

## FOREWORD

Corporate governance became an issue of the public concern since the state authorities worldwide, corporations and other stakeholders failed to some extent in the way how to strengthen corporate governance as a system. Financial crisis that happened during the first decade of this century was an evidence of the above thesis. Therefore, to make all these stakeholders more responsible and accountable the general public calls for the clear vision of the fundamentals and challenging issues of corporate governance. This is the issue of the public trust in the corporate world and state institutions.

The authors of this book provided a strong insight of the issue with reference to the national practices and policies. The most important contribution was made by the authors through providing serious arguments to assess the effectiveness of corporate governance practices and policies from country to country. This is a very convenient to make certain conclusions if developed countries have actually more advanced corporate governance systems than developing countries and if its perspectives are truly more beneficial for the stakeholders of corporate governance.

Scholars, contributed to this book, concluded that corporate governance fundamentals rooted in the agency theory have been addressed with certain challenges linked to corporate accountability and responsibility. This concerns both developed and developing countries. This could be taken for a critically addressed issue because the agency theory has been a highly researched field worldwide and we could see that the previous efforts of scholars to make it more visible and clear are not so effective as we could expect.

All above conclusions became possible thanks to the scholars with expertise in corporate governance who are members of network of Virtus Global Center for Corporate Governance (VGCCG) and Virtus Interpress. There are 35 scholars from 18 countries of the world who contributed to this book. These scholars wrote about corporate governance challenges and opportunities in the UK, USA, Canada, Australia, New Zealand, Ireland, France, Netherlands, Italy, Spain, Portugal, Finland, Japan, Poland, Greece, Turkey, Egypt, and Colombia. They are members of international network of VGCCG and Virtus Interpress and collaborate in various ways. Some of them are reviewers or members of Editorial Boards of Virtus Interpress journals. Other scholars are participants of international corporate governance conferences arranged by VGCCG. Some of them are authors of the papers published in Virtus Interpress journals before.

This network is strong enough and built around the major research interests in corporate governance. Therefore it was a successful experience for

the book Editors to outline the structure of the book to meet the expectations of the reading audience. The main concept of the book has been written to describe fundamental issues of corporate governance implemented in developed countries and challenging issues coming from emerging countries. This was a main task of the book to show how these fundamental and challenging issues interact and how this interaction can change the national and international systems of corporate governance in the future.

Finally, this book gives a clear vision what fields of research related to corporate governance still call for further researching by scholars worldwide.

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Ten years ago, in 2007, we published one of the first textbooks in the area Corporate Governance. We started our foreword discussing that corporate governance has become a growing area of public interest and academic research.

In the meantime the world went through a financial crisis and several corporate scandals. The topic of Corporate Governance is now top on the corporate agenda, governments and regulators are busy shaping frameworks, and students register for whole programs in this area. Corporate governance journals such as the journal “Corporate Ownership and Control” and international conferences offer platforms for inspiring discussions and make sure that the research in this area is internationally recognized.

Ten years down the bumpy road, new challenges and opportunities have emerged in the field. It has become difficult to maintain the widely held view that US corporate governance practices provide the best incentives for aligning the interests of managers with those of the shareholders. Long-standing debates all across the globe show that the opinions on many corporate governance topics are controversial.

Malcolm McIntosh recently published a book on “Thinking the 21st Century: Ideas for a New Political Economy”, where he supported capitalism but criticized the current institutions, structures, and interpretations of neoliberal capitalism. He asked for reorganization of the current model of capitalism and its constituting institutions into more balanced ones addressing the meaning of economic, social and environmental capital. Thomas Piketty as well started discussing the place of business within society, and the reasons behind the existence of these institutions.

It is a call for a new approach towards all corporate governance strategies. The increasing complexity of business environment suggests different methods to solve corporate governance issues. In this book we will present some of the new ideas. Certainly, we are not saying that we know all the answers to all corporate governance issues. But understanding the challenges and opportunities can help shaping better corporate governance strategies.

Finally, we want to thank the contributors to this book and our friends in the Corporate Governance network.

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In the last few decades the interest and the debate about corporate governance have been increasingly consolidating and growing from both an academic and policy-making perspective, truly making corporate governance a crucial and all-encompassing topic with each year that passes.

Since the publication of the Cadbury Report in the UK in 1992, we have witnessed the diffusion of corporate governance codes and regulatory bodies at a worldwide level. The OECD produced own model code and many countries produced national specific adaptations giving rise to their own frameworks and to different set of sound corporate governance practices.

The global financial crisis started from 2008 has further raised the attention to the relationship between the quality of corporate governance mechanisms and firm performance, whereas many scholars clearly show that weak governance systems are a common feature of the vast majority of companies – most of all SMEs – defaulting and accessing to bankruptcy procedures. In order to share common guidelines, recently Financial Stability Board member jurisdictions have committed to undergo periodic thematic reviews addressing major corporate governance challenges that came into focus following the 2008 crisis: board practices (including remuneration mechanisms); the role of institutional investors; related party transactions and minority shareholder rights; board member nomination and election; supervision and enforcement; risk management procedures.

Also from an academic standpoint there has been a flourishing of scholarly literature on corporate governance, stimulated by the many conferences, special issues of academic journals on this topic, focused books and, also, innovative graduate and executive courses and programs relating to corporate governance in business and law schools.

Despite such a massive interest, research and regulation, every day everywhere in the world, there are cases of corporate failures and low quality management where it is clear that directors could have worked more diligently. Furthermore, the business world is getting more and more complex and the impact of ICT and big data, on the one hand, coupled with an emerged sensitivity toward corporate social responsibility and “green management” practices, on the other hand, are dramatically impacting corporate business models and competitive strategies, opening new issue related to corporate governance practices.

What should executive directors know in order to effectively play their role in such a complex, regulated and changing environment? What should non-

executive directors know? What systems should they design and implement for sounder corporate performance and risk management? How to balance power of CEOs with directors' responsibilities? How independent should be non-executive directors? What about diversity inside corporate boards? How to differentiate directors' compensations without reducing incentives? What are the true rights and responsibilities of shareholders? How to improve the quality of relationships between shareholders and corporate directors?

The aim of this book is to try to address such relevant issues providing a full picture of the state of the art of research taking place all around the world dealing with corporate governance. It is important to note that along the eighteen different chapters – each one focused on the analysis of the effectiveness of corporate governance according to a given country's institutional, legal and regulatory framework – it is possible to develop a comprehensive knowledge about the investigated topic coming from an accurate selection of the contributing authors on the basis of their ability to provide a wide variety of national evidences and perspectives, making reference to new trends and challenges featuring not just developed countries, but also emerging market economies.

I am sure all the contributors have broaden the view on corporate governance, giving to all the readers food for thoughts and suggestions for further developing ideas, models and tools ultimately aimed at improving the set of systems, principles and processes by which enterprises are directed in socially beneficial ways.

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