

Editorial

Ethics and Values in the Corporate World

This is the ninth edition of the Journal of Business Systems Governance and Ethics. This edition represents a new chapter in the journal's history as it is the first to be mounted in the new e-system adopted by VU that will eventually house all the Victoria University journals. The system provides not only journal management but also a greater capacity to access papers and interact with our readers.

The JBGE continues to present the unique blend of multidisciplinary research that addresses the complexity of the modern environment and interdependence of the problems of governance, information systems and ethics. This edition is no exception. The first two papers turn to ethical and sustainability issues and the remaining papers are concerned with governance practices in the financial system.

In general, audit committees are seen as the watchdogs of the corporate world with a major role in reporting accountability. Dr. Purcell's study investigated the role of the audit committee in preventing and reporting fraud and corruption in local government in Australia and New Zealand. He found that prevention was dependent on the ethical culture within a Council. Interviews with Councillors produced a diversity of views of the role of audit committees. His conclusions were that most people thought that investigation of fraud and corruption was outside their areas of responsibility.

Robinson and Nikolic also address ethical issues. Their paper proposes a framework for monitoring business performance of sustainability objectives. Their framework is based on criteria that incorporate global, societal, external, industry, organizational, leadership and individual/personal sustainability issues. The framework assumes that corporations will develop strategic objectives and establish priorities that relate to the seven issues. These can be weighted for importance and the level of performance assessed against a 1-10 scale from 'superlative level of accomplishment' to 'totally despicable performance'. The rating can be monitored and compared each year. The authors suggest that the process of setting and rating objectives can be participative and serve to motivate individual within an organisation.

The two final papers in this volume concern the financial industry. Howard argues that the Basel III legislation not only prevents banks from failing but addresses the corporate governance issue highlighted in the agency problem of the divergence of interests between shareholders and management. They argue that the regulatory provisions in Basel III, increasing the amount of equity a bank must contain in relation to its risk-weighted assets and requiring an increase in capital ratios, promote transparency and stability. This serves the interests of all stakeholders as it exposes risk taking by managers and constrains practices such as off balance sheet activities. As a governance measure the regulations reduce risk taking and meet stakeholder objectives for firm wide and systemic stability.

Li et al move away from examining western institutions to those complying with sharia law. The authors describe a systematic meta-analysis of existing studies which examined the relationships between governance mechanisms in Islamic banks and performance. To identify relevant studies the

authors used different strategies. These were: a search of electronic data bases for potential studies, a manual search, confirmation of the studies via Scopus and Google Scholar; and confirming the quality of the relevant studies that could be included against five criteria. The paper then presents the results of the analysis of thirteen hypotheses about the relationships between internal governance mechanisms and performance. The results suggested that Shari'ah governed companies exhibited better performance when they complied with several of the governance principles.

The papers in this volume demonstrate the diversity of publications that are accepted into this peer reviewed journal. With the access to new journal management systems, the Board expects the number of issues to rise and provide new opportunities to make a major contribution to the study of governance and ethics in Australia. To this end, we will be seeking to expand the membership of the Editorial Board and invite readers to take advantage of the opportunity to express their interest in joining the Board.

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Editor