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NEOPATRIMONIAL (CORPORATE) GOVERNANCE

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Neopatrimonial corporate governance (hereinafter ‘neopatrimonial governance’) is a style of governance that is commonly associated with private and public entities in the Global South; particularly in the African context. Such firms may display symbolic compliance with prevailing regulations (e.g., company law, governance codes) whilst the actual actions/behaviours of top management, board of directors and dominant shareholders remain at odds with the formal accountability expectations of the regulations and in disregard of the notion of transacting at arm’s length (Kimani, Ullah, Kodwani and Akhtar, 2021); privileging instead the private interests of one party or related parties (*see* Hopper, 2017; Hopper, Lassou and Soobaroyen, 2017). This situation is largely sustained by a country’s social, political and cultural context. For instance, board appointments tend to follow a neopatrimonial logic where powerful social elites, such as high-ranking military officers, civil servants, religious/caste or tribal leaders, family members and/or politicians, are nominated to board positions as a reward for their loyalty, patronage, and/or political support for the appointing authority; rather than their ability to contribute effectively to board decision-making process and for the benefit of the organisation and of its stakeholders as a whole (Alawattage, Alsaïd and Ali, 2017; Hearn, Strange and Piesse, 2017). Hence, the appointment of outside directors is typically influenced by personal or kindred ties, thereby constraining an independent and objective monitoring of the executive (Nakpodia and Adegbite, 2018). Neopatrimonial governance often enables corruption, collusion and ‘clientelist’ associations, with accountants, statutory auditors and other professional advisors leading to inappropriate use of accounting and other policies to favour the interests of a few insiders and their associates (Bakre, Lauwo and McCartney, 2017), with little regard for professional ethics and oversight (Kimani, Ullah, Kodwani and Akhtar, 2021). A weak judicial/regulatory system also fails to support the intervention of independent bodies (e.g. statutory auditor) due to the fear that exposing accounting irregularities or being uncomplacent could imperil one’s life (Hopper, 2017).

Neopatrimonial governance practices described above occur whilst firms continue to ostensibly depict compliance with the corporate sector regulations using for example disclosures in annual reports. Thus, neopatrimonial governance does not arise due to absence of rules and regulations. Instead, the latter exist but are subverted by vigorous informal

institutions and ties which encourage cronyism and nepotist tendencies. Such antecedent informal institutions tend to have considerable influence on the actions and behaviour of corporate governance and other organisational actors (i.e., directors, managers, accountants, auditors and regulators), who also tend to be more socialised into them than the comparatively less embedded formal institutions (e.g., International Financial Reporting Standards or western-originating corporate governance principles) (Hopper, Lassou and Soobaroyen, 2017). This thus gives rise to a neopatrimonial-inspired business context hidden behind a façade of formal accountability mechanisms (such as statutory audits, corporate governance principles and financial management regulations) usually deployed primarily as a means of appeasing external observers (Hopper, 2017). It is for this reason that neopatrimonial governance continues to thrive in Global South countries despite the repeated introduction of various rational-legal technologies (e.g., Anglo-American corporate governance model).

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