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Corporate Governance in Emerging Markets: A Comprehensive Review of ESG Integration, Strategic Emphasis, and Emerging Trends

Abstract

Purpose: As corporate governance (CG) in emerging markets evolves under rising environmental, social, and governance (ESG) expectations, organizations face increasing pressure to adopt frameworks that balance shareholder priorities with long-term sustainability, digital transformation, and stakeholder accountability.

Study design/methodology/approach: A thematic analysis, guided by stakeholder and agency theory, focused on strategic governance, ESG integration, and emerging trends. Findings, analyzed regionally, highlight governance gaps, digital innovation, and ESG maturity across Africa, Asia, and Latin America.

Sample and data: This review synthesizes literature from 2004 to 2024, using PRISMA to screen 412 records, with 154 studies included.

Results: The review reveals increasing ESG uptake across regions, albeit with persistent gaps in regulatory enforcement, inconsistent board diversity, and fragmented ESG reporting. Digitalization and stakeholder-focused governance are gaining prominence, particularly in Asia. Strategic emphasis remains skewed toward short-termism, despite growing discourse around long-term value creation.

Originality/value: The research synthesis explores CG practices and ESG integration in emerging markets, highlighting regional variations and offering policy recommendations to enhance governance frameworks and promote inclusivity.

Research limitations/implications: The review is limited by the overrepresentation of Asian markets, the lack of standardized ESG metrics, and inconsistent regulatory enforcement. Further research is needed to address these gaps, including the interplay between digitalization and governance, and the long-term impact of ESG integration on firm performance—particularly in underrepresented regions such as Africa and Latin America.

Keywords: Corporate Governance, Emerging Markets, ESG Integration, Strategic, Sustainability, Digital Transformation, Diversity and Inclusion.

JEL classification: G34, G38, G31, G30

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الملخص

حوكمة الشركات في الأسواق الناشئة: مراجعة شاملة لتكامل الحوكمة البيئية والاجتماعية والمؤسسية، والتركيز الإستراتيجي، والاتجاهات الناشئة

مجدي أنور قطينة

جامعة الكويت

الكويت

هدف الدراسة: مع تطور حوكمة الشركات في الأسواق الناشئة، في ظل التوقعات البيئية والاجتماعية والحوكمة المتزايدة، تواجه المنظمات ضغوطاً متزايدة لتبني أطر عمل تحقق التوازن بين أولويات المساهمين، والاستدامة طويلة الأجل، والتحول الرقمي، ومساءلة أصحاب المصلحة. تصميم/ منهجية/ طريقة الدراسة: يبيح هذا الاستعراض في كيفية دمج مبادئ الحوكمة البيئية والاجتماعية والمؤسسية، مع التركيز على الحوكمة الإستراتيجية، والاتجاهات الناشئة مثل التحول الرقمي وتنوع مجالس الإدارة، في خطاب وممارسات حوكمة الشركات في الأسواق الناشئة، كما حددها صندوق النقد الدولي والبنك الدولي.

عينة الدراسة وبياناتها: لخص هذه المراجعة الأدبيات المنشورة خلال الفترة من 2004 إلى 2024، باستخدام أداة PRISMA لفحص 412 سجلاً، وقد تم تضمين 154 دراسة منها. وبناءً على ذلك، يركز التحليل الموضوعي المُسترشد بنظريتي أصحاب المصلحة والوكالة على الحوكمة الإستراتيجية، وتكامل الحوكمة البيئية والاجتماعية والمؤسسية، والاتجاهات الناشئة. ومن ثمَّ تسلطُّ النتائج المحلَّة إقليمياً الضوء على فجوات الحوكمة، والابتكار الرقمي، ونضج الحوكمة البيئية والاجتماعية والمؤسسية في أفريقيا وآسيا وأمريكا اللاتينية.

نتائج الدراسة: كشف الاستعراض عن تبني متزايد لممارسات الحوكمة البيئية والاجتماعية وحوكمة الشركات، مصحوباً بتغيرات في إنفاذ اللوائح التنظيمية، وتفاوت في تنوع مجالس الإدارة، وتشتت في تقارير الحوكمة. وفي هذا الإطار، تكتسب الرقمنة والحوكمة المرتكزة على أصحاب المصلحة أهمية خاصة في آسيا. في حين لا يزال التركيز الإستراتيجي يميل نحو الأهداف قصيرة المدى، رغم تصاعد النقاش الدائر حول خلق القيمة طويلة الأجل.

أصالة الدراسة: تستعرض هذه الدراسة التراكمية ممارسات الحوكمة المؤسسية (CG) ودمج مبادئ البيئة والمجتمع والحوكمة (ESG) في الأسواق الناشئة، مع تسليط الضوء على التباينات الإقليمية، وتقديم توصيات سياساتية تهدف إلى تعزيز أطر الحوكمة وتعزيز الشمولية. حدود الدراسة وتطبيقاتها: تُبرز المراجعة الحاجة إلى أطر إقليمية أكثر تكاملاً، تركّز على دورة حياة الشركات، وتحدد فرصاً للباحثين والممارسين لتعزيز الحوكمة الرقمية، ورفع معايير الحوكمة البيئية والاجتماعية، ودعم إصلاحات الحوكمة الشاملة.

الكلمات المفتاحية: حوكمة الشركات، الأسواق الناشئة، تكامل الحوكمة البيئية والاجتماعية والمؤسسية، الإستراتيجية، الاستدامة، التحول الرقمي، التنوع والشمول.

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Introduction

Despite growing global awareness of ESG principles, firms in emerging markets continue to face persistent corporate governance (CG) deficits, ranging from weak regulatory enforcement and investor pressure to inconsistent board diversity and inadequate integration of sustainability principles (Adardour et al., 2025). These governance tensions raise critical questions about how firms in such markets can align strategic priorities with sustainable value creation in increasingly complex institutional environments. Corporate governance (CG) is a cornerstone of organizational management, providing a framework to direct, control, and hold firms accountable for their actions. It encompasses structures, processes, and practices designed to balance the interests of diverse stakeholders, including shareholders, management, employees, customers, and society (Aguilera & Ruiz Castillo, 2025; Garzón Castrillón, 2021). Effective corporate governance (CG) ensures organizational efficiency, promotes sustainable growth, and aligns corporate activities with broader societal and economic objectives (Correa-Mejía et al., 2024; Saeed et al., 2025). As firms operate within increasingly complex global and local contexts, CG has emerged as a vital tool for mitigating risks, fostering innovation, and driving competitiveness in both developed and emerging economies (Arslan & Alqatan, 2020).

As defined by the International Monetary Fund (IMF), emerging markets are economies transitioning from developing to developed status, characterized by rapid industrialization, demographic dynamism, and significant economic growth (Bezuidenhout et al., 2021; IMF, 2021). Examples include China, India, Brazil, and South Africa (Bezuidenhout et al., 2021). However, these regions often grapple with institutional deficiencies such as weak regulatory frameworks, limited access to capital, political instability, and economic volatility (Schipke, 2015). This duality of opportunity and challenge underscores the importance of robust corporate governance (CG) systems in these markets, particularly as globalization intensifies and international stakeholders demand higher governance standards (Petricevic & Teece, 2019).

One defining trend reshaping CG is the integration of environmental, social, and governance (ESG) principles (Aboud & Diab, 2019). ESG frameworks represent a shift from traditional shareholder-centric models to stakeholder-driven governance, emphasizing environmental stewardship, social equity, and corporate ethics alongside financial performance (Dilling et al., 2024). This shift reflects

growing stakeholder demands for transparency, accountability, and sustainability, especially in addressing global challenges such as climate change and social inequality (Fallah Shayan et al., 2022). In parallel, digital transformation, artificial intelligence (AI), and diversity are introducing new complexities and opportunities in governance structures and decision-making processes (Fenwick et al., 2024). These emerging trends necessitate adaptive governance frameworks that respond to technological, environmental, and societal shifts (Akther & Evans, 2024).

This review synthesizes existing research on corporate governance (CG) in emerging markets by examining three critical dimensions that define its evolving landscape. First, it explores the strategic emphasis in governance, focusing on how governance mechanisms balance the competing priorities of short-term value appropriation and long-term sustainability. This analysis incorporates theoretical perspectives such as the Management Entrenchment Hypothesis (MEH) (La Porta et al., 1999) and the Shareholder Interest Hypothesis (SIH) (Jensen & Meckling, 1976), highlighting the importance of robust governance frameworks in fostering sustainable growth.

Second, the review examines the integration of Environmental, Social, and Governance (ESG) principles, emphasizing their role in aligning governance practices with global sustainability goals and enhancing stakeholder trust. This includes addressing challenges such as inconsistent regulatory enforcement (Dell’Erba & Gomtsyan, 2024) and the absence of standardized ESG metrics (Bezerra et al., 2024), which hinder the effective implementation of ESG practices across emerging markets.

Third, the review investigates emerging trends in governance, including digitalization, artificial intelligence (AI), and diversity, and their transformative effects on decision-making and organizational resilience. The role of digital technologies and AI in enhancing governance structures is particularly significant, with scholars such as Perifanis and Kitsios (2023) highlighting their potential to improve efficiency and transparency. Additionally, the growing emphasis on diversity in corporate boards—particularly gender diversity—has been shown to enhance the quality of decision-making and firm performance (Nwude & Nwude, 2021).

By analyzing these interconnected dimensions, the review provides a holistic understanding of CG in emerging markets, identifies existing gaps, and offers actionable insights for researchers, policymakers, and corporate leaders. As governance frameworks evolve, this review underscores the need for a multifaceted ap-

proach that incorporates both traditional theories and emerging trends to achieve sustainable growth in an increasingly complex and interconnected global landscape.

This review extends prior literature by integrating three interrelated dimensions—strategic corporate governance emphasis, ESG integration, and emerging trends such as digitalization and diversity—into a unified analytical framework tailored to the context of emerging markets. Unlike earlier reviews that focus on ESG determinants (Martiny et al., 2024), ESG disclosures (Tsang et al., 2023), or CSR in corporate finance (Gillan et al., 2021), our review synthesizes these elements thematically, drawing on stakeholder and agency theory. Furthermore, it emphasizes cross-regional patterns and challenges within IMF- and World Bank–defined emerging markets. This comprehensive, theory-informed synthesis contributes a novel foundation for scholars and practitioners seeking to navigate evolving governance dynamics in complex institutional environments.

Despite significant progress, challenges persist, including inconsistent regulatory enforcement, lack of standardized ESG metrics, and entrenched cultural and structural barriers to inclusive governance (Liou et al., 2023). Identifying these gaps, this paper offers actionable insights for corporate leaders and policymakers to strengthen governance frameworks in emerging markets.

The paper contributes to the growing body of knowledge by providing an integrative analysis of CG, bridging existing gaps in the literature, and proposing practical strategies for enhancing governance effectiveness. Addressing the interplay between governance, sustainability, and technological transformation, this review serves as both a foundation for future research and a guide for practitioners navigating the evolving landscape of CG in emerging markets.

The paper is structured as follows. First, it outlines the theoretical foundations rooted in agency and stakeholder theory. Next, it details the systematic review methodology and thematic coding procedures. The findings are then presented across three major dimensions: strategic governance emphasis, ESG integration, and emerging digital and diversity trends. Finally, the paper offers a critical discussion of the implications, limitations, and avenues for future research.

Literature Review

Diverse factors—including strategic priorities, ESG integration, technological advancements, and regional contexts—shape corporate governance (CG) in emerging markets (Khamisu & Paluri, 2024). This section explores these dimen-

sions thematically to provide a comprehensive understanding of CG practices and challenges in emerging economies.

Strategic Emphasis in Corporate Governance

Strategic emphasis (SE) represents a firm's approach to balancing resource allocation between short-term value appropriation and long-term value creation. This balance is critical for sustainability and competitiveness, particularly in dynamic environments like emerging markets. The literature on SE within the context of corporate governance (CG) revolves around two dominant perspectives: The Management Entrenchment Hypothesis (MEH) and the Shareholder Interest Hypothesis (SIH).

Management Entrenchment Hypothesis (MEH)

The Management Entrenchment Hypothesis (MEH) argues that under weak corporate governance (CG) mechanisms, managers are incentivized to prioritize short-term gains to secure their positions and avoid external scrutiny—often at the expense of long-term value creation (Tulcanaza-Prieto et al., 2024). Weak governance systems lack the necessary checks and balances to align managerial actions with shareholder interests. Quaadgras et al. (2014) emphasize that under such conditions, managers may resort to initiatives that boost immediate performance metrics, such as aggressive advertising campaigns or cost-cutting strategies, which enhance the perception of managerial competence and shield them from criticism or replacement. However, focusing on short-term gains often diverts resources from critical investments like research and development (R&D), workforce development, and sustainable innovation, leading to a decline in long-term competitiveness (Struckell et al., 2022).

Managerial entrenchment thrives in environments characterized by limited board independence, ineffective shareholder rights, and concentrated ownership (Singal & Singal, 2011). Boards lacking independence from management fail to hold managers accountable, allowing self-serving behaviors to persist (Struckell et al., 2022). Similarly, weak shareholder rights reduce investors' ability to influence decision-making, giving managers greater autonomy to prioritize short-term actions (Ong et al., 2023; Parmar et al., 2022). In firms with concentrated ownership, managers often align with controlling shareholders, focusing on immediate financial returns, such as dividends, over reinvestment in long-term pro-

jects (Choi, 2015). These mechanisms of entrenchment are particularly relevant in emerging markets, where CG structures are still maturing and regulatory enforcement is inconsistent (Natto & Mokoaleli-Mokoteli, 2025). Entrenched managers often exploit governance gaps in such settings to pursue short-term objectives that bolster their tenure. Emerging markets frequently feature concentrated ownership structures, including family-owned businesses or state-owned enterprises, where dominant shareholders may pressure managers to prioritize immediate returns (Din et al., 2022). Market pressures for quarterly earnings growth discourage investments in long-term strategic initiatives, such as innovation and sustainable development (Haessler, 2020). Additionally, weak enforcement of CG regulations creates an environment where managers face fewer consequences for short-term actions—a challenge exacerbated in economies with underdeveloped legal systems or fragmented regulatory oversight (Kimani et al., 2015).

Empirical evidence underscores the validity of MEH across various contexts. Drobotz and Momtaz (2020) show that managers in weakly governed firms often engage in short-term profit-maximizing activities that temporarily boost stock prices but fail to sustain long-term performance. Sulub et al. (2022) demonstrate that short-termism—driven by market pressures and weak CG—negatively impacts firm innovation and long-term growth prospects. Similarly, Mishra et al. (2023) highlight that in emerging markets like India, CG reforms such as the SEBI Takeover Code have attempted to mitigate managerial entrenchment by enhancing transparency, though implementation challenges persist. Several contextual factors amplify managerial entrenchment in emerging markets, including cultural norms that prioritize immediate financial rewards, limited access to reliable economic data, and poor transparency in governance practices. Globalization pressures further exacerbate the issue, as firms competing in global markets often adopt aggressive short-term strategies to meet investor expectations (Koeswayo et al., 2024).

Table 1 illustrates the MEH and its significant implications for CG reform, particularly in emerging markets. Strengthening CG frameworks is essential to enhance board independence and accountability, empower shareholders with more substantial voting rights, and promote long-term strategic planning through regulatory incentives—such as tax breaks for R&D or penalties for excessive short-termism.

Shareholder Interest Hypothesis (SIH)

The Shareholder Interest Hypothesis (SIH) posits that strong corporate governance (CG) structures are critical for aligning managerial actions with the long-term interests of shareholders (Aly et al., 2024). This theory emphasizes that well-designed governance mechanisms incentivize managers to pursue strategies that maximize shareholder value over time rather than focusing solely on immediate financial performance. The SIH contrasts with the Management Entrenchment Hypothesis (MEH), which suggests that weak governance allows managers to prioritize short-term gains that may entrench their positions and undermine long-term firm value. The core premise of the SIH is rooted in agency theory, developed by Jensen and Meckling (1976), which highlights that the separation of ownership and control can lead to conflicts of interest in which managers may act in their own best interests rather than those of shareholders. SIH argues that strong governance mechanisms—such as independent boards, comprehensive audit functions, clear shareholder rights, and executive compensation tied to long-term performance—help reduce these conflicts and promote sustainable growth and value creation (Guluma, 2021).

Several key mechanisms support the SIH by ensuring managerial accountability and alignment with shareholder interests. Board independence and composition play a pivotal role, as independent boards are better positioned to oversee management's actions objectively and hold them accountable for strategic decisions (Birindelli et al., 2018). This oversight ensures that decisions focus on the long-term welfare of the firm rather than short-term gains. Shareholder rights and engagement are also essential for promoting the SIH. Empowered shareholders, who have voting rights on major decisions such as executive compensation and mergers, contribute to a governance structure that prioritizes long-term planning (Al-Faryan, 2024). Additionally, executive compensation linked to long-term performance metrics—such as stock options or performance-based bonuses—aligns managerial incentives with shareholder objectives, encouraging decisions that support sustained firm value (Eccles et al., 2014). Transparent financial reporting and robust audit committees further bolster the SIH by ensuring shareholders receive accurate and timely information, enabling them to make informed decisions and hold management accountable for their performance (Darmawan, 2023).

The SIH holds relevance in emerging markets, where CG structures are still evolving and regulatory enforcement can be inconsistent. Emerging economies

often face challenges such as institutional weaknesses, with legal and regulatory frameworks still developing and enforcement mechanisms often fragmented or inadequate (Lodge, 2015). This can result in firms characterized by boards lacking true independence, limited shareholder rights, and an overall lack of transparency. Management may align more closely with controlling shareholders in countries with concentrated ownership structures—such as family-run businesses or state-owned enterprises—weakening the alignment between broader shareholder interests and managerial actions (Tran & Dang, 2021). This phenomenon may create a disconnect between the pursuit of short-term financial gains and long-term value creation. Additionally, firms in emerging markets may face significant pressure from investors to deliver immediate returns, which can sometimes override long-term strategic planning and pose a challenge to the SIH (Enow, 2023). Despite these challenges, reforms such as India's Securities and Exchange Board of India (SEBI) Takeover Code have sought to strengthen CG by improving transparency and ensuring fair treatment of shareholders, albeit with mixed success due to implementation hurdles (Mishra et al., 2023).

Empirical studies support the validity of the SIH, with Table 1 illustrating that firms with strong CG mechanisms tend to exhibit better long-term financial performance and higher stock prices. For example, research by Jiang and Anandarajan (2009) demonstrates that firms with independent boards, substantial shareholder rights, and executive compensation linked to long-term performance are better positioned to achieve sustainable growth. The work of La Porta et al. (2002) also indicates that countries with robust investor protections and well-developed CG regulations tend to have more vibrant financial markets and greater foreign investment, suggesting a positive relationship between CG quality and long-term firm performance. Conversely, firms in emerging markets with weak CG structures often struggle with suboptimal performance due to conflicts of interest and managerial short-termism. Mizik and Jacobson (2003) highlight that firms in weakly governed environments often underinvest in innovation and R & D, focusing instead on short-term financial results to meet market expectations. This creates a cycle in which long-term growth is sacrificed for immediate gains, underscoring the importance of robust CG in aligning management with shareholder interests.

Table 1
Hypotheses in Corporate Governance

Hypothesis Name	Main Argument	Impact on Strategic Emphasis (SE)	Relevant Studies
Management Entrenchment Hypothesis (MEH)	Managers prioritize short-term gains to secure their positions and avoid scrutiny.	Leads to an emphasis on short-term initiatives (e.g., cost-cutting) at the expense of long-term strategic goals (e.g., R&D).	(He & Tian, 2013; Pryshchepa, 2021; Wainer, 2020)
Shareholder Interest Hypothesis (SIH)	Strong governance encourages long-term investments that align with shareholder interests.	Promotes long-term strategic initiatives that enhance value over time, such as innovation and sustainable growth.	(Switzer & Cao, 2011)

ESG Integration in Corporate Governance

Integrating Environmental, Social, and Governance (ESG) principles into corporate governance (CG) has become a focal point as firms increasingly recognize the strategic importance of sustainability and its role in ensuring long-term value creation. This integration is not just about aligning with ethical and regulatory standards; it is also driven by the realization that ESG initiatives can lead to improved financial performance and a more distinct competitive edge (Torres, 2024).

Environmental stewardship is one of the key areas where ESG integration influences CG. Table 2 illustrates how governance mechanisms that promote environmentally responsible practices incentivize firms to adopt greener strategies, especially in industries subject to rigorous environmental regulations. Ben Belgacem et al. (2023) highlight that in sectors with high environmental oversight, firms are encouraged to implement sustainable practices such as energy efficiency programs, waste reduction, and the adoption of renewable energy sources. These practices align firms with regulatory requirements and position them as leaders in sustainable innovation. Additionally, companies that proactively manage their environmental impact often see long-term cost savings and enhanced reputations, which can increase investor confidence and attract environmentally conscious investors (Chen et al., 2023).

Furthermore, Table 2 also illustrates the social component of ESG, which focuses on how a company manages relationships with employees, suppliers, cus-

tomers, and the communities in which it operates. Board diversity and stakeholder representation are crucial for promoting social initiatives that align with community and employee expectations (Kamaludin et al., 2022). Yousfi and Béji (2022) emphasize that diverse boards—in terms of gender, ethnicity, and experience—are better equipped to understand and address the social issues that impact the firm and its stakeholders. This diversity can lead to more inclusive decision-making processes, fostering a culture that prioritize fair labor practices, community engagement, and other social responsibilities (Choi et al., 2019). Moreover, strong social policies can enhance employee satisfaction and retention, contributing to a firm's long-term stability and productivity. Firms that engage in meaningful social initiatives are more likely to build trust and loyalty among consumers and employees, which can translate into better overall performance and resilience against reputational risks (Amarna et al., 2024).

Governance standards are pivotal in ensuring that ESG principles are effectively integrated and upheld. Table 2 illustrates how transparent reporting, ethical business practices, and accountability mechanisms strengthen investor confidence and enhance a company's long-term viability. Mohammad and Wasiuzzama (2021) argue that transparent ESG reporting helps investors and stakeholders assess a firm's sustainability efforts and long-term strategic direction. Companies that adhere to high governance standards are often seen as more reliable and trustworthy, which can attract a broader range of investors and potentially lead to a lower cost of capital (Dak-Adzaklo & Wong, 2024). Effective governance mechanisms—such as independent audit committees and robust disclosure practices—enable firms to identify and mitigate risks associated with non-compliance or unethical conduct (Tumwebaze et al., 2022).

Table 2
ESG Integration in Corporate Governance

ESG Component	Key Practices	Examples of Governance Mechanisms	Challenges in Emerging Markets
Environmental	Adoption of sustainable practices, energy efficiency, carbon reduction	Green reporting, sustainability committees	Lack of standardized metrics and inconsistent enforcement (Salvioni et al., 2016)

Cont. Table 2
ESG Integration in Corporate Governance

ESG Component	Key Practices	Examples of Governance Mechanisms	Challenges in Emerging Markets
Social	Promoting work-force diversity, community engagement, and employee well-being	Diverse boards, stakeholder consultations	Cultural barriers and limited regulatory support (Morris, 2023)
Governance	Transparent reporting, ethical business practices, anti-corruption measures	Independent audit committees, clear disclosure policies	Varying regulatory frameworks, resistance to change (Ghazwani et al., 2024)

However, the adoption of ESG principles in emerging markets presents unique challenges. One significant obstacle is the lack of standardized metrics for assessing and reporting ESG performance. Table 3 illustrates that, unlike developed markets with established ESG frameworks, emerging economies often lack the regulatory and institutional infrastructure to support consistent ESG reporting and evaluation. This inconsistency makes it difficult for investors to compare ESG practices across firms and sectors. Salvioni et al. (2016) emphasize the importance of cross-sectoral frameworks in providing a consistent ESG reporting approach. Such frameworks can help standardize the evaluation of ESG practices, making it easier for firms in emerging markets to align with global sustainability standards and attract foreign investment. Additionally, varying regulatory pressures can lead to unequal adoption rates of ESG practices, with some firms implementing minimal changes to comply with local laws, while others may go beyond compliance to differentiate themselves in the market (Khamisu et al., 2024).

To navigate these challenges, emerging markets must enhance regulatory frameworks and foster industry-wide collaboration to create more uniform ESG reporting standards. This will ensure that firms can demonstrate their ESG credentials effectively and compete on a level playing field. Policymakers and regulatory bodies are critical actors in promoting ESG integration by providing guidance and incentives for firms to adopt sustainable practices. Moreover, partnerships between the public and private sectors can facilitate knowledge sharing and capacity building, helping emerging markets align with global ESG standards and foster a culture of sustainability.

Table 3
Comparison of Governance Mechanisms in Emerging vs. Developed Markets

Governance Mechanism	Emerging Markets Characteristics	Developed Markets Characteristics	Relevant Studies and Sources
Board Independence	Often influenced by concentrated ownership; family ties may limit autonomy and oversight.	Strong emphasis on independent directors with robust mechanisms ensuring impartial oversight.	(Guluma, 2021; Hassan et al., 2013)
ESG Reporting	Often inconsistent and voluntary; enforcement of ESG principles varies widely.	Standardized and mandatory ESG reporting with clear regulations to ensure accountability.	(Agbakwuru et al., 2024; Papafioratos & Fragidis, 2025)
Regulatory Frameworks	Legal systems are often fragmented; enforcement is weaker, leading to varied practices.	Strong and consistent regulations that enforce uniform practices across the board.	(Darmawan, 2023; Ogbu, 2023)
Ownership Structure	Frequently features concentrated ownership, which can limit board independence and decision-making.	Ownership structures are more dispersed, facilitating shareholder engagement and balanced decision-making.	(Kazemian & Sanusi, 2015; Ma & Tian, 2014; Naim & Abdul Rahman, 2023)

Emerging Trends in Corporate Governance

Emerging corporate governance (CG) trends have significantly reshaped the landscape of strategic management, presenting new opportunities and challenges for firms. These trends, as illustrated in Table 4, are driven by technological advancements, shifting societal values, and evolving regulatory expectations, creating a dynamic environment that firms must navigate to remain competitive and sustainable.

Table 4
Emerging Trends in Corporate Governance

Trend	Benefits	Challenges	Examples from Studies
Digitalization and AI	Enhances data-driven decision-making, improves efficiency	Data privacy concerns, potential algorithmic biases	(Dwivedi et al., 2023; Kumar et al., 2023; Xu et al., 2022)

Cont. Table 4
Emerging Trends in Corporate Governance

Trend	Benefits	Challenges	Examples from Studies
Diversity, Equity, and Inclusion (DEI)	Fosters innovation, better risk management, reflects societal values	Cultural barriers, resistance to change	(van Esch et al., 2024)
Stakeholder Governance	Prioritizes long-term value, aligns with broader societal goals	Balancing the interests of multiple stakeholders	(Garzón Castrillón, 2021)

Digitalization and AI

Digitalization and AI are at the forefront of transforming CG practices. Table 5 illustrates the impact of digitalization and AI on Corporate Governance. Adopting technology at the board level enhances decision-making capabilities by providing data-driven insights, improving strategic planning, and increasing operational efficiency (Aldoseri et al., 2023). Integrating artificial intelligence (AI) and digital tools into governance practices allows boards to analyze large data sets in real time, enabling faster and more informed decisions. These advancements also facilitate risk management by predicting potential challenges and identifying emerging trends. However, the increased reliance on technology raises critical concerns about data privacy, security, and algorithmic bias (Al-Zahrani, 2024). If not adequately managed, AI systems can lead to biased decision-making that perpetuates existing inequalities or risks damaging a company's reputation (Zhai et al., 2024). Boards must establish clear policies and oversight mechanisms to ensure that AI and digital tools are used ethically and transparently.

Table 5
Impact of Digitalization and AI on Corporate Governance

Impact Area	Positive Impacts	Negative Impacts	Relevant Studies and Sources
Enhanced Decision-Making	AI and data analytics improve strategic decision-making by providing real-time insights.	Over-reliance on algorithms may reduce human oversight and intuition.	(Coussement et al., 2024)

Cont. Table 5
Impact of Digitalization and AI on Corporate Governance

Impact Area	Positive Impacts	Negative Impacts	Relevant Studies and Sources
Operational Efficiency	Automation of routine tasks increases productivity and operational speed.	Risk of job displacement and resistance to digital transformation.	(Tariq et al., 2021)
Transparency and Reporting	Digital tools enable better data collection and transparent reporting practices.	Data privacy concerns and potential for data misuse.	(Chen et al., 2024)
Risk Management	AI enhances the ability to predict and mitigate risks, improving governance.	Algorithmic biases and the potential for flawed data interpretations.	(Aziz & Dowling, 2019)
Governance and Compliance	Automation and digital tracking ensure compliance with regulations and policies.	Dependence on technology may expose vulnerabilities to cyberattacks.	(Lau et al., 2023)

Diversity, Equity, and Inclusion (DEI)

Diversity, Equity, and Inclusion (DEI) have emerged as pivotal trends in CG, with growing recognition that diverse boards contribute to more innovative thinking, better risk management, and enhanced overall performance. Sundarasan et al. (2024) emphasize that diverse boards, composed of individuals with varied backgrounds, experiences, and perspectives, are better equipped to navigate complex challenges and identify opportunities that homogeneous groups may overlook. This diversity fosters a culture of inclusion that promotes a broader range of ideas and solutions, strengthening the strategic decision-making process. However, while DEI is increasingly prioritized in many developed markets, cultural and structural barriers in emerging markets can limit progress. For instance, deeply rooted societal norms and traditional hierarchies may hinder the appointment of women or minority groups to leadership positions, impeding efforts towards inclusive governance (Galsanjigmed & Sekiguchi, 2023). Addressing these challenges requires targeted policies, educational initiatives, and active measures to break down cultural and institutional barriers to diversity.

Stakeholder Governance

The shift towards stakeholder governance represents a significant evolution from traditional shareholder-centric models to approaches that prioritize a broader range of interests, including those of employees, customers, suppliers, and the community. This transition is particularly relevant in sectors where community engagement and sustainability are paramount, such as the energy, mining, and agricultural industries. Jayashree et al. (2022) discuss how this stakeholder-inclusive approach redefines governance priorities by balancing the demands of various stakeholders, thus promoting long-term sustainability over short-term profits. This model requires boards to expand their focus beyond financial metrics and shareholder value to consider the environmental and social impacts of their decisions. Companies that actively engage with local communities and prioritize environmental stewardship are more likely to build trust and long-term partnerships, leading to more resilient business operations and a stronger brand reputation (Rosário & Figueiredo, 2024).

Despite these positive shifts, adopting stakeholder governance introduces complexity and accountability challenges to decision-making. Balancing stakeholders' diverse needs and expectations can create conflicts and complicate strategic priorities (Bahadorestani et al., 2020). Firms must, therefore, develop governance frameworks that integrate stakeholder concerns into their strategic plans without compromising the firm's ability to meet its financial objectives. This may involve adopting a balanced scorecard approach that measures performance across multiple dimensions, integrating non-financial metrics alongside traditional financial indicators. The move to stakeholder governance also calls for enhanced transparency and robust communication channels to manage stakeholder expectations effectively and maintain trust.

These emerging trends reflect a broader shift towards more comprehensive and sustainable CG practices that align with global calls for more responsible corporate behavior. Boards that embrace these changes and develop robust frameworks for addressing associated challenges are better positioned to drive long-term value creation and navigate the complexities of modern business landscapes (Ibn-Mohammed et al., 2024).

Propositions Guiding the Review

To strengthen the theoretical coherence of this review, we translate insights from the Management Entrenchment Hypothesis (MEH) and the Shareholder

Interest Hypothesis (SIH) into guiding propositions. These propositions are not empirical hypotheses per se, but rather conceptual anchors that inform the interpretation of patterns across the literature:

- i. P1: In regulatory environments with weak enforcement mechanisms, corporate governance gaps are more likely to reinforce managerial entrenchment, limiting the effectiveness of ESG adoption.
- ii. P2: In contexts where shareholder pressure is high, strategic governance tends to align more closely with short-term financial performance than with long-term stakeholder sustainability.
- iii. P3: Emerging digitalization and diversity trends in governance structures are often adopted more readily in markets with normative or mimetic institutional pressures, even when formal regulatory mandates are lacking.

Methodology

This study employed a systematic review and thematic synthesis approach to map the evolution and interrelation of ESG integration, strategic corporate governance emphasis, and emerging governance trends (e.g., digitalization, diversity) in IMF- and World Bank–defined emerging markets from 2004 to 2024. The methodology followed PRISMA guidelines (Tricco et al., 2018) to ensure transparency, and thematic analysis principles outlined by Braun and Clarke (2006), supported by the qualitative data analysis framework of Miles and Huberman (1994).

Research Design and Justification

Given the diversity and interdisciplinary nature of the literature on ESG and corporate governance, we adopted a systematic scoping review combined with thematic analysis. This design allowed us to capture both the breadth and depth of governance discourse across peer-reviewed and gray literature in emerging markets. The unit of analysis was the individual publication—journal articles, reports, or institutional papers—examined based on their treatment of ESG, CG, strategic emphasis, and emerging digital or diversity-related governance issues.

The approach is theoretically grounded in Miles and Huberman's (1994) iterative cycle of data reduction, data display, and conclusion drawing, and methodologically guided by Braun and Clarke's (2006) six-phase process of thematic analysis. This dual framework ensured both analytical rigor and conceptual coherence.

Data Sources and Search Strategy

We searched five databases: Scopus, Web of Science, JSTOR, Google Scholar, and selected institutional repositories (e.g., World Bank, IFC, UNDP). The search included English-language publications between January 2004 and March 2024, using the following keyword strings:

- i. “Corporate Governance” AND “Emerging Markets”.
- ii. “ESG” OR “Environmental Social Governance”.
- iii. “Digital Governance” OR “AI” OR “Board Diversity”.
- iv. “Stakeholder Theory” OR “Agency theory”.

Boolean logic was used to refine searches and target combinations of thematic dimensions.

Study Selection and Screening

The selection process followed PRISMA guidelines (Page et al., 2021). The steps were as follows and are detailed in Appendix A:

- i. Identification: 412 records retrieved.
- ii. Deduplication: 58 duplicates removed.
- iii. Screening: 354 titles/abstracts screened.
- iv. Exclusions: 211 removed for lack of relevance.
- v. Eligibility: 143 full-text articles reviewed.
- vi. Final Inclusion: 112 peer-reviewed publications + 42 gray literature sources (e.g., policy briefs, institutional reports).
- vii. Total corpus: 154 documents.

Inclusion Criteria

- i. Focus on ESG, corporate governance, strategic governance, or emerging trends (e.g., digital, diversity).
- ii. Empirical or conceptual relevance to emerging market contexts.
- iii. Published between 2004 and 2024 in English.

Thematic Analysis and Coding Protocol

Thematic coding was conducted in NVivo 14 and followed the six-step process outlined by (Braun & Clarke, 2006):

- i. Familiarization with the data.
- ii. Generation of initial codes.
- iii. Theme identification.
- iv. Theme review and refinement.
- v. Theme naming and definition.
- vi. Final synthesis and interpretation.

The finalized themes, their definitions, and representative examples are summarized in Table 6.

Table 6
Thematic Summary Matrix: Core Themes, Definitions, and Illustrative Examples

Theme	Definition	Representative Examples
Strategic Governance Emphasis	Refers to how firms in emerging markets balance short-term financial goals with long-term sustainability, risk management, and stakeholder alignment.	“Several studies from Latin America highlight pressure to prioritize quarterly results over long-term ESG investment.”
ESG Integration	The degree to which environmental, social, and governance principles are incorporated into core strategy, reporting, and decision-making.	“Asian firms report higher levels of ESG disclosure, but integration into operations remains inconsistent.”
Emerging Governance Trends	Encompasses new governance dimensions including digital transformation, board diversity, and AI in decision-making, particularly in emerging markets.	“Firms in South Africa are leveraging AI tools for ESG risk forecasting despite limited board-level tech expertise.”

Two reviewers independently coded an initial 20% of the dataset, followed by discussions to consolidate codes. Inter-coder reliability was assessed using Cohen’s Kappa ($k = 0.81$), indicating substantial agreement.

Coding was Performed in Two Stages

- i. Open coding to identify emerging patterns across strategic governance, ESG, and emerging trends.
- ii. Axial coding to cluster related patterns into overarching themes.

We also drew on Miles and Huberman's (1994) concept of analytical memoing and data matrices to support comparative analysis across regions.

Theme Development and Synthesis

The final themes were grouped into three main categories, aligning with the review's conceptual framework:

- i. Strategic governance emphasis – including short-termism vs. long-term alignment.
- ii. ESG integration – focusing on environmental, social, and governance performance trends.
- iii. Emerging governance trends – encompassing digitalization, AI, and board diversity initiatives.

Findings

The results of this literature review provide a detailed examination of corporate governance (CG) practices in emerging markets, highlighting key themes, challenges, and transformative trends. The findings are organized into three main dimensions: governance mechanisms, the integration of Environmental, Social, and Governance (ESG) principles, and the impact of emerging digitalization, artificial intelligence (AI), and diversity on CG structures.

Governance Mechanisms in Emerging Markets

The review revealed that governance mechanisms in emerging markets often operate in a dual context of high growth potential and institutional weaknesses, as shown in Table 7. Many studies emphasized that agency conflicts remain predominant, with concentrated ownership structures and family-dominated firms being prevalent. While these structures provide certain advantages, such as agility in decision-making, they often lead to challenges in balancing the interests of minority shareholders and other stakeholders. Additionally, regulatory environments in many emerging markets are inconsistent, with weak enforcement mechanisms contributing to limited accountability.

Several studies highlighted that firms in emerging markets increasingly adopt governance practices that balance short-term financial gains with long-term value creation. Board independence, improved disclosure practices, and shareholder activism have emerged as key trends. However, the extent of implementation varied across regions, with more substantial progress observed in countries with better-developed financial systems, such as South Africa and Malaysia, compared to less-developed markets.

Table 7
Firms in Emerging Markets, Governance Practices

Aspect	Description	Advantages	Challenges	Regional Variations
Concentrated Ownership	Family-dominated or majority shareholder control.	Agility in decision-making.	Agency conflicts; limited protection for minority shareholders.	Prevalent in Asia and Latin America.
Board Independence	Increasing adoption of independent directors to improve governance.	Improved accountability and oversight.	Limited adoption in less-developed markets.	More substantial implementation in South Africa and Malaysia.
Disclosure Practices	Enhanced transparency through regular reporting.	Builds investor trust; improves regulatory compliance.	Weak enforcement mechanisms; inconsistent reporting standards.	Better developed in South-east Asia and South Africa.
Shareholder Activism	The growing influence of minority shareholders in governance decisions.	Encourages transparency and accountability.	Cultural resistance; lack of established frameworks.	Emerging trend in Asia and parts of Latin America.
Regulatory Environments	Varied regulatory frameworks with weak enforcement in many regions.	Potential for tailored local governance solutions.	Inconsistency; limited accountability mechanisms.	Relatively robust in South Africa compared to Sub-Saharan Africa.
Balancing Short- and Long-Term Goals	Focus on strategies that align short-term financial goals with long-term sustainability.	Ensures resilience and competitive advantage.	Resistance from traditional shareholders focused on short-term gains.	Progress in markets with strong financial systems like Malaysia.

Integration of ESG Principles

Integrating ESG principles into CG practices was a recurring theme in the literature. The review found that firms in emerging markets are under growing pressure from international investors and stakeholders to adopt ESG frameworks. Environmental sustainability initiatives, such as reducing carbon footprints and adopting green technologies, were particularly emphasized in industries with high environmental impact, such as manufacturing and energy.

Social dimensions of ESG—including employee welfare, community engagement, and diversity—were also highlighted, albeit with varying levels of focus. In some regions, such as Latin America, social issues including indigenous community rights were found to be more prominent. Governance aspects of ESG, such as transparency and anti-corruption measures, were critical for building trust with local and global stakeholders. However, the review noted significant gaps in the operationalization of ESG principles, with many firms treating ESG compliance as a box-checking exercise rather than a strategic priority.

Impact of Emerging Trends

Digitalization, AI, and diversity trends were identified as transformative forces reshaping CG structures in emerging markets, as illustrated in Table 8 below. Digitalization has introduced new tools for enhancing governance, such as data analytics for risk management and blockchain for improving transparency in financial reporting. However, it has also increased exposure to cybersecurity risks, with several studies emphasizing the need for firms to adopt robust digital governance frameworks.

AI has offered opportunities for optimizing decision-making processes, particularly in areas like predictive analytics and performance evaluation. Nonetheless, ethical concerns regarding AI implementation—including biases and accountability—were noted as significant challenges requiring attention.

Diversity in governance was identified as a growing focus, with studies pointing to its positive impact on innovation and decision-making. However, the review found that progress in achieving gender and ethnic diversity on corporate boards remains uneven across emerging markets, with cultural and institutional barriers playing a significant role.

Table 8
Impacts of Emerging Trends on Reshaping Corporate Governance

Emerging Trend	Impact on Governance	Opportunities	Challenges
Digitalization	Introducing new tools like data analytics and blockchain for enhanced governance and transparency in financial reporting.	Improves risk management and transparency.	Increased exposure to cybersecurity risks; need for robust digital governance frameworks.
Artificial Intelligence (AI)	AI offers opportunities to optimize decision-making through predictive analytics and performance evaluation.	Enhances decision-making processes and efficiency in governance.	Ethical concerns: biases in AI implementation, accountability issues, and the need for regulation.
Diversity	Growing focus on diversity in governance, positively impacting innovation and decision-making.	Improves innovation and decision-making by incorporating diverse perspectives.	Uneven progress in achieving gender and ethnic diversity on boards due to cultural and institutional barriers.

Regional Variations

Thematic trends were reported across Asia, Africa, and Latin America; however, the slight overrepresentation of Asian markets (e.g., China, India, Malaysia) reflects the greater availability of published ESG-related governance studies in that region. This imbalance was mitigated through triangulation with regional policy reports and institutional data for Africa and Latin America. The review identified substantial regional variations in CG practices and challenges. In Asia, rapid economic growth was found to drive improvements in governance frameworks, but entrenched family ownership and limited board independence remained persistent challenges. In Africa, CG efforts were often hindered by political instability and weak institutional capacity, although countries like South Africa stood out for their robust regulatory frameworks and ESG integration. Latin America demonstrated significant strides in anti-corruption measures but faced economic volatility and social inequality challenges.

Identified Gaps and Future Directions

While the literature provided valuable insights, several gaps were identified. More empirical research is needed on the long-term impact of ESG integration on firm performance in emerging markets. Additionally, the interplay between digitalization and governance remains underexplored, particularly regarding its implications for cybersecurity and ethical considerations. Future research should also focus on understanding the contextual factors that influence the adoption and effectiveness of CG practices, such as cultural, economic, and regulatory dynamics.

This review underscores the dynamic and multifaceted nature corporate governance in emerging markets. It highlights the progress made in adopting governance mechanisms, integrating ESG principles, and addressing emerging trends while pointing to critical areas requiring further attention to ensure sustainable and inclusive development.

Discussion

The evolving corporate governance (CG) landscape reflects an increasing focus on sustainability, technological integration, and stakeholder inclusivity, particularly in the dynamic and complex contexts of emerging markets. This section delves into the interconnected dimensions of strategic emphasis, ESG integration, and emerging trends, offering a comprehensive analysis of the opportunities and challenges that define the current and future state of CG.

One of the primary challenges for CG in emerging markets is the tension between short-term value appropriation and long-term value creation (George & Schillebeeckx, 2022). This balance is particularly critical in the presence of institutional weaknesses, economic volatility, and concentrated ownership structures. The Management Entrenchment Hypothesis (MEH) highlights the risks of prioritizing short-term gains, which can undermine innovation and sustainable growth (Salehi & Alkhyoon, 2022). For example, managers in weakly governed firms often focus on actions that temporarily enhance performance metrics, such as aggressive cost-cutting, at the expense of long-term investments in research and development (R & D) and workforce development (Habib et al., 2022). These practices are especially prevalent in family-owned and state-controlled enterprises in emerging markets. Conversely, the Shareholder Interest Hypothesis (SIH) underscores the importance of robust governance structures in aligning managerial actions with long-term shareholder interests. Empirical studies suggest that in-

dependent boards, comprehensive audit functions, and performance-based executive compensation incentivize long-term strategic planning (Bhojraj et al., 2017). For instance, India's SEBI Takeover Code has attempted to strengthen CG by enhancing transparency and empowering shareholders, though implementation challenges remain (Mishra et al., 2023). These findings indicate that improving board independence and empowering minority shareholders can mitigate agency conflicts and encourage sustainable decision-making in emerging markets.

Integrating Environmental, Social, and Governance (ESG) principles into CG frameworks represents a paradigm shift towards stakeholder capitalism (Martiny et al., 2024). ESG principles emphasize the need for firms to balance financial performance with environmental stewardship and social responsibility (Park & Lee, 2023). In emerging markets, adopting ESG frameworks can enhance legitimacy, attract foreign investment, and promote sustainable development (Zhu et al., 2024). Firms increasingly adopt green practices, such as reducing carbon emissions and improving energy efficiency, to align with global sustainability standards. For example, sustainability committees and green reporting mechanisms have been implemented in high-impact industries like manufacturing and energy (Petricevic & Teece, 2019). However, a lack of standardized metrics and inconsistent regulatory enforcement often hinders the effective integration of environmental initiatives in emerging markets (Salvioni et al., 2016). Social dimensions—workforce diversity, employee well-being, and community engagement—enhance stakeholder trust. Diverse boards are more likely to prioritize inclusive decision-making processes and address social equity issues, fostering innovation and long-term resilience (Goyal et al., 2019). However, cultural barriers and limited regulatory support often impede progress in achieving gender and ethnic diversity on corporate boards in emerging markets. Transparency and ethical business practices are essential components of ESG integration. Robust disclosure practices and independent audit committees enhance accountability and investor confidence (Dwivedi et al., 2023). Despite these benefits, emerging markets often face challenges related to weak regulatory frameworks and resistance to change, limiting the adoption of governance mechanisms that support ESG principles (Kouam, 2024).

Technological advancements and evolving societal expectations are reshaping CG practices globally. Emerging trends such as digitalization, artificial intelligence (AI), and diversity, equity, and inclusion (DEI) offer opportunities and challenges for firms in emerging markets (Shams et al., 2025a). Digital technolo-

gies—including data analytics and blockchain—transform governance processes by enabling real-time decision-making, enhancing transparency, and streamlining operations (Chatjuthamard et al., 2022). For instance, blockchain can improve financial reporting accuracy, while AI-driven analytics can optimize risk management. However, these technologies also introduce challenges, such as cybersecurity threats and algorithmic biases, necessitating robust digital governance frameworks (Akter et al., 2021). Diverse boards are increasingly recognized for their ability to drive innovation and mitigate risks. Empirical studies show that organizations with diverse leadership are better equipped to adapt to complex challenges and capture market opportunities (Guha et al., 2019). Recent studies further highlight the evolving role of digital governance and organizational transformation in ESG contexts. For instance, Fenwick et al. (2024) emphasize how AI-driven human resource management systems are reshaping internal accountability mechanisms, enabling firms to embed ESG principles more deeply into operational processes. Similarly, Shams et al. (2025b) demonstrate that digital technologies—including predictive analytics and integrated ESG dashboards—are increasingly used by firms in emerging markets to comply with reporting requirements and simulate long-term sustainability scenarios. These insights underscore the convergence of digital innovation and ESG governance, particularly in regions where institutional pressure is growing but enforcement mechanisms remain fragmented.

Nevertheless, achieving diversity in governance remains a significant hurdle in emerging markets due to entrenched cultural norms and structural barriers. The shift from shareholder-centric models to stakeholder governance underscores the importance of addressing the interests of employees, customers, suppliers, and communities. Stakeholder governance aligns corporate activities with broader societal goals, fostering long-term value creation and trust (Awa et al., 2024; Humphery-Jenner, 2014). However, balancing diverse stakeholder demands can complicate decision-making and strategic prioritization.

CG practices in emerging markets vary significantly by region. For instance, South Africa's robust regulatory frameworks and ESG integration efforts contrast with the weaker institutional capacities observed in other Sub-Saharan African countries (Anderhofstadt et al., 2024). Similarly, while Asian economies demonstrate significant progress in governance reforms, entrenched family ownership structures pose challenges (Aguilera & Jackson, 2010). Future research should

focus on understanding the contextual factors influencing CG practices, such as cultural norms, regulatory environments, and economic conditions. Additionally, the interplay between digitalization and governance warrants further exploration, particularly concerning its implications for cybersecurity and ethical considerations. Policymakers and corporate leaders must prioritize capacity building, standardized ESG metrics, and inclusive governance frameworks to enhance the effectiveness of CG in emerging markets.

Institutional Pressures and the Diffusion of ESG Practices

While this review highlights that ESG adoption in emerging markets often occurs in the context of weak or inconsistently enforced regulatory frameworks, the continued uptake of ESG practices suggests that firms are motivated by more than just compliance. A useful lens for understanding this phenomenon is provided by neo-institutional theory, particularly the concept of institutional isomorphism as articulated by DiMaggio and Powell (1983).

Institutional isomorphism refers to the process by which organizations become more similar over time—not necessarily due to efficiency, but in response to social pressures and the desire for legitimacy. This occurs through three primary mechanisms:

- i. Coercive isomorphism arises from formal and informal pressures imposed by influential stakeholders such as international financial institutions (IFIs), global investors, and donor agencies. Firms in emerging markets often adopt ESG frameworks to meet the expectations of these actors, particularly when access to foreign capital or partnerships is at stake.
- ii. Normative isomorphism reflects the influence of professional norms, industry associations, and global reporting standards (e.g., GRI, SASB). As ESG training becomes embedded in business education and corporate governance discourse, firms increasingly internalize sustainability practices as standard components of good governance.
- iii. Mimetic isomorphism is triggered by uncertainty, prompting firms to imitate the ESG practices of successful multinational peers. This behavior is especially pronounced in regions where formal regulatory guidance is lacking, but where ESG is viewed as a marker of modernity, competitiveness, or reputational legitimacy.

Applying this theoretical perspective, we understand that ESG integration in emerging markets is not simply a response to domestic regulation, but a strategic and symbolic alignment with global governance expectations. This also helps explain the varying depth of ESG implementation—ranging from symbolic disclosure to substantive operational change—as firms respond to institutional pressures rather than purely legal obligations.

Policy Implications

The findings of this study carry significant implications for policymakers aiming to strengthen corporate governance frameworks in emerging markets. First, governments should prioritize the development of robust regulatory frameworks that enforce transparency, accountability, and board independence. Tailored policies that address region-specific challenges—such as concentrated ownership structures and weak legal enforcement—can enhance the overall governance environment.

Second, integrating ESG principles into regulatory mandates is essential to align corporate activities with global sustainability goals. Policymakers should establish standardized ESG reporting requirements to ensure consistency and comparability across firms and sectors. Incentivizing firms to adopt green technologies and socially responsible practices through tax breaks or subsidies can further encourage ESG integration.

Third, addressing digital governance is critical in the face of rapid technological advancements. Governments should promote the adoption of secure and ethical digital tools by introducing cybersecurity, data privacy, and AI ethics guidelines. Partnerships with private sector actors can facilitate capacity building and knowledge sharing, enabling firms to harness the benefits of digitalization while mitigating risks.

Finally, promoting diversity and inclusion within governance structures requires targeted interventions. Policymakers should introduce quotas or incentives to increase the representation of women and minority groups on corporate boards. Educational initiatives aimed at dismantling cultural barriers and fostering inclusive workplace cultures can support long-term progress in achieving diversity.

Conclusion

The dynamic nature of corporate governance (CG) in emerging markets underscores the imperative for adaptable and resilient frameworks. Balancing short-term value appropriation with long-term value creation remains a cornerstone of

effective CG, particularly in environments characterized by economic volatility, regulatory inconsistencies, and concentrated ownership structures. To navigate these challenges, firms must adopt robust governance mechanisms that promote board independence, empower minority shareholders, and align managerial incentives with sustainable growth objectives.

Integrating Environmental, Social, and Governance (ESG) principles has emerged as a strategic necessity, reshaping CG priorities to align with global sustainability standards and stakeholder expectations. Firms that proactively adopt ESG frameworks enhance their legitimacy, attract international investments, and position themselves as leaders in sustainable development. However, the lack of standardized ESG metrics and inconsistent regulatory enforcement continues to impede progress, particularly in emerging markets.

Technological advancements—including digitalization and artificial intelligence (AI)—present transformative opportunities for CG and introduce risks such as cybersecurity threats and ethical concerns. Boards must develop robust digital governance frameworks to harness the potential of these technologies while mitigating associated risks. Similarly, promoting diversity, equity, and inclusion (DEI) within governance structures is essential for fostering innovation and resilience, yet cultural and institutional barriers must be addressed to fully realize these benefits.

Looking ahead, regional variations in CG practices highlight the need for context-specific solutions that balance local challenges with global best practices. Policymakers, corporate leaders, and stakeholders must collaborate to enhance regulatory frameworks, standardize ESG reporting, and promote inclusive governance models. Future research should explore the interplay between digitalization and CG, the long-term impact of ESG integration, and the socio-cultural factors shaping governance practices in emerging markets.

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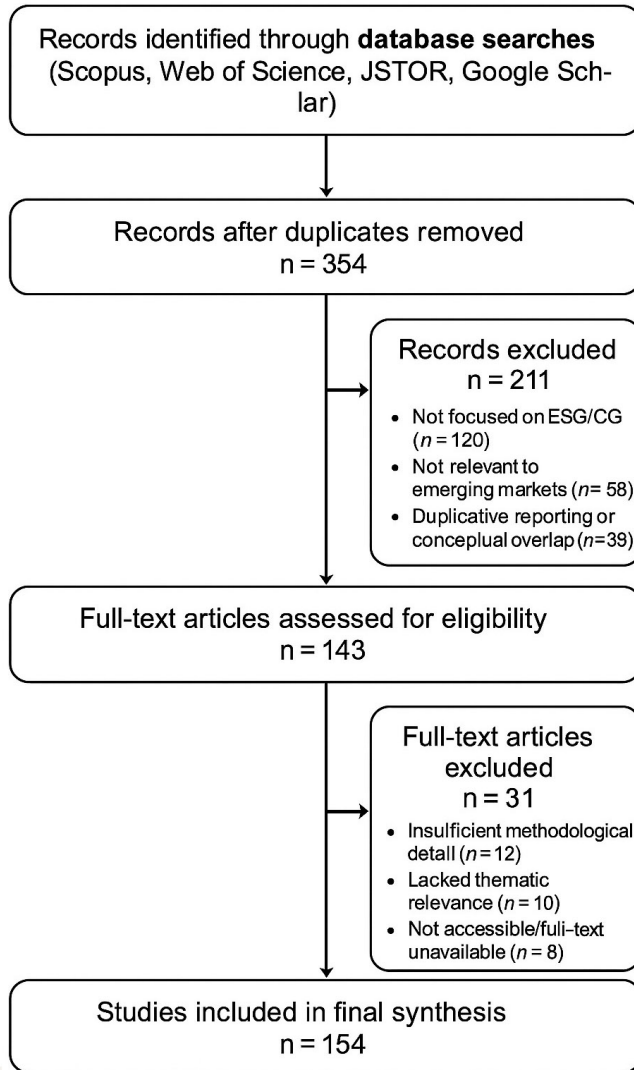
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Appendix A



This diagram outlines the systematic screening and selection process applied following PRISMA guidelines. The flow summarizes the number of records identified, screened, excluded, and included in the final synthesis. Gray literature was assessed using the same eligibility criteria as peer-reviewed sources. Reasons for exclusion are specified at both the abstract and full-text screening stages to enhance transparency and replicability.

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