their crucial role in supporting the real economy, both in normal time and in periods of crisis (point *iv*). We argue that there is a related additional reason that should be mentioned, namely:

- *High impact on the environment*: banks have a special role in achieving sustainable development, that is increasingly being recognised as both essential and urgent in light of the extreme challenges posed by climate change at a global level.

The twin crises, that is the combined effects of Covid-19 pandemic and extreme weather events, have shown that urgent actions are needed to align countries with the goals of the Paris Agreement in the transition to a low carbon economy and for banks to appropriately measure and manage risks associated with this move towards a greener economy and with global warming (transition and climate risks). Banks have a central role in this process, as they can impact the environment both directly through their own operations (so-called physical risk) and indirectly through the financial services and products that they offer to their customers. In the process of originating loans, banks collect soft information and collateral assets and evaluate the performance of borrowers; hence, they can also learn about the sustainability of their businesses. This means that debt can play an important role in monitoring and encouraging climate-positive borrowers' behaviour and banks can also include explicit covenants in their loan contracts. Using the well-known principle of 'doing good by doing well', this seems to be a case of banks choosing not to channel funds to unsustainable projects and polluting firms (*doing good*), while mitigating their exposure to climate risk (*doing well*).

There is no doubt that effective corporate governance is needed for banks to successfully manage climate risks and incentives, and regulations are being introduced to ensure effective climate risk management. The Basel Committee's most recent framework (2021), for example, suggests that banks' supervisors should set out expectations regarding: i) banks' board composition and involvement, namely that they should include members with experience in climate-related financial risks and that they consider those risks when approving the banks' strategy; and ii) banks' executives remuneration policies and practices, that should

stimulate behaviour consistent with managing climate-related financial risks (Calice and Caruso, 2021).

The study included in this special issue by Gaganis et al. (2021) is not specifically on banks but it focuses on public perceptions of environment-related issues like energy, climate and the adoption of relevant policies. Their robust evidence from 19 European countries, suggests that more environmentally friendly public perceptions result in lower reputational exposure; in addition, background characteristics of the board have been tested as moderating factors and age diversity appears to have a significant role. Gaganis et al.'s findings confirm that beliefs may play the role of informal institutions, since societal expectations regarding organizational behaviour are amongst the most influential environmental forces. This evidence suggests that all companies, including banks, nowadays operate within a fast-changing, possibly extreme, informal institutional environment that poses challenges for the management of value and reputation, and subsequently the corporate governance of firms.

One undesirable legacy of the GFC has been greater economic and social insecurity, inequalities and a mass support for extreme right populist parties against the *élites*. Firms' corporate governance and behaviour typically relate to the prevailing culture and are systematically affected by institutional and political factors. An interesting aspect to consider is whether firms' shareholder value may be affected by CEO activism on public and social issues, such as Corporate Social Responsibility (CSR), as shareholders may react to the CEO's actions, because they expect an impact on the firm's political influence. Bedendo and Simling (2021) address precisely this question in their article included in this special issue, and find evidence of significant risks associated with CEO activism on CSR-related issues, as shareholders reacted negatively to the decision of US business leaders to resign from their roles as advisors of President Trump. These resignations manifested CEOs' disapproval with some of the President's public statements and measures concerning environmental, racial and

national security issues. This includes CEOs of large banks: for example, Goldman Sachs CEO Lloyd Blankfein was among those quitting Trump's Council over the Paris Climate agreement withdrawal. Overall, the study demonstrates that when political connections and CSR are intertwined, shareholders value political connectedness over and above CSR involvement.

ENTREPRENEURSHIP AND INNOVATION IN EXTREME INSTITUTIONAL ENVIRONMENTS

There is a long literature that considers institutional environments and the quality and quantity of entrepreneurial activity. This research is inherently interdisciplinary, with contributions from scholars in economics, finance, law, and management/strategy/entrepreneurial studies. Institutional environments include formal legal conditions and enforcement (and more generally "public governance"; Zahra, 2014) and national culture (typically measured with Hofstede indices; e.g., Johan and Najar, 2010; Li and Zahra, 2012). Informal institutional environments include norms, values, and beliefs that enable entrepreneurial transactions (Webb et al., 2019).

The notion of 'extreme institutional environments' in entrepreneurial studies often involve 'institutional voids'. In a well-known classic study, for example, Mair and Marti (2009) discuss the context of Bangladesh and how the Challenging the Frontiers of Poverty Reduction (CFPR) program enabled entrepreneurial actors to address institutional voids (summarised in Table 3). The authors document reasons why institutional voids originate, and how new institutional arrangements can be constructed or created from a scant but diverse range of resources to unpack new institutional processes. Sometimes development has a political nature, and new institutional processes have potentially negative consequences in the developing world. For example, Johan and Najar (2010) show that venture capital and private

equity funds compensation arrangements around the world are adversely affected by corruption.

- Insert Table 3 here -

Webb et al. (2019) compare institutional voids in terms of being informal versus formal (see Table 3). Formal voids pertain to deficiencies in legal conditions, and areas in which technological change has outpaced regulatory frameworks. The regulation of cryptocurrencies, crowdfunding, and other types of fintech in both developed and developing countries around the world is a current example of a formal institutional void as a result of technological changes that have outpaced regulatory frameworks (Allen et al., 2021; see also Coakley and Lazos, 2021; Coakley et al., 2021; Cumming and Johan, 2019; Johan and Zhang, 2021a,b; Philippi et al., 2021; Rossi et al., 2021). In entrepreneurial studies, a classic institutional void is the role of entrepreneur-unfriendly *personal* bankruptcy laws in discouraging entrepreneurial activity (Fan and White, 2003 provide U.S. evidence; Armour and Cumming, 2008 provide international comparative evidence). Additional examples include deficient securities law protection and other institutional characteristics for fostering crowdfunding (Cumming and Johan, 2019), angel investment (Cumming and Zhang, 2019) venture capital investment (Chircorp et al., 2020; Cumming and Johan, 2013; Johan and Najar, 2010; Li and Zahra, 2012), and entrepreneurial spawning (Cumming and Knill, 2012). Examples of formal institutional voids further include a lack of infrastructure to enable entrepreneurial activities, such as access to the Internet (Cumming and Johan, 2010; Guillen and Suarez, 2001), an absence of a framework to support investment in cleantech companies (Bianchini and Croce, 2022), an absence of institutional conditions to effectively deal with crisis such as the Covid-19 pandemic (Budhwar and Cumming, 2020; Shankar, 2020; Verbeke, 2020), and increased barriers to

market access through the removal of institutional agreements, including Brexit (Cumming and Zahra, 2016; Kellard at al., 2021; Wood and Budhwar, 2021; Wright et al., 2021).

Informal institutional voids involve "the inability of norms, values, and beliefs and their localized representations to facilitate stable, efficient, and effective transactions. This definition of informal institutional voids does not suggest an absence of norms, values, and beliefs in a society, but rather an absence or suppression of the informal institutions that support stable, efficient, and effective market activities" (Webb et al., 2019, p. 505).

In their classic study, Chowdhury et al. (2019) (summarised in Table 3) provide evidence that the ways in which entrepreneurship contributes to the economy depends on the level of formal and informal institutions around the world, including the availability of debt and venture capital, regulatory business environment, entrepreneurial cognition and human capital, corruption, government size, and government support. Not all institutions have an equal role, and the intersection of many of these institutional conditions enables a more robust entrepreneurial ecosystem that facilitates greater levels of higher quality entrepreneurship.

In another classic study summarised in Table 3, McAdam et al. (2019) provide some examples of informal institutional voids that include gender segregation, limited access to role models, a lack of trust, and familial and societal expectations regarding women. McAdam et al. further discuss responses to institutional voids, such as the use of digital technologies, the use of male secretaries, and leveraging family connections and success stories. But to date, there has not been much empirical evidence of the effectiveness of different responses to informal institutional voids.

Empirical evidence on informal institutional voids is harder to document, as they are much harder to quantify. Nevertheless, the four studies on entrepreneurship and innovation in this special issue of the British Journal of Management (summarised in Table 3) on governance in extreme institutional environments provide evidence on the importance and effect of

institutional voids, including formal and informal institutional voids. Johan and Valenzuela (2021) study a business advisory centre in Chile. They show that entrepreneurs that enter the centre are provided with coaching that enables entrepreneurial growth, including an increase in employment. At the same time, however, Johan and Valenzuela further show that there is more male employment and less female employment among entrepreneurial firms that enter the program. This evidence is consistent with informal institutional voids discussed in McAdam et al. (2019). Future work could build on this evidence by examining employment outcomes with business advisory services in different countries. Mixed methods employing quantitative and qualitative approaches (Levasseur et al., 2021) could be helpful in this context in view of the difficulty in quantifying some types of informal institutional voids.

Wang et al. (2021) study innovation in China. China has intellectual property protection, albeit some view this protection has more form than substance.[1] To fill this institutional void, other mechanisms are needed to promote innovative activity. Wang et al. show that corporate culture is a major driving force for innovative activities in Chinese firms. This evidence is important, as it shows how firms can overcome formal institutional voids, and in builds on other comparative evidence on institutions and entrepreneurship such as Chowdhury et al. (2019). Further work could compare the importance of corporate culture and innovation in different intellectual property regimes.

Shaw et al. (2021) study family firms in India. There are formal board independence requirements in India. Despite these requirements, family firms are less likely to comply. The lack of compliance is particularly pronounced among certain firms. That is, family firms that exhibit more pronounced greater agency costs and face greater resource constraints are the slowest to comply. Firms that exhibit agency costs and resource constraints are also more likely

[1] In the media, there are often discussed problems with enforcement of intellectual property rights in China. See, for example, https://thediplomat.com/2018/01/chinas-progress-on-intellectual-property-rights-yes-really/

to comply in terms of form but not substance. Shaw et al.'s evidence is important, as it shows how the effectiveness of formal institutions can be hampered by informal institutions. The evidence shows that regulations need to have with it underlying informal institutions for the regulations to be effective and bringing about positive changes in governance practices, consistent with Webb et al. (2019). Further work could examine other evidence on the intersection of formal and informal institutions in India and other developing economies around the world.

Finally, Puthusserry et al. (2021) examine the role of network-level resources and knowledge in internationalising SMEs. For firms trying to internationalise from emerging markets, there are informal institutional barriers that arise from psychic distance. Human and social capital can overcome these informal barriers, consistent with Mair and Marti (2009) and Webb et al. (2019). Puthusserry et al. provide evidence that pre- and post-internationalisation strategies are distinct for successfully overcoming informal institutional voids. Pre-internationalisation, firms benefit from directors' prior international industry experience. Post-internationalisation, social capital that engenders trust and facilitates experiential learning is very important for successful internationalisation.

CONCLUSION

International corporate governance research has traditionally considered comparative and time series changes in institutional settings to understand how institutions influence corporate governance structures and outcomes. Recent developments in practice, including but not limited to global crises and political extremism, have shown there is greater need for better understanding the causes and consequences of extreme institutional conditions. The papers in this special issue focus on the intersection of corporate governance and these extreme contexts,

with a focus on areas that include international business, banking, and entrepreneurship and innovation.

The papers in this special issue offer several lessons for policymakers in terms of improving legal and regulatory environments that enable better governance practice. Also, there are lessons for practitioners in terms of how to best structure governance solutions in extreme institutional conditions to fill both informal and formal institutional voids. We hope these excellent contributions herein will inspire future scholars to consider extensions to these research areas so that academics, practitioners and policymakers can continue to better understand the causes and consequences of extreme institutional conditions for corporate governance around the world.

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Table 1. Examples of Research Addressing Corporate Governance in the International Context

This table summarises examples of research produced within each of the three bodies of literature addressing corporate governance in the international context. These include a selection of 'classic' pieces as well as three of the papers published in this special issue. The main findings are largely paraphrased and/or copied from the abstracts of the papers to best and succinctly represent the authors' contributions, but are not meant to exhaustively represent all of the findings from the papers.

Author(s)	Data Source(s)	Country Samples	Time Period	Dependent Variables (or key insights explained)	Main Explanatory Variables (or explanatory concepts/theories)	Main Findings
Filatotchev and Wright (2011)	Conceptual paper	N/A	N/A	N/A	N/A	The paper argues for a greater focus on an agency theory (AT) perspective in understanding corporate governance in multinational enterprises (MNEs), seeing the traditional internalisation theory approach as limiting our understanding of the behaviour of these firms. Draws attention to the need for researching a range of key corporate governance mechanisms; namely, the role and nature of dominant owners, the composition of boards of directors, the separation of CEOs and board chairs, executive remuneration, and the role of the market for corporate control. It also highlights scope to examine further the implications of different institutional environments for AT perspectives on the behaviour of MNEs.
Schneider (2009)	Conceptual paper	Latin America	N/A	Varieties of capitalism in Latin America	Diversified business groups, MNCs, low-skilled labour, atomistic labour relations	The paper identifies four core features of hierarchical market economies in Latin America that structure business access to essential inputs of capital, technology and labour: diversified business groups, multinational corporations (MNCs), low-skilled labour, and atomistic labour relations. It argues that these four features of HMEs, their common reliance on hierarchy, and the particular interactions among them add up to a distinct variety of capitalism, different from those identified in developed countries and other developing regions.
Fainshmidt, Judge, Aguilera and Smith (2018)	Qualitative data from a panel of experts embedded in specific contexts experts	68 countries in Africa, Middle East, Eastern Europe, Latin America and Asia	N/A	Country institutional profile	Five institutional contextual dimensions and thirteen contextual elements included within them	The paper advances a new theoretical framework to capture the diverse and unique institutional context of understudied economies in Africa, Middle East, East Europe, Latin America, and Asia. It encompasses the configurational context encapsulated by state, financial markets, human capital, social capital, and corporate governance institutions operating in these regions. The paper puts forward a taxonomy of the national institutional context operating throughout the global economy which the authors call "Varieties of Institutional Systems."
Estrin and Prevezer (2011)	World Bank ICAs and EBRD reports	Brazil, China, India and Russia	1996 to 2011	Effectiveness of formal corporate governance institutions	Types and ways of functioning of informal institutions	The role of informal institutions as well as formal ones is central to understanding the functioning of corporate governance. For China and some states of India, "substitutive" informal institutions are critical in creating corporate governance leading to enhanced domestic and foreign investment. Russia is characterised by "competing" informal institutions whereby various informal mechanisms of corporate governance associated with corruption and clientelism undermine the functioning of formal institutions relating to shareholder rights and relations with investors. Brazil is characterised by "accommodating" informal institutions which reconcile varying objectives that are held between actors in formal and informal institutions.
Carney, Gedajlovic and Yang (2009)	Conceptual paper	N/A	N/A	Country-level Institutions	Strategies of firms	The paper argues that firm strategy collectively and intentionally feeds back to shape institutions in different countries. This takes place through three types of processes: filling institutional voids, retarding institutional innovation, deploying institutional landscape.

Jackson and Deeg (2008)	Conceptual paper	N/A	N/A	Impact of institutional diversity of business	IB literature Comparative capitalisms literature	The paper examines the role of institutional analysis within the field of international business (IB) studies and argues that IB research would be usefully advanced by greater attention to comparing the topography of institutional landscapes and understanding their diversity. It introduces ideas from the "comparative capitalisms" literature developed in sociology and political studies to the field of IB.
Fotaki, Voudouris, Lioukas and Zyglidopoulos (2021)	Worldscope, Thomson Reuters ESG ASSET 4	US	2009-2017	Organizational legitimacy	Corporate governance practices and ethical practices	The paper argues that emerging technology (ET) firms over-conform regarding both corporate governance and ethical practices compared to non-emerging technology firms. Yet, despite such over-conformity, ET firms have lower legitimacy levels compared to their non-emerging technology counterparts.
Klettner (2021)	National level regulatory bodies	19 countries: all countries in which stewardship codes have been written and published in English	All national stewardship codes in force prior to 2019	How the drafters of stewardship codes frame tensions in corporate governance theory and practice	Intentions of authors of national stewardship codes in different countries	The paper presents a typology of stewardship codes as a framework for understanding cross-country variation in investor stewardship policy. Stewardship codes influence the shareholder–manager relationship and can encourage integration of wider economic and societal concerns into corporate finance.
Herdhayinta, Lau and Hsin-han Shen (2021)	Annual reports of top 100 companies listed on Indonesian Stock Exchange (IDX), Capital IQ, Datastream	Indonesia	2012-2018	Tobin's Q, dividend payouts	Percentage of female directors, percentage of family female directors, percentage of non-family female directors	Family and non-family female directors display different behaviour when fulfilling their duty as monitoring managers. Non-family female directors are more effective than family female directors at monitoring the management and protecting the interests of minority shareholders. The paper draws attention to the important of distinguishing between different types of female directors when analysing the CG effects of board gender diversity.

Table 2. Examples of Research Addressing Corporate Governance in Banks

This table summarises examples of research addressing corporate governance with a specific focus on the banking sector. These include a selection of 'classic' pieces as well as three of the papers published in this special issue. The table also includes two papers from this special issue that are not specifically on banking but that have implications for various areas including but not limited to banking. The main findings are largely paraphrased and/or copied from the abstracts of the papers to best and succinctly represent the authors' contributions, but are not meant to exhaustively represent all of the findings from the papers.

Author(s)	Data Source(s)	Country Samples	Time Period and method	Dependent Variable(s)	Main Explanatory Variables	Main Findings
Adams (2012)	ECGI database, eStandardsForum, Google, RiskMetrics, Compustat.	195 countries; 18,839 firm-year level observations	1996-2007 OLS regressions	Board independence; governance scores and indexes	Dummy variables for reforms; financial /non-financial; banks/ non-bank. Bank-specific variables (eg size)	Governance in financial firms is on average not worse than in non-financial firms. For banks receiving bailout money directors earn less compensation than directors in non-financial firms and had boards that were more independent than in other banks.
Beltratti and Stulz (2012)	BankScope, Datastream and World Bank	Global sample of large banks operating in 32 countries	2007-2008 Fixed effect panel regressions.	Stock returns	Bank-specific characteristics, regulatory, corporate governance, macroeconomic	Immediately before the GFC, better performing banks were less leveraged and had lower returns. During the GFC, regulation appears to be correlated with bank performance only for large banks in countries with more restrictions. In addition, banks with more shareholder-friendly boards, compared with other banks, performed significantly worse, were not less risky before the crisis, and reduced loans more during the crisis.
Erkens, Hung, and Matos (2012)	Datastream, BoardeEx, Compustat, CRSP	296 financial firms from 30 countries	2006-2008 OLS, Tobit	Firm performance; risk taking	Firm governance, ownership, country governance	Corporate governance affected firm performance during the GFC through firms' risk-taking and financing policies. Firms with higher institutional ownership and more independent boards had worse stock returns than other firms during the crisis.
Minton, Taillard and Williamson (2014)	BoardEx, Compustat, CRSP	All US banks and 350,000 business leaders	2003-2008; OLS regressions; Propensity score matching analyses	Average total risk; stock performance	Bank and board characteristics	Independent directors' financial expertise is positively related to risk-taking particularly at large banks. Stock performance was worse during the crisis in banks with more independent financial expertise. In addition, there is weak evidence that the higher risk taking for banks with more independent financial expertise is related to better stock performance in the run up to the GFC.
Anginer et al. (2016)	BankScope; WorldScope; Corporate Governance Quotient; Compustat Capital IQ.	International sample; nearly 2500 obs and US sample	2003-2011; panel regressions with fixed effects	Five capitalization measures and payouts of badly performing banks	Size, profitability, ownership; compensation and corporate governance features	Corporate governance that favors the interests of bank shareholders is associated with lower levels of bank capital. In addition, banks with 'good' corporate governance usually have lower capitalization rates and tend to scale back payouts to shareholders after experiencing a negative income shock. Bank capitalization is negatively associated to the CEOs' incentives to take risk as embedded in their financial wealth linked to the bank.

Anginer et al. (2018)	Corporate Governance Quotient; Compustat Global, CRSP, ISS/Riskmetrics.	US sample (over 7,000 bank obs and 30,000 non-financial firms) and international sample (about 1,000 bank obs)	US: 1990-2014; international sample: 2004-2008; panel regressions with fixed effects	Distance to default, leverage, volatility, marginal expected shortfall, expected capital shortfall and conditional value at risk	Governance index, entrenchment index, independence; bank profitability, size, macro-level indicators	Shareholder-friendly corporate governance in banking is associated with higher stand- alone and systemic risk. In particular, shareholder-friendly corporate governance results in higher risk for larger banks and for banks that are located in countries with generous financial safety nets as banks try to shift risk toward taxpayers.
Ferreira et al. (2021)	BoardEx, WRDS SEC Analytics	276 US Bank Holding Companies	2003-2007; Probit, OLS	Bailout dummy; Schedule 13D filings; profitability	Management insulation dummy; board classification and entrenchment index; bank-specific and governance characteristics	Banks in which managers were more insulated from shareholders in 2003 were less likely to be both bailed out in 2008/09 and targeted by activist shareholders (as proxied by Schedule 13D). Alternative measures of management insulation fail to predict both bailouts and shareholder activism.
Ayadi et al. (2021)	SNL, World Bank; European Central Bank and the European Commission; Zephyr.	3287 banks from 32 European countries	2010-2017; cluster analysis; logistic regression; propensity score matching	Dummy for changes in bank business model (migration)	Bank profitability, stability, cost efficiency size and ownership	Riskier and less profitable banks are more likely to change business model. There is a positive impact of changing business model on banks' profits, stability and cost efficiency. The positive effects on , stability and efficiency hold also when banks switch business models in case of externally imposed migrations i.e., as a consequence of being acquired or induced by regulators.
Bedendo and Siming (2021)	US Federal Election Commission data on political contributions retrieved from the Center for Responsive Politics; CSR scores from the Thomson Reuters Environmental Social Governance (ESG) Scores database, Factiva, corporate blogs, Twitter, Bloomberg	United States	2017; Event study centered around the resignation of a group of business leaders from advisors to President Trump; Probit	Leavers are those firms whose CEOs quit the council before its dissolution; non-leavers are remaining firms	CEO political preferences (donations) CSR policies (ESG scores); entrenchment index	Shareholders react negatively to the decision to quit a presidential advisory council, which is consistent with a fear of weakening their firm's political influence. The decision to publicly advocate appears to be driven more by a CEO's personal political ideology than by a company's general involvement in CSR. Managers are more likely to take a stand when they are protected by their firm's corporate governance rules.
Gaganis, Papadimitri , Pasiouras and Ventouri (2021)	European Social Survey, Datastream, BoardEx, Orbis, Regulatory Indicators for Sustainable Energy, World Economic Forum, World Bank	643 firms, 19 European countries across 18 industries	2015-2018; Ordered probit	Measures of public attitudes on environmental issue	Environmental perceptions, energy, climate and policy plus firm- country and industry-level controls. Governance variables are used as moderators (eg CEO nationality, board age diversity, CSR-linked pay)	More environmentally friendly public perceptions are associated with lower reputational risk and this result holds when including, on an individual basis, public opinions on energy, climate and the introduction of related policies. Greater age diversity in the Board moderates the association between environmentally friendly public perceptions and reputational exposure.

Table 3. Examples of Research Addressing Corporate Governance and Entrepreneurship and Innovation

This table summarises examples of research addressing corporate governance with a specific focus on entrepreneurship. These include a selection of 'classic' pieces as well as four of the papers published in this special issue. The main findings are largely paraphrased and/or copied from the abstracts of the papers to best and succinctly represent the authors' contributions, but are not meant to exhaustively represent all of the findings from the papers.

Author(s)	Data Source(s)	Country Samples	Time Period and method	Dependent Variable(s)	Main Explanatory Variables	Main Findings
Mair and Marti (2009)	Multiple sources on BRAC's Challenging the Frontiers of Poverty Reduction (CFPR)	Bangladesh	1972-2007	Not applicable; qualitative analyses		In many developing countries those living in poverty are unable to participate in markets due to the weakness or complete absence of supportive institutions. This study examines in microcosm such institutional voids and illustrates the activities of an entrepreneurial actor in rural Bangladesh aimed at addressing them. The findings enable us to better understand why institutional voids originate and to unpack institutional processes in a setting characterized by extreme resource constraints and an institutional fabric that is rich but often at odds with market development. We depict the crafting of new institutional arrangements as an ongoing process of bricolage and unveil its political nature as well as its potentially negative consequences.
Webb et al. (2019)	Not applicable; qualitative analyses					Building new space for institutional theory, the propose how the severity of formal and informal institutional voids shapes the productivity of entrepreneurial activities within society. The theory makes the key assumptions that voids can exist in both formal and informal institutions and that they are capable of hindering entrepreneurial behavior that is favorable to development progress. The authors extend new theoretical domains by conceptualizing informal institutional voids and proposing how both formal and informal institutional voids and their interaction influence two qualitative outcomes within localities: (1) the unique forms of entrepreneurial activity, and (2) the objectives underlying this entrepreneurial activity.
McAdam et al. (2019)	Interviews; Potential participants were identified through the personal network of faculty at a local university in Riyadh, Saudi Arabia.	Saudi Arabia		Not applicable; qualitative analyses		
Chowdhury et al. (2019)	World Bank Group Entrepreneurship Snapshot, the World Development Indicators, Doing Business Statistics,	70 countries	2005-2015	The quantity and quality of entrepreneurship. The quantity of entrepreneurship in a country is measured by its "new business ownership rate." The quality of	Changes in financial development and financial institutional support to entrepreneurship in the form of	Entrepreneurship contributes importantly to the economy. However, differences in the quality and quantity of entrepreneurship vary significantly across developing and developed countries. We use a

	the World Intellectual Property Organization, the Global Entrepreneurship Monitor (GEM), the Index of Economic Freedom (IEF) of the Heritage Foundation, the World Economic Forum (WEF), and World Governance Indicators			entrepreneurship is measured by proxies for productive and unproductive entrepreneurship. They created a net entrepreneurial productivity (NEP) index using six new proxies. Productive entrepreneurial activity is measured by combining the total (resident plus nonresident) patent applications in the country; the percentage of firms involved in total entrepreneurship activity (TEA) that introduce a product new to the market (GEM) and the percentage of firms involved in TEA which aim to creating at least six jobs over the next 5 years (GEM). Unproductive entrepreneurship is measured by averaging three different measures: the unethical behavior of firms (inverse of ethical behavior; WEF), the extent that crime imposes costs on business (inverse of no cost to high cost; WEF), and necessity-driven TEA, which is defined as a percentage involved in TEA because they had no other option for work.	debt and equity financing; changes in labor, fiscal (corporate tax rate), and bankruptcy regulations (resolving insolvency); changes in informal regulations and corruption levels; changes in government size; and changes to regulatory measures related to government support of entrepreneurship and government programs. In addition, we also control for the availability of entrepreneurial capital and entrepreneurial cognition of the quality and quantity of entrepreneurship.	sample of 70 countries over the period of 2005–2015 to examine how formal and informal institutional dimensions (availability of debt and venture capital, regulatory business environment, entrepreneurial cognition and human capital, corruption, government size, government support) affect the quality and quantity of entrepreneurship between developed and developing countries. Our results demonstrate that institutions are important for both the quality and quantity of entrepreneurship. However, not all institutions play a similar role; rather, there is a dynamic relationship between institutions and economic development.
Johan and Valenzuela (2021)	US Small Business Development Center (SBDC) programme executed by the Technical Assistance Agency of the Ministry of Economy (SERCOTEC) in Chile	Chile; 485 small business entrepreneurs who were clients or prospective clients of the first 27 of the 51 SBDCs in Chile	2014-2018; OLS	Formal Workers, Male Workers, Female Workers	Time variables, entrepreneur fixed effects, treatment effects (entering the business advisory program)	This paper measures the effectiveness of a business advisory programme developed in a developed country and applied in an emerging economy with a male-dominated labour market. Comparing the business advisory services of a publicly funded organization with those of a matched sample, we observe an overall positive effect on job creation; however, this employment growth benefits males at the expense of females. We also find a reduction in unpaid family work and an increase in formal, full-time employment but again, this professionalization and substitution effect mainly benefits male workers.
Wang et al. (2021)	China Stock Market & Accounting Research (CSMAR) database and China National Intellectual Property Administration (CNIPA).	China; 17,259 firm-year observations for 2,583 unique listed firms	2008-2017; OLS	Patents, Patents/R&D, Patent Citations	Creation culture, firm size, age, leverage, ROA, Book-to-market, State Owned Enterprise (SOE), CEO characteristics (age, education, tenure, political connections), board size, independent directors, duality, and Year/Industry/Province Fixed Effects	Using the competing value framework, the authors quantify corporate culture using textual analysis of financial statements. They find a positive and significant impact of a creation culture on innovation measured by both patent applications and citations, as well as innovation efficiency. They also show that a strong creation culture is more likely to spur innovation for firms in more competitive product markets and firms that are subject to higher managerial career concerns. The findings are robust to different ways to account for possible endogeneity concerns.
Shaw et al. (2021)	Prowess (Release 4.12), supplemented with hand-collected information on family firm status and board social networks using firm annual reports.	India; 642 unique firms and 4,984 firm-year observations, representing 23.95% of all firms listed on the BSE. the 2006–2012 period	2006-2012	Compliant: an indicator variable that is equal to 1 if the board structure complies with independent director requirements for at least two consecutive years, and 0 otherwise. ID_Effort: the sum of three indicators of independent director activeness: the proportion of board meetings attended by independent directors; the proportion of independent directors attending the annual shareholder meeting; and the proportion of independent directors serving on board committees.	Agency cost index, Resource availability index, SOE and foreign and institutional shareholder indicator variables for 20% or more, board size, duality, busyness of board, median independent director ratio of other family firms in the focal firm's industry, the industry leaders' independent director ratio, the proportion of interlocking firms with more than 50% of	Family firms are slower to comply with board independence requirements than non-family firms. Family firms' compliance speed is even slower as agency costs increase. Family firms are prone to symbolically comply with board independence requirements, as independent directors in family firms are less engaged than their counterparts in non-family firms. Family firms' symbolic compliance is even more salient when family firms possess larger agency problems and greater resource constraints. There is a complementary relationship between family firms' willingness and ability to comply, as family firms with greater agency costs and larger resource constraints are among the slowest to comply and are also most likely

					independent directors, ROA, advertising intensity, R&D investment intensity.	to comply superficially. Overall, family firms' internal logic, agency costs and resource constraints jointly affect their compliance patterns.
Puthusserry et al. (2021)	(1) in-depth semi-structured interviews with 18 board directors and founding managers of the nine Fintech SMEs; (2) interviews with two industry experts; (3) internal archival materials including company background data, clients' presentation documents, business plans, cultural training documents and directors' LinkedIn profiles; (4) industry reports and site visits.	India, 18 Board Members from 9 fintech small and medium sized enterprises	2018, 2019	Not applicable; case analyses and interview data		The authors examine an important yet under-explored avenue and focus on their role in overcoming the multilevel psychic distance (PD) faced by internationalizing small and medium-sized enterprises (SMEs) originating from an emerging market. Analysing Indian Fintech SMEs, using multiple case studies, the findings reveal that boards contribute important network-level resources and knowledge about foreign markets, which in turn assists internationalizing SMEs in mitigating PD. Human and social capital of boards play important, yet distinctly different, roles in mitigating PD at pre- and post-internationalization phases. At the pre-internationalization phase, directors' prior international and industry experience, as well as board interlocks and prior connections, are most valuable, whereas at the post-entry phase, transnational boards, and those with stronger trust-based personal relationships (i.e. greater depth of social capital, facilitate faster experiential learning. Taken together, the findings contribute novel insights into the mechanisms through which boards affect the outcomes of firms operating, and originating from, extreme institutional environments.